

CITY OF LAKE CITY, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025



MAYOR AND CITY COUNCIL
As of Financial Statement Date

Noah Walker
Mayor

Tammy Harris
Councilmember

James Carter
Councilmember

Chevella Young
Councilmember

Ricky Jernigan
Councilmember

APPOINTED OFFICIALS

Don Rosenthal
City Manager

Angela Taylor Moore
Finance Director

Clay Martin
City Attorney

Audrey Sikes
City Clerk

Table of Contents

Financial Section

Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet—Governmental Funds.....	18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Department Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency Fund	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Airport Fund	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Airport Capital Projects Fund.....	26
Statement of Net Position – Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Statement of Fiduciary Net Position – Fiduciary Funds	30
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	31
Notes to Financial Statements	32 - 67
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios.....	69
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees' Plan	70
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers' Plan.....	71
Schedule of Changes in Net Pension Liability and Related Ratios – Firemen's Plan.....	72
Schedule of Contributions – General Employees' Plan	73
Schedule of Contributions – Police Officers' Plan.....	74
Schedule of Contributions – Firemen's Plan.....	75
Schedules of Investment Returns	76
Schedules of Proportionate Share of NPL – FRS/HIS	77
Schedules of Schedule of Contributions – FRS/HIS	78

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	81
Schedule of Net Revenues and Debt Service Coverage – Utility System Revenue and Refunding Bonds Series 2013, Series 2016, and Series 2020 Rate Covenant.....	82

Single Audit

Schedule of Expenditures of State Financial Assistance	83
Notes to the Schedule of Expenditures of State Financial Assistance	84
Schedule of Findings and Questioned Costs.....	85 - 85
Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance Required by the Chapter 10.550, Rules of the Auditor General	86 - 88

Other Reports

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	89 - 90
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	91 - 93
Independent Accountants' Examination Report.....	94

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council,
City of Lake City, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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.

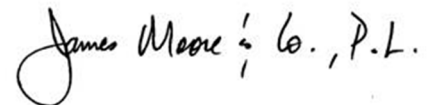
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of state financial assistance as required by the audit requirements of Section 215.97, Florida Statutes, *Florida Single Audit Act*, and Chapter 10.550, Rules of the Florida Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates 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 June 26, 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 solely 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 effectiveness of 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
June 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. Management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$136,013,912. Of this amount, \$34,830,711 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,261,727. Government activities experienced a decrease of \$1,512,087, while the business-type activities increased by \$3,773,814.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$32,383,640. Of this total amount, \$16,120,381 is available for spending at the City's discretion (unassigned fund balance).

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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's finances, in a manner similar to a private sector business, in that all governmental and business-type activities are consolidated into columns which add up to a total for the primary government.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, airport, physical environment, economic environment, culture and recreation, and health and welfare. Property taxes, utility service taxes, gas taxes, and sales taxes, along with the City's charges for services and interfund charges, finance the majority of these services. The business-type activities include natural gas, and water and wastewater, where the fees for service typically cover all or most of the cost of operation including depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

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, 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 three categories: *governmental funds*, *proprietary funds*, and *fiduciary 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 maintains eleven individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Department, Airport Capital Projects, Airport Fund and the Community Redevelopment Agency Fund, which are considered to be major funds. Data included in the other governmental funds consists of governmental funds that are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on page 80 and 81 of this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds to account for the following operations: natural gas distribution, and the water and wastewater utilities. The City has no internal service funds.

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 for the natural gas and water and wastewater utility fund, which are considered to be major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes fiduciary funds to account for its employees' retirement plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Notes to the Financial Statements

The notes provide additional information which 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's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$136,013,912 at the close of the most recent fiscal year.

City of Lake City's Net Position

The largest portion of the City's net assets, or \$88,691,886, reflects its investment in capital assets (i.e., land, utility plant and improvements, equipment, buildings, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$12,491,315, represents resources that are subject to external restrictions on how they may be used (restricted net assets).

The unrestricted net asset balance of \$34,830,711 is intended to be a corporate-style measurement of the City's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

City of Lake City Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Current and Other Assets	\$ 44,247,981	\$ 46,926,509	\$ 28,320,130	\$ 24,602,365	\$ 72,568,111	\$ 71,528,874
Capital Assets	\$ 53,497,105	\$ 52,463,648	\$ 69,937,029	\$ 72,404,854	\$ 123,434,134	\$ 124,868,502
Total Assets	\$ 97,745,086	\$ 99,390,157	\$ 98,257,159	\$ 97,007,219	\$ 196,002,245	\$ 196,397,376
Deferred Outflow of Resources	\$ 2,380,291	\$ 5,347,195	\$ 853,641	\$ 1,806,434	\$ 3,233,932	\$ 7,153,629
Current Liabilities	\$ 3,391,182	\$ 2,738,347	\$ 6,394,138	\$ 6,214,765	\$ 9,785,320	\$ 8,953,112
Long-term liabilities	\$ 14,052,229	\$ 16,075,526	\$ 27,263,051	\$ 30,329,126	\$ 41,315,280	\$ 46,404,652
Total liabilities	\$ 17,443,411	\$ 18,813,873	\$ 33,657,189	\$ 36,543,891	\$ 51,100,600	\$ 55,357,764
Deferred Inflows of Resources	\$ 11,020,581	\$ 12,752,007	\$ 1,101,084	\$ 1,691,049	\$ 12,121,665	\$ 14,443,056
Net Position						
Net Investment in Capital Assets	\$ 45,327,751	\$ 43,303,891	\$ 43,364,135	\$ 41,156,954	\$ 88,691,886	\$ 84,460,845
Restricted	\$ 7,385,982	\$ 11,595,189	\$ 5,105,333	\$ 4,598,592	\$ 12,491,315	\$ 16,193,781
Unrestricted	\$ 18,947,652	\$ 18,272,392	\$ 15,883,059	\$ 14,823,167	\$ 34,830,711	\$ 33,095,559
Total net position	\$ 71,661,385	\$ 73,171,472	\$ 64,352,527	\$ 60,578,713	\$ 136,013,912	\$ 133,750,185

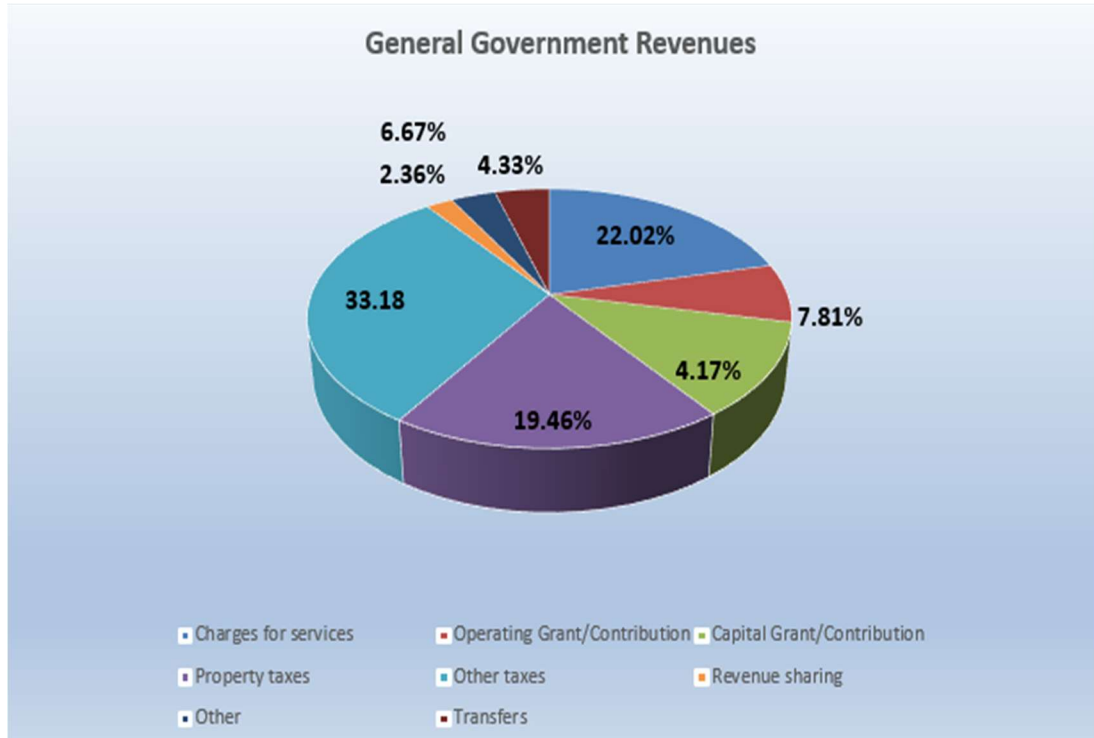
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
REVENUES						
Program Revenues:						
Charges for services	\$ 6,641,317	\$ 6,802,312	\$ 24,786,030	\$ 23,788,513	\$ 31,427,347	\$ 30,590,825
Operating grants and contributions	1,614,709	1,547,176	108,624	2,055	1,723,333	1,549,231
Capital grant and contributions	1,281,833	2,154,710	940,081	705,963	2,221,914	2,860,673
Property taxes	5,271,707	4,958,845			5,271,707	4,958,845
Sales taxes	3,872,135	3,714,022			3,872,135	3,714,022
Casualty and fire insurance premium taxes	211,188	186,188			211,188	186,188
Public service taxes	1,759,522	1,686,858			1,759,522	1,686,858
Other taxes	715,624	694,526			715,624	694,526
Franchise and utility taxes	1,792,870	1,731,445			1,792,870	1,731,445
State revenue sharing	645,876	643,707			645,876	643,707
Other governmental revenues	293,039	286,808			293,039	286,808
Investment earnings	1,657,594	724,588	846,045	106,572	2,503,639	831,160
Miscellaneous revenues	225,129	325,636	766,283	170,411	991,412	496,047
Loss on disposal of capital assets				4,090	-	4,090
Total Revenues and transfers	25,982,543	25,456,821	27,447,063	24,777,604	53,429,606	50,234,425
EXPENSES						
General Government	6,071,363	4,118,294			6,071,363	4,118,294
Public Safety	12,709,495	9,579,330			12,709,495	9,579,330
Highway and Streets	4,019,941	3,400,922			4,019,941	3,400,922
Airport	3,750,771	3,346,639			3,750,771	3,346,639
Health and Welfare	357,845	381,150			357,845	381,150
Economic Environment	135,626	60,165			135,626	60,165
Physical Environment	573,540	559,961			573,540	559,961
Culture and Recreation	26,532	26,702			26,532	26,702
Interest on Long Term Debt	269,845	293,959			269,845	293,959
Water and Sewer Utility			17,539,514	15,159,514	17,539,514	15,159,514
Natural Gas Utility			5,713,407	5,082,597	5,713,407	5,082,597
Total Expenses	27,914,958	21,767,122	23,252,921	20,242,111	51,167,879	42,009,233
Increase (Decrease) in net assets before transfers	(1,932,415)	3,689,699	4,194,142	4,535,493	2,261,727	8,225,192
Transfers	420,328	910,000	(420,328)	(910,000)	-	-
Increase (Decrease) in net assets	(1,512,087)	4,599,699	3,773,814	3,625,493	2,261,727	8,225,192
Net Assets -						
Net position - beginning	73,173,472	68,573,773	60,578,713	56,953,220	133,752,185	125,526,993
Net Position - Ending	\$ 71,661,385	\$ 73,173,472	\$ 64,352,527	\$ 60,578,713	\$ 136,013,912	\$ 133,752,185

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities before transfers decreased the City's net assets by \$5,620,114. Revenues for the City's governmental activities increased by \$525,722, and total expenses increased by \$6,145,836 for 2025.

Key elements of the changes in revenues and expenses include:



Revenue:

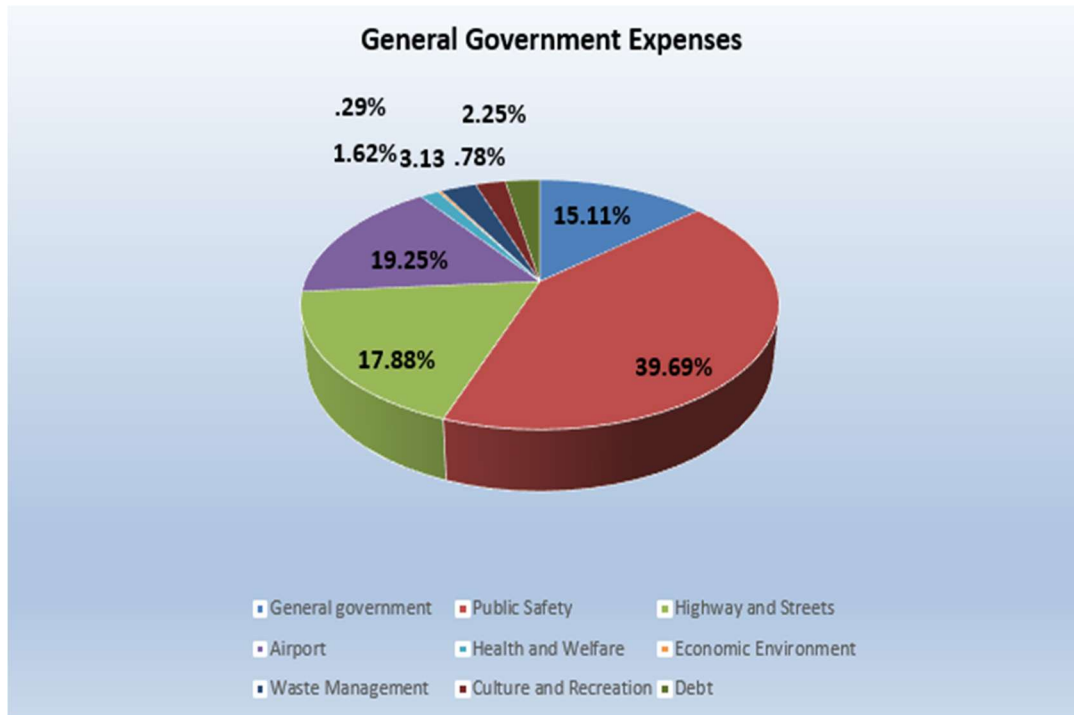
- Charges for services overall in 2025 were down \$160,995. The construction of the new HCA two-story patient tower, part of its \$103 million investment to meet the growing healthcare needs of the community, was completed the previous year and there were no major developments in fiscal year 2025.
- Operating grants increased in 2025 by \$67,533. The City received several small grants for the Police Department for operating equipment, which caused a slight increase in revenue compared to the prior year.
- Capital grants decreased by \$872,877 in FY 2025. With the completion of several projects at the Lake City Airport in the prior year, there were only a few ongoing grant projects, including the resurfacing of Grandview Avenue, along with the rehabilitation & realignment of taxiway C.
- Ad valorem increased in the amount of \$312,862 in the General & CRA Funds as the City continues to maintain its ad valorem rate of 4.9 mils.
- Other taxes, which include utility, sales tax, revenue sharing, and discretionary sales tax, increased \$21,098 during the year. Sales taxes went up \$158,113 and franchise & utility taxes also increased \$61,425.
- State shared revenues, which include the 1% discretionary sales tax, went up slightly by \$2,169 for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Investment earnings on accounts increased \$933,006 as market rates have continued to steadily increase, and the new City Manager renegotiated the interest rate earned with the City's bank from a rate of 0.34% to a 4.44% annual percentage yield earned (APYE).

Expenses:

- Governmental spending increased significantly, rising by \$6,145,836 compared to 2024. The breakdown of changes is outlined below.



- General government expenditures increased \$1,953,069. Public Works upgraded their fleet with the addition of a new diesel track paver at a cost of \$91,569, a new portable screener at a cost of \$36,664, a Mack Lowboy at a cost of \$172,735 and a Duralift Bucket Truck at a cost of \$241,845. Eight roads were resurfaced totaling \$1,230,776, along with the repaving of three additional roads at a cost of \$24,512. Council chambers audio and video equipment were upgraded totaling \$60,695. The City also migrated to Microsoft 365 at a cost of \$69,118.
- Public Safety expenditures increased \$3,130,165 due to the Fire Department's purchase of the new Tower One SPH100 Aerial Platform Firetruck from Sutphen Corporation at a cost of \$2,124,486 and their new Caterpillar DG300 Generator totaling \$233,335. The Police Department's contract for the new Flock Camera system cost of \$91,000 as well as the cost of radios and body cams for five new officers totaling \$214,257 contributed to the increase. In addition, the Police Union agreement resulted in an increase to their payroll in the amount of \$425,621.
- Airport net expenditures increased by \$402,132. Lighting damage as well as parking lot repairs and culvert repairs to the south drainage ditch contributed to the \$60,000 increase in their repairs and maintenance expenses. Also, fuel purchases increased \$185,060 over the previous fiscal year. Construction also began on a new corporate hangar.

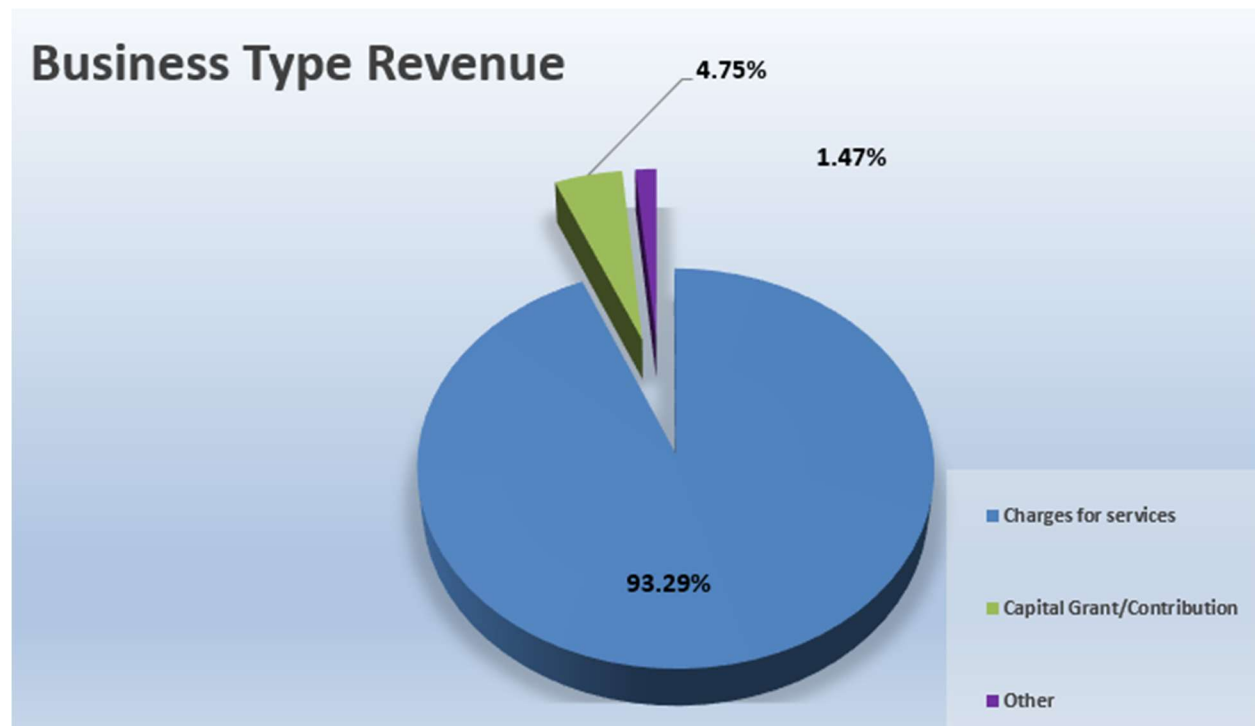
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Business-type activities before transfers decreased the City's net assets by \$341,351 for fiscal year 2025. Revenues for the City's business-type activities increased \$2,669,459 while total expenses decreased \$341,351 for fiscal year 2025. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services increased \$997,517 from the previous year. Gas consumption increased to 6,869,776 therms sold in fiscal year 2025 from 5,758,817 therms in the prior year, as the City had substantial growth in gas services. Water & Sewer charges increased 2.89% from the prior year per the Consumer Price Index. The 2.89% increase in the CPI from the prior year helped generate an increase of \$532,469 in water and sewer revenues.
- In Fiscal Year 2025, capital grants experienced an increase of \$234,118. This growth reflects a strategic focus on enhancing infrastructure and supporting key projects across various sectors. The uptick in funding underscores a commitment to investing in long-term capital initiatives aimed at fostering development and addressing critical needs within the community.
- In 2025, other non-operating revenues notably increased by \$739,473, primarily due to the renegotiation of the interest rate earned with the City's bank from a rate of 0.34% to a 4.44% annual percentage yield earned (APYE).



MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Expenses:

- In Fiscal Year 2025, water and sewer expenses increased by \$2,380,000. This increase was primarily attributed to a combination of several projects. The SR47 infrastructure project began to extend water, sewer and gas to Cornerstone Development for their future buildout of a new Publix and other retailers which contributed an amount of \$971,329. An ongoing project to repair and maintain sewer and stormwater lines throughout the city and county totaled \$511,676 for FY25. The City began replacing antiquated Telemetry Control Units (TCUs) on the City's lift stations so that the City may continue to monitor the liquid levels in the pump's wet-well, manage when the pumps turn on or off, and communicate station data (like pump status or faults) to the utility's central command system contributing \$350,766. The City also started the Supervisory Control and Data Acquisition (SCADA) project at St. Margaret's Wastewater Treatment Plant. SCADA is an industrial software and hardware system that allows the City to monitor, gather data from, and control equipment and processes from a centralized location, reducing staffing level requirements imposed by the DEP. This project is ongoing with a total budgeted cost of \$1,500,000.
- In Fiscal Year 2025, expenditures on natural gas contract services and materials increased by \$630,810, in part, due to the restructuring of the department's pay rates. To remain competitive in the labor market and support ongoing recruitment efforts, the department implemented an increase to the minimum starting wage, establishing a new baseline of \$18.00 per hour. Following this adjustment, management conducted a comprehensive review of existing employee compensation to ensure internal equity. As a result, wages for current staff were realigned to maintain appropriate differentials that reflect each employee's experience, tenure, and role within the organization. These actions were taken to promote fairness, strengthen retention, and support operational stability. In addition, the Natural Gas department's overall operating expenditures increased.

The City's Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$32,383,640, which is a 7.93% percent decrease over the previous year. Approximately 49.78% percent or \$16,120,381 of the fund balance constitutes an unassigned fund balance, which is available for spending at the government's discretion. Non-spendable fund balance of 0.37% is comprised of:

❖ Inventory	\$ 114,458
❖ Prepaids	\$ 6,861

Business-type Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Budgetary Highlights – Governmental Activities

For fiscal year 2025, the City adopted a balanced budget in the General Fund. The General Fund had an original budget of \$28,566,709; the final amended budget was \$28,566,709.

The following is a brief overview of the budgeting changes from the original budget to the final budget.

Governmental Funds

- The City Council authorized the allocation of \$2,200,000 in American Rescue Plan Act (ARPA) funds to the Fire Fund for the acquisition of a 100-foot aerial ladder truck which was finally delivered in February of 2025. The 100-foot Sutphen SPH100 aerial platform fire truck was purchased to improve the City's ability to protect residents and property. This truck allows firefighters to safely reach higher floors, perform rescues more efficiently, and respond more effectively to fires in larger buildings. It also replaces aging equipment, reducing maintenance costs and improving reliability during emergencies.
- Minor budgetary adjustments were made to address operating expenses that exceeded initial projections.
- Midway through the fiscal year, the City Council approved the hiring of an in-house City Attorney and Legal Assistant to improve efficiency and reduce reliance on outside legal services. Bringing these positions in-house allows the City to respond more quickly to legal questions, manage contracts and compliance more effectively, and lower long-term legal costs. This change strengthens day-to-day operations, supports better decision-making, and provides residents with a more cost-effective and responsive legal service structure.

Business-Type Funds

- Within the Water and Sewer Fund, the City began the SR47 infrastructure project to extend water, sewer, and gas service to the Cornerstone Development site, which will include a new Publix and additional retail businesses. This project was completed through a City–County partnership, with the County contributing half of the project's approximately one-million-dollar cost. This shared investment supports future economic growth and reduces the financial burden on City ratepayers.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Capital Assets and Debt Administration

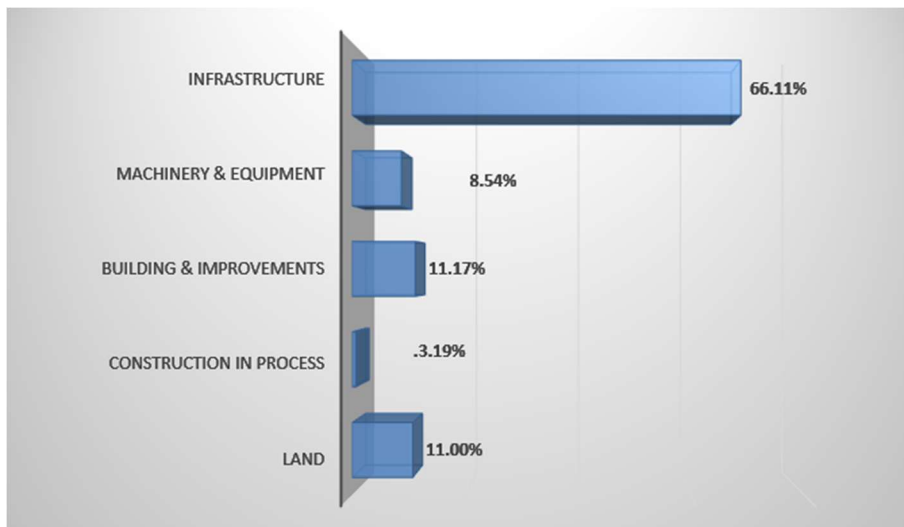
Capital Assets

At the end of fiscal year 2025, the City had \$123,434,134 invested in a broad range of capital assets. This amount represents a net increase of \$697,473 over last year.

Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Land	\$ 7,883,051	\$ 7,883,051	\$ 5,234,282	\$ 5,234,282	\$ 13,117,333	\$ 13,117,333
Construction in Process	2,605,825	5,154,382	4,418,275	11,010,074	7,024,100	16,164,456
Building & Improvements	9,632,056	10,135,346	4,322,903	4,520,346	13,954,959	14,655,692
Machinery & equipment	6,274,878	3,735,175	4,635,555	4,647,250	10,910,433	8,382,425
Infrastructure	27,101,295	25,555,694	51,326,014	44,861,061	78,427,309	70,416,755
Totals	\$ 53,497,105	\$ 52,463,648	\$ 69,937,029	\$ 70,273,013	\$ 123,434,134	\$ 122,736,661

Capital Assets by Class:



Major capital asset acquisitions and reclassifications from construction in progress to infrastructure and building improvements for 2025 include:

General Government

Taxiway C Realign & Rehab Apron	Airport	\$ 2,846,703
Airport Security Improvements	Airport	\$ 201,382
CCTV Cameras City Wide	City Wide	\$ 378,294
Eight Resurfaced Roads	Public Works	\$ 1,230,776

Business-Type Activities

SR-47 Infrastructure Extensions	Water/Sewer/Gas	\$ 971,330
SR-47/I-75 Septic to Sewer	Water Sewer	\$ 2,726,200
St. Margaret's WWTP Improvements	Water Sewer	\$ 5,336,276
Slip Lining/Trenchless Pipe Rehab for Sewer/Stormwater	Water Sewer	\$ 511,676
Telemetry Control Units (TCUs) for Liftstations	Water Sewer	\$ 350,766

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

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

Long-term Debt

At the end of the current fiscal year, the City had total bond debt outstanding of \$36,764,297 net of unamortized premiums and discounts.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue bonds/leases	\$9,781,517	\$10,703,102	\$ 26,982,780	\$ 29,694,650	\$ 36,764,297	\$ 40,397,752

Additional information on the City's long-term debt can be found in Note 8 of the notes to the financial statements.

The City considered many factors when preparing the fiscal year 2025 budgetary estimates. Some of the major considerations were local and national economic factors, which included:

- As of September 2025, Florida's seasonally adjusted unemployment rate stood at 3.9%, reflecting an increase from 3.3% in the same month of the previous year. Columbia County reported an average unemployment rate of 4.8%. The City continues to encounter challenges in attracting qualified candidates, as workforce competition remains steady across the region.
- The City's budget is developed using historical spending patterns and current market conditions. For Fiscal Year 2025, the annual inflation rate increased to 3.3%, signaling higher costs across key operational areas. In response, the City adjusted its budget to account for these anticipated increases, ensuring that financial plans remained realistic and aligned with economic trends.
- In 2025, the twelve-month average of the Consumer Price Index for All Urban Consumers rose by 2.7%. During the same period, food prices increased by 3.1%, while energy prices saw a 6.1% rise.
- Property values in Florida have declined slightly, driven in part by high mortgage rates and soaring homeowners' insurance. In 2025, Florida experienced a population increase of 0.85%, with an addition of 196,700 residents, according to the U.S. Census Bureau. This growth was driven primarily by international and domestic migration, as natural population change was negative.
- Lake City, like many small but rapidly growing communities, faces a unique set of infrastructure challenges. While the City does not experience the same level of urban pressure as major metropolitan areas, its geographic location, economic activity, and changing population create distinct demands on its water, sewer, transportation, and public safety systems. These factors require ongoing investment, careful planning, and strategic management to ensure that infrastructure keeps pace with development and continues to meet the community's needs.

Financial Contact

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Director at City Hall located at 205 North Marion Avenue, Lake City, Florida, 32055.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 25,280,986	\$ 17,688,500	\$ 42,969,486
Investments	5,612,381	-	5,612,381
Receivables, net	682,010	3,495,327	4,177,337
Leases receivable	6,755,129	-	6,755,129
Due from other governments	1,300,443	728,731	2,029,174
Inventories	114,458	773,146	887,604
Prepaid items	6,861	9,355	16,216
Net pension asset	4,495,713	204,138	4,699,851
Restricted assets:			
Equity in pooled cash	-	5,420,933	5,420,933
Capital assets:			
Capital assets, not being depreciated	10,488,876	9,652,557	20,141,433
Other capital assets, net of depreciation	43,008,229	60,284,472	103,292,701
Total assets	<u>\$ 97,745,086</u>	<u>\$ 98,257,159</u>	<u>\$ 196,002,245</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ -	\$ 62,938	\$ 62,938
Deferred outflows related to pensions	2,295,815	743,251	3,039,066
Deferred outflows related to OPEB	84,476	47,452	131,928
Total deferred outflows	<u>\$ 2,380,291</u>	<u>\$ 853,641</u>	<u>\$ 3,233,932</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,073,164	\$ 787,653	\$ 1,860,817
Customer deposits	101,470	1,585,379	1,686,849
Retainage payable	56,824	57,112	113,936
Unearned revenue	106,695	684,590	791,285
Accrued interest payable	112,635	115,678	228,313
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	708,082	2,670,860	3,378,942
Financed purchase agreements	238,292	85,113	323,405
Compensated absences	994,020	407,753	1,401,773
Due in more than one year:			
Bonds and notes payable, net	8,359,748	24,226,807	32,586,555
Financed purchase agreements	475,396	-	475,396
Compensated absences	307,934	200,175	508,109
Total OPEB liability	370,796	208,284	579,080
Net pension liability	4,538,355	2,627,785	7,166,140
Total liabilities	<u>\$ 17,443,411</u>	<u>\$ 33,657,189</u>	<u>\$ 51,100,600</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 4,953,578	\$ 1,080,565	\$ 6,034,143
Deferred inflows related to OPEB	36,528	20,519	57,047
Deferred inflows related to leases	6,030,475	-	6,030,475
Total deferred inflows	<u>\$ 11,020,581</u>	<u>\$ 1,101,084</u>	<u>\$ 12,121,665</u>
NET POSITION			
Net investment in capital assets	\$ 45,327,751	\$ 43,364,135	\$ 88,691,886
Restricted for:			
Public safety	166,997	-	166,997
Community redevelopment projects	855,661	-	855,661
Airport	1,832,841	-	1,832,841
Debt service	34,763	693,940	728,703
Capital improvements	-	3,707,255	3,707,255
Renewal and replacement	-	500,000	500,000
Pension benefits	4,495,720	204,138	4,699,858
Unrestricted	18,947,652	15,883,059	34,830,711
Total net position	<u>\$ 71,661,385</u>	<u>\$ 64,352,527</u>	<u>\$ 136,013,912</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 6,071,363	\$ 322,326	\$ 19,341	\$ -	\$ (5,729,696)	\$ -	\$ (5,729,696)
Public safety	12,709,495	3,281,669	-	336,802	(9,091,024)	-	(9,091,024)
Highway and street	4,019,941	-	1,595,368	366,411	(2,058,162)	-	(2,058,162)
Airport	3,750,771	2,387,275	-	578,620	(784,876)	-	(784,876)
Health and welfare	357,845	-	-	-	(357,845)	-	(357,845)
Economic environment	135,626	-	-	-	(135,626)	-	(135,626)
Physical environment	573,540	639,332	-	-	65,792	-	65,792
Culture and recreation	26,532	10,715	-	-	(15,817)	-	(15,817)
Interest on long-term debt	269,845	-	-	-	(269,845)	-	(269,845)
Total governmental activities	<u>27,914,958</u>	<u>6,641,317</u>	<u>1,614,709</u>	<u>1,281,833</u>	<u>(18,377,099)</u>	<u>-</u>	<u>(18,377,099)</u>
Business-type activities:							
Water-sewer utility	17,539,514	18,280,132	108,624	940,081	-	1,789,323	1,789,323
Natural gas	5,713,407	6,505,898	-	-	-	792,491	792,491
Total business-type activities	<u>23,252,921</u>	<u>24,786,030</u>	<u>108,624</u>	<u>940,081</u>	<u>-</u>	<u>2,581,814</u>	<u>2,581,814</u>
Total primary government	<u>\$ 51,167,879</u>	<u>\$ 31,427,347</u>	<u>\$ 1,723,333</u>	<u>\$ 2,221,914</u>	<u>(18,377,099)</u>	<u>2,581,814</u>	<u>(15,795,285)</u>
General revenues:							
Property taxes					5,271,707	-	5,271,707
Sales taxes					3,872,135	-	3,872,135
Casualty and fire insurance premium taxes					211,188	-	211,188
Public service taxes					1,759,522	-	1,759,522
Other taxes					715,624	-	715,624
Franchise and utility taxes					1,792,870	-	1,792,870
State revenue sharing					645,876	-	645,876
Other intergovernmental revenues					293,039	-	293,039
Investment earnings (loss)					1,657,594	846,045	2,503,639
Miscellaneous revenues					225,129	766,283	991,412
Transfers					420,328	(420,328)	-
Total general revenues and transfers					<u>16,865,012</u>	<u>1,192,000</u>	<u>18,057,012</u>
Change in net position					<u>(1,512,087)</u>	<u>3,773,814</u>	<u>2,261,727</u>
Net position - beginning					<u>73,173,472</u>	<u>60,578,713</u>	<u>133,752,185</u>
Net position - ending					<u>\$ 71,661,385</u>	<u>\$ 64,352,527</u>	<u>\$ 136,013,912</u>

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

**CITY OF LAKE CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	General	Fire Department	Community Redevelopment Agency	Airport	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and cash equivalents	\$ 20,853,095	\$ 302,085	\$ 871,661	\$ 1,169,331	\$ -	\$ 2,084,814	\$ 25,280,986
Investments	5,612,381	-	-	-	-	-	5,612,381
Receivables, net	650,582	750	-	-	30,678	-	682,010
Due from other governments	978,969	52,771	-	-	268,703	-	1,300,443
Leases receivable	-	-	-	6,755,129	-	-	6,755,129
Due from other funds	265,819	-	-	-	-	-	265,819
Inventories	21,783	-	-	92,675	-	-	114,458
Prepaid items	5,106	-	-	1,755	-	-	6,861
Total assets	<u>\$ 28,387,735</u>	<u>\$ 355,606</u>	<u>\$ 871,661</u>	<u>\$ 8,018,890</u>	<u>\$ 299,381</u>	<u>\$ 2,084,814</u>	<u>\$ 40,018,087</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 859,353	\$ 118,112	\$ 15,500	\$ 55,574	\$ 24,605	\$ 20	\$ 1,073,164
Customer deposits	970	-	500	100,000	-	-	101,470
Retainage payable	47,867	-	-	-	8,957	-	56,824
Unearned revenue	3,000	-	-	-	-	103,695	106,695
Due to other funds	-	-	-	-	265,819	-	265,819
Total liabilities	<u>911,190</u>	<u>118,112</u>	<u>16,000</u>	<u>155,574</u>	<u>299,381</u>	<u>103,715</u>	<u>1,603,972</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,030,475</u>	<u>-</u>	<u>-</u>	<u>6,030,475</u>
FUND BALANCES							
Nonspendable:							
Inventories	21,783	-	-	92,675	-	-	114,458
Prepaid items	5,106	-	-	1,755	-	-	6,861
Restricted for:							
Public safety	-	-	-	-	-	1,833,701	1,833,701
Airport	-	-	-	1,738,411	-	-	1,738,411
Debt service	-	-	-	-	-	147,398	147,398
Community redevelopment	-	-	855,661	-	-	-	855,661
Assigned to:							
American Rescue Plan Act Transition Projects	2,764,316	-	-	-	-	-	2,764,316
Subsequent year's budget	8,564,959	-	-	-	-	-	8,564,959
Public safety	-	237,494	-	-	-	-	237,494
Unassigned	16,120,381	-	-	-	-	-	16,120,381
Total fund balances	<u>27,476,545</u>	<u>237,494</u>	<u>855,661</u>	<u>1,832,841</u>	<u>-</u>	<u>1,981,099</u>	<u>32,383,640</u>
Total liabilities and fund balances	<u>\$ 28,387,735</u>	<u>\$ 355,606</u>	<u>\$ 871,661</u>	<u>\$ 8,018,890</u>	<u>\$ 299,381</u>	<u>\$ 2,084,814</u>	<u>\$ 40,018,087</u>

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

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

Fund balances - total governmental funds \$ 32,383,640

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	115,519,256	
Less: accumulated depreciation	<u>(62,022,151)</u>	53,497,105

On the governmental fund statements, a net pension liability (asset) 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 (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(4,538,355)	
Net pension asset	4,495,713	
Deferred outflows related to pensions	2,295,815	
Deferred inflows related to pensions	<u>(4,953,578)</u>	(2,700,405)

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	(370,796)	
Deferred outflows related to OPEB	84,476	
Deferred inflows related to OPEB	<u>(36,528)</u>	(322,848)

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, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(9,067,830)	
Accrued interest payable	(112,635)	
Financed purchase agreements	(713,688)	
Compensated absences	<u>(1,301,954)</u>	(11,196,107)

Net position of governmental activities \$ 71,661,385

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

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

	General	Fire Department	Community Redevelopment Agency	Airport	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 11,486,568	\$ -	\$ 162,389	\$ -	\$ -	\$ -	\$ 11,648,957
Franchise fees and permits	2,248,262	-	-	-	-	-	2,248,262
Intergovernmental	2,607,610	431,374	258,994	-	578,620	120,737	3,997,335
Charges for services	2,308,771	2,744,424	2,800	2,313,869	-	-	7,369,864
Fines and forfeitures	57,431	-	-	-	-	-	57,431
Investment income (loss)	1,192,233	32,353	29,202	331,778	-	72,028	1,657,594
Miscellaneous	252,723	4,247	150,000	78,911	-	1,993	487,874
Total revenues	<u>20,153,598</u>	<u>3,212,398</u>	<u>603,385</u>	<u>2,724,558</u>	<u>578,620</u>	<u>194,758</u>	<u>27,467,317</u>
Expenditures							
Current:							
General government	6,508,124	-	-	-	-	2,048	6,510,172
Public safety	8,099,098	3,503,235	-	-	-	116,958	11,719,291
Highway and street	3,300,166	-	-	-	-	-	3,300,166
Airport	-	-	-	1,912,379	-	-	1,912,379
Health and welfare	357,845	-	-	-	-	-	357,845
Economic environment	-	-	135,626	-	-	-	135,626
Physical environment	580,052	-	-	-	-	-	580,052
Capital outlay	1,983,072	2,394,356	-	34,824	579,070	14,900	5,006,222
Debt service:							
Principal retirement	-	-	93,051	199,910	-	628,623	921,584
Interest and fiscal charges	-	-	10,098	43,931	-	215,816	269,845
Total expenditures	<u>20,828,357</u>	<u>5,897,591</u>	<u>238,775</u>	<u>2,191,044</u>	<u>579,070</u>	<u>978,345</u>	<u>30,713,182</u>
Excess (deficiency) of revenues over expenditures	<u>(674,759)</u>	<u>(2,685,193)</u>	<u>364,610</u>	<u>533,514</u>	<u>(450)</u>	<u>(783,587)</u>	<u>(3,245,865)</u>
Other financing sources (uses)							
Transfers in	910,000	925,056	-	-	2,650	844,439	2,682,145
Transfers out	(2,005,199)	(253,968)	-	(2,650)	-	-	(2,261,817)
Proceeds from sale of capital assets	16,700	17,209	-	-	-	-	33,909
Total other financing sources (uses)	<u>(1,078,499)</u>	<u>688,297</u>	<u>-</u>	<u>(2,650)</u>	<u>2,650</u>	<u>844,439</u>	<u>454,237</u>
Net change in fund balances	<u>(1,753,258)</u>	<u>(1,996,896)</u>	<u>364,610</u>	<u>530,864</u>	<u>2,200</u>	<u>60,852</u>	<u>(2,791,628)</u>
Fund balances, beginning of year	<u>29,229,803</u>	<u>2,234,390</u>	<u>491,051</u>	<u>1,301,977</u>	<u>(2,200)</u>	<u>1,920,247</u>	<u>35,175,268</u>
Fund balances, end of year	<u>\$ 27,476,545</u>	<u>\$ 237,494</u>	<u>\$ 855,661</u>	<u>\$ 1,832,841</u>	<u>\$ -</u>	<u>\$ 1,981,099</u>	<u>\$ 32,383,640</u>

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

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

Net change in fund balances - total governmental funds \$ (2,791,628)

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	5,006,222
Depreciation expense	(3,790,594)
Net book value of capital assets disposed	(182,171)

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:

Principal repayment of general long-term debt	921,584
---	---------

Governmental funds report contributions to defined benefit pension and OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future total OPEB/net pension liability. Also included in expense in the statement of activities are amounts required to be amortized in future years related to pensions and OPEB.

Change in net pension liability and deferred inflows/outflows related to pensions	(465,817)
Change in total OPEB liability and deferred inflows/outflows related to OPEB	(34,999)

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 compensated absences liability	(174,684)
--	-----------

Change in net position of governmental activities \$ (1,512,087)

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

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,281,671	\$ 11,281,671	\$ 11,486,568	\$ 204,897
Franchise fees and permits	2,358,094	2,358,094	2,248,262	(109,832)
Intergovernmental	3,427,971	3,427,971	2,607,610	(820,361)
Charges for services	2,326,447	2,326,447	2,308,771	(17,676)
Fines and forfeitures	55,794	55,794	57,431	1,637
Investment income	360,945	360,945	1,192,233	831,288
Miscellaneous	141,129	141,129	252,723	111,594
Total revenues	<u>19,952,051</u>	<u>19,952,051</u>	<u>20,153,598</u>	<u>201,547</u>
Expenditures				
Current:				
General government	9,319,900	9,464,700	6,508,124	2,956,576
Public safety	9,197,187	9,197,187	8,099,098	1,098,089
Highway and street	4,050,852	3,960,052	3,300,166	659,886
Health and welfare	689,000	635,000	357,845	277,155
Physical environment	597,628	597,628	580,052	17,576
Capital outlay	2,706,943	2,706,943	1,983,072	723,871
Total expenditures	<u>26,561,510</u>	<u>26,561,510</u>	<u>20,828,357</u>	<u>5,733,153</u>
Excess (deficiency) of revenues over expenditures	<u>(6,609,459)</u>	<u>(6,609,459)</u>	<u>(674,759)</u>	<u>5,934,700</u>
Other financing sources (uses)				
Transfers in	910,000	910,000	910,000	-
Transfers out	(2,005,199)	(2,005,199)	(2,005,199)	-
Proceeds from sale of capital assets	17,500	17,500	16,700	(800)
Total other financing sources (uses)	<u>(1,077,699)</u>	<u>(1,077,699)</u>	<u>(1,078,499)</u>	<u>(800)</u>
Net change in fund balances	<u>(7,687,158)</u>	<u>(7,687,158)</u>	<u>(1,753,258)</u>	<u>5,933,900</u>
Fund balances, beginning of year	29,229,803	29,229,803	29,229,803	-
Fund balances, end of year	<u>\$ 21,542,645</u>	<u>\$ 21,542,645</u>	<u>\$ 27,476,545</u>	<u>\$ 5,933,900</u>

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

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ 239,200	\$ 471,109	\$ 431,374	\$ (39,735)
Charges for services	2,622,022	2,658,022	2,744,424	86,402
Investment income	2,000	2,000	32,353	30,353
Miscellaneous	-	-	4,247	4,247
Total revenues	<u>2,863,222</u>	<u>3,131,131</u>	<u>3,212,398</u>	<u>81,267</u>
Expenditures				
Current:				
Public safety	3,490,998	3,526,998	3,503,235	23,763
Capital outlay	57,888	2,394,388	2,394,356	32
Total expenditures	<u>3,548,886</u>	<u>5,921,386</u>	<u>5,897,591</u>	<u>23,795</u>
Excess (deficiency) of revenues over expenditures	<u>(685,664)</u>	<u>(2,790,255)</u>	<u>(2,685,193)</u>	<u>105,062</u>
Other financing sources (uses)				
Transfers in	925,056	925,056	925,056	-
Transfers out	(253,968)	(253,968)	(253,968)	-
Proceeds from sale of capital assets	-	-	17,209	17,209
Total other financing sources (uses)	<u>671,088</u>	<u>671,088</u>	<u>688,297</u>	<u>17,209</u>
Net change in fund balances	<u>(14,576)</u>	<u>(2,119,167)</u>	<u>(1,996,896)</u>	<u>122,271</u>
Fund balances, beginning of year	2,234,390	2,234,390	2,234,390	-
Fund balances, end of year	<u><u>\$ 2,219,814</u></u>	<u><u>\$ 115,223</u></u>	<u><u>\$ 237,494</u></u>	<u><u>\$ 122,271</u></u>

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

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 164,158	\$ 164,158	\$ 162,389	\$ (1,769)
Intergovernmental	987,815	987,815	258,994	(728,821)
Charges for services	3,500	3,500	2,800	(700)
Investment income	-	-	29,202	29,202
Miscellaneous	-	-	150,000	150,000
Total revenues	<u>1,155,473</u>	<u>1,155,473</u>	<u>603,385</u>	<u>(552,088)</u>
Expenditures				
Current:				
Economic environment	114,674	139,674	135,626	4,048
Capital outlay	1,208,317	1,183,317	-	1,183,317
Debt service:				
Principal retirement	93,051	93,051	93,051	-
Interest and fiscal charges	10,098	10,098	10,098	-
Total expenditures	<u>1,426,140</u>	<u>1,426,140</u>	<u>238,775</u>	<u>1,187,365</u>
Net change in fund balances	<u>(270,667)</u>	<u>(270,667)</u>	<u>364,610</u>	<u>635,277</u>
Fund balances, beginning of year	491,051	491,051	491,051	-
Fund balances, end of year	<u>\$ 220,384</u>	<u>\$ 220,384</u>	<u>\$ 855,661</u>	<u>\$ 635,277</u>

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

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 2,312,627	\$ 2,312,627	\$ 2,313,869	\$ 1,242
Investment income	-	-	331,778	331,778
Miscellaneous	66,737	66,737	78,911	12,174
Total revenues	<u>2,379,364</u>	<u>2,379,364</u>	<u>2,724,558</u>	<u>345,194</u>
Expenditures				
Current:				
Airport	2,347,729	2,345,079	1,912,379	432,700
Capital outlay	139,000	139,000	34,824	104,176
Debt service:				
Principal retirement	199,910	199,910	199,910	-
Interest and fiscal charges	43,931	43,931	43,931	-
Total expenditures	<u>2,730,570</u>	<u>2,727,920</u>	<u>2,191,044</u>	<u>536,876</u>
Excess (deficiency) of revenues over expenditures	<u>(351,206)</u>	<u>(348,556)</u>	<u>533,514</u>	<u>882,070</u>
Other financing sources (uses)				
Transfers out	-	(2,650)	(2,650)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,650)</u>	<u>(2,650)</u>	<u>-</u>
Net change in fund balances	<u>(351,206)</u>	<u>(351,206)</u>	<u>530,864</u>	<u>882,070</u>
Fund balances, beginning of year	1,301,977	1,301,977	1,301,977	-
Fund balances, end of year	<u>\$ 950,771</u>	<u>\$ 950,771</u>	<u>\$ 1,832,841</u>	<u>\$ 882,070</u>

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

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AIRPORT CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Intergovernmental	\$ 165,000	\$ 579,070	\$ 578,620	\$ (450)
Total revenues	<u>165,000</u>	<u>579,070</u>	<u>578,620</u>	<u>(450)</u>
Expenditures				
Current:				
Capital outlay	165,000	579,070	579,070	-
Total expenditures	<u>165,000</u>	<u>579,070</u>	<u>579,070</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(450)</u>	<u>(450)</u>
Other financing sources (uses)				
Transfers in	-	-	2,650	2,650
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,650</u>	<u>2,650</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>2,200</u>
Fund balances, beginning of year	(2,200)	(2,200)	(2,200)	-
Fund balances, end of year	<u><u>\$ (2,200)</u></u>	<u><u>\$ (2,200)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,200</u></u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 12,225,324	\$ 5,463,176	\$ 17,688,500
Accounts receivable, net	2,787,289	708,038	3,495,327
Due from other governments	712,559	16,172	728,731
Inventories	702,378	70,768	773,146
Prepaid items	-	9,355	9,355
Net pension asset	173,651	30,487	204,138
Restricted current assets			
Equity in pooled cash	2,786,538	-	2,786,538
Total current assets	<u>19,387,739</u>	<u>6,297,996</u>	<u>25,685,735</u>
Noncurrent assets:			
Restricted cash	2,634,395	-	2,634,395
Capital assets:			
Land	5,232,743	1,539	5,234,282
Building and improvements	7,135,378	824,426	7,959,804
Infrastructure	96,364,992	3,892,404	100,257,396
Machinery and equipment	20,345,080	1,088,686	21,433,766
Construction in progress	4,407,089	11,186	4,418,275
Accumulated depreciation	(65,610,637)	(3,755,857)	(69,366,494)
Total capital assets, net	<u>67,874,645</u>	<u>2,062,384</u>	<u>69,937,029</u>
Total noncurrent assets	<u>70,509,040</u>	<u>2,062,384</u>	<u>72,571,424</u>
Total assets	<u>\$ 89,896,779</u>	<u>\$ 8,360,380</u>	<u>\$ 98,257,159</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ 62,938	\$ -	\$ 62,938
Deferred outflows related to pensions	632,250	111,001	743,251
Deferred outflows related to OPEB	41,227	6,225	47,452
Total deferred outflows	<u>\$ 736,415</u>	<u>\$ 117,226</u>	<u>\$ 853,641</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 510,262	\$ 277,391	\$ 787,653
Customer deposits	1,173,329	412,050	1,585,379
Retainage payable	57,112	-	57,112
Unearned revenue	59,244	625,346	684,590
Compensated absences	329,420	78,333	407,753
Current portion of financed purchase agreements	85,113	-	85,113
Payable from restricted assets:			
Current maturities on long-term debt	2,670,860	-	2,670,860
Accrued interest payable	115,678	-	115,678
Total current liabilities	<u>5,001,018</u>	<u>1,393,120</u>	<u>6,394,138</u>
Noncurrent liabilities:			
Bonds and notes payable, net	24,226,807	-	24,226,807
Compensated absences	161,014	39,161	200,175
Total OPEB liability	180,959	27,325	208,284
Net pension liability	2,235,336	392,449	2,627,785
Total noncurrent liabilities	<u>26,804,116</u>	<u>458,935</u>	<u>27,263,051</u>
Total liabilities	<u>\$ 31,805,134</u>	<u>\$ 1,852,055</u>	<u>\$ 33,657,189</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 919,187	\$ 161,378	\$ 1,080,565
Deferred inflows related to OPEB	17,827	2,692	20,519
Total deferred inflows	<u>\$ 937,014</u>	<u>\$ 164,070</u>	<u>\$ 1,101,084</u>
NET POSITION			
Net investment in capital assets	\$ 41,301,751	\$ 2,062,384	\$ 43,364,135
Restricted for debt service	693,940	-	693,940
Restricted for renewal and replacement	500,000	-	500,000
Restricted for system improvements	3,707,255	-	3,707,255
Pension benefit	173,651	30,487	204,138
Unrestricted	11,514,449	4,368,610	15,883,059
Total net position	<u>\$ 57,891,046</u>	<u>\$ 6,461,481</u>	<u>\$ 64,352,527</u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Operating revenues			
Charges for services	\$ 17,939,851	\$ 6,505,898	\$ 24,445,749
Other revenues	340,281	-	340,281
Total operating revenues	<u>18,280,132</u>	<u>6,505,898</u>	<u>24,786,030</u>
Operating expenses			
Personal services	6,193,096	1,129,969	7,323,065
Contractual services and supplies	6,383,046	4,115,693	10,498,739
Internal charges	980,000	300,000	1,280,000
Depreciation	3,507,490	167,745	3,675,235
Total operating expenses	<u>17,063,632</u>	<u>5,713,407</u>	<u>22,777,039</u>
Operating income (loss)	<u>1,216,500</u>	<u>792,491</u>	<u>2,008,991</u>
Nonoperating revenues (expenses)			
Interest earnings	656,311	189,734	846,045
Intergovernmental grants	108,624	-	108,624
Miscellaneous income	660,295	105,988	766,283
Debt issuance costs	(10,490)	-	(10,490)
Interest and amortization expense	(465,392)	-	(465,392)
Total nonoperating revenues (expenses)	<u>949,348</u>	<u>295,722</u>	<u>1,245,070</u>
Income (loss) before contributions and transfers	<u>2,165,848</u>	<u>1,088,213</u>	<u>3,254,061</u>
Capital contributions and impact fees	715,450	-	715,450
Capital grants	224,631	-	224,631
Transfers in	489,672	-	489,672
Transfers out	(667,000)	(243,000)	(910,000)
Change in net position	<u>2,928,601</u>	<u>845,213</u>	<u>3,773,814</u>
Net position, beginning of year	54,962,445	5,616,268	60,578,713
Net position, end of year	<u><u>\$ 57,891,046</u></u>	<u><u>\$ 6,461,481</u></u>	<u><u>\$ 64,352,527</u></u>

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

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

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Cash flows from operating activities			
Cash received from customers	\$ 17,767,667	\$ 6,623,083	\$ 24,390,750
Cash paid to employees	(5,855,652)	(1,048,095)	(6,903,747)
Cash paid to suppliers	(5,995,120)	(4,087,430)	(10,082,550)
Cash paid for interfund charges	(980,000)	(300,000)	(1,280,000)
Other receipts	660,295	105,988	766,283
Net cash provided by (used in) operating activities	<u>5,597,190</u>	<u>1,293,546</u>	<u>6,890,736</u>
Cash flows from noncapital financing activities			
Transfers from other funds	489,672	-	489,672
Transfers to other funds	(667,000)	(243,000)	(910,000)
Intergovernmental grant proceeds	108,624	-	108,624
Net cash provided by (used in) noncapital financing activities	<u>(68,704)</u>	<u>(243,000)</u>	<u>(311,704)</u>
Cash flows from capital and related financing activities			
Impact fees	715,450	-	715,450
Acquisition and construction of capital assets	(3,316,801)	(22,450)	(3,339,251)
Capital grants	224,631	-	224,631
Principal payments of long-term debt	(2,711,870)	-	(2,711,870)
Debt issuance costs	(10,490)	-	(10,490)
Interest paid	(466,420)	-	(466,420)
Net cash provided by (used in) capital and related financing activities	<u>(5,565,500)</u>	<u>(22,450)</u>	<u>(5,587,950)</u>
Cash flows from investing activities			
Interest received	656,311	189,734	846,045
Net cash provided by (used in) investing activities	<u>656,311</u>	<u>189,734</u>	<u>846,045</u>
Net change in cash and cash equivalents	<u>619,297</u>	<u>1,217,830</u>	<u>1,837,127</u>
Cash and cash equivalents, beginning of year	<u>17,026,960</u>	<u>4,245,346</u>	<u>21,272,306</u>
Cash and cash equivalents, end of year	<u><u>\$ 17,646,257</u></u>	<u><u>\$ 5,463,176</u></u>	<u><u>\$ 23,109,433</u></u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 12,225,324	\$ 5,463,176	\$ 17,688,500
Restricted	5,420,933	-	5,420,933
Total cash and cash equivalents	<u><u>\$ 17,646,257</u></u>	<u><u>\$ 5,463,176</u></u>	<u><u>\$ 23,109,433</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 1,216,500	\$ 792,491	\$ 2,008,991
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	3,507,490	167,745	3,675,235
Gain on disposition of capital assets	660,295	105,988	766,283
Changes in assets and liabilities:			
Accounts receivable	(181,594)	(41,713)	(223,307)
Due from other governments	(369,287)	(2,669)	(371,956)
Inventories	496,070	3,445	499,515
Prepaid items	-	(2,681)	(2,681)
Accounts payable and accrued liabilities	(108,144)	27,499	(80,645)
Customer deposits	87,369	1,342	88,711
Retainage payable	(37,082)	-	(37,082)
Unearned revenue	(11,871)	160,225	148,354
Compensated absences	35,782	24,377	60,159
Net pension liability	301,310	57,250	358,560
Total OPEB liability	352	247	599
Net cash provided by (used in) operating activities	<u><u>\$ 5,597,190</u></u>	<u><u>\$ 1,293,546</u></u>	<u><u>\$ 6,890,736</u></u>
Non-cash investing, capital, and financing activities:			
Amortization of debt discount/loss on refunding	\$ 10,490	\$ -	\$ 10,490

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

CITY OF LAKE CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2025

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents with trustee	\$ 3,314,956
Total cash and cash equivalents	<u>3,314,956</u>
Receivables	
Contributions receivable	125,437
Interest and dividends receivable	<u>110,608</u>
Total receivables	<u>236,045</u>
Investments, at fair value	
Corporate bonds	8,071,451
Municipal bonds	3,463,484
Equities	41,436,889
Mutual funds	3,018,538
Real estate funds	<u>2,111,802</u>
Total investments	<u>58,102,164</u>
Total assets	<u><u>\$ 61,653,165</u></u>
LIABILITIES	
Accounts payable	\$ 80,327
Total liabilities	<u><u>\$ 80,327</u></u>
NET POSITION	
Restricted for pensions	<u><u>\$ 61,572,838</u></u>

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

CITY OF LAKE CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 596,530
Plan members	247,348
State - insurance premium taxes	336,625
Total contributions	<u>1,180,503</u>
Investment earnings (loss)	
Net appreciation (depreciation) in fair value of investments	3,430,643
Interest and dividends	2,916,247
Total investment earnings (loss)	<u>6,346,890</u>
Less: investment expense	<u>(316,809)</u>
Net investment income (loss)	<u>6,030,081</u>
Total additions	<u>7,210,584</u>
Deductions	
Benefit payments and refunds	3,945,983
Administrative expenses	179,073
Total deductions	<u>4,125,056</u>
Change in net position	<u>3,085,528</u>
Net position restricted for pensions, beginning of year	58,487,310
Net position restricted for pensions, end of year	<u><u>\$ 61,572,838</u></u>

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

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Lake City, Florida (the City), have been prepared in conformance 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 and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was incorporated in 1859, under the State of Florida Laws, Chapter 40, Acts of 1858. The City operates under a City Council form of government and provides, under the administration of an appointed City Manager, the following services: public safety (police and fire), public works (streets and infrastructure), recreation, municipal airport services, natural gas services, planning, zoning, water and sewer services, and general and administrative services.

(b) **Blended component units**—The financial activity of The Lake City Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Council is a member of the Agency. The Agency is presented as a governmental fund type. A separate audit report of the Agency can be obtained from the City's Finance Department.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus, blended component assets are appropriately presented as funds of the primary government.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers other reoccurring revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant and similar revenues are recognized when the related expenditure is incurred. Fiduciary fund financial statements are reported using the full accrual basis of accounting.

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, pension and other postemployment benefits, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund—The General Fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.

Fire Department Special Revenue Fund—The Fire Department Special Revenue Fund accounts for the activities of the Lake City Fire Department and is primarily funded by a fire protection assessment imposed on all nongovernmental real property within the City.

Community Redevelopment Agency Fund—The Community Redevelopment Agency Fund accounts for the receipt and expenditures from certain property tax increments which are to be used for specific projects involving community redevelopment.

Airport Fund—The Airport Fund accounts for capital project activity related to the City's municipal airport. Fund resources are typically received in the form of local, state, and federal grants.

Airport Capital Projects Fund—The Airport Capital Projects Fund accounts for capital project activity related to the City's municipal airport. Fund resources are typically received in the form of local, state, and federal grants.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

The City reports the following major proprietary funds:

Water and Sewer System Fund—The Water and Sewer System Fund accounts for the activities of the City's water distribution operations.

Natural Gas Utility Fund—The Natural Gas Utility Fund accounts for the activities of the City's natural gas distribution operations.

Additionally, the City reports the following fund types:

Pension Trust Funds—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Police Officers' Pension Fund, the Fireman's Pension Trust Fund, and the General Employee's Pension Trust Fund. Assets accumulated and held in trust in defined contribution pension plans (deferred compensation and money purchase retirement plans) are not included in the financial statements, since such amounts immediately vest with the employees.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Budget information**—General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are not recorded. Unexpended items at year-end must be re-appropriated in the subsequent year.

The City's Finance Director and City Manager, together, are authorized to transfer budgeted amounts within departments within a fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Council. The budgetary information presented for the general fund and any major special revenue funds is prepared on the modified accrual basis.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City’s investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in certificates of deposit, money market funds, obligations issued by the U.S. or obligations guaranteed as to principal and interest by the U.S., repurchase agreements collateralized by U.S. securities, and the SBA.

(g) **Property taxes**—The assessment of all properties and the collection of all property taxes are made through the County Property Appraiser and County Tax Collector. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest are sold for all uncollected real property taxes. Unsold certificates are held by the County.

(h) **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.”

All trade and property tax receivables are reported net of an allowance for doubtful accounts, where appropriate. Unbilled utility service receivables are recorded at year-end. They are calculated by pro-rating cycle billings subsequent to year-end according to the number of days included in the current fiscal year.

(i) **Leases receivable**—When engaged in long-term leasing activity as the lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(j) **Inventories and prepaid items**—All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(k) **Restricted assets**—Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayments, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted funds are comprised of the following:

Sinking funds - segregated resources generated from operations that are accumulated for making debt service payments over the next twelve months.

Construction funds - segregated resources consisting of net bond proceeds from the issuance of revenue bonds and other long-term debt obligations that are restricted to use in construction.

Renewal and replacement funds – segregated resources that are set aside to meet unexpected repairs or to fund asset renewal and replacement.

(l) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5 – 60 years
Equipment	3 – 20 years
Infrastructure	7 – 60 years

(m) **Compensated absences**—It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(n) **Long-term obligations**—In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

(o) **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 Council 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. The City Council has delegated responsibility to the City Manager and Finance Director pursuant to Ordinance 97-804. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

It is the City's policy to strive to maintain a minimum reserve level of 30% of the operating budget for the general fund.

(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 two items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions, which qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions are discussed further in Note (12) and deferred outflows related to OPEB are discussed further in Note (11).

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, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred inflows of resources related to leases, deferred inflows of resources related to pensions, as discussed further in Note (12) and deferred inflows related to OPEB are discussed further in Note (11).

(q) **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.

(r) **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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(2) Reconciliation of Government-wide and Fund Financial Statements

(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) Cash Deposits and Investments:

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, and the adopted investment policy. The basic allowable investment instruments are as follows:

The Local Government Surplus Funds Trust Fund (SBA) or other state sponsored funds – The State Board of Administration (SBA) pools investments for local governments while providing safety and liquidity.

Securities and Exchange Council registered money market and closed end mutual funds with an investment grade securities rating from a nationally recognized rating agency, investing solely in investments otherwise authorized for the City to invest in directly.

Interest-bearing time deposits or savings accounts in qualified public depositories.

Direct obligations of the United States Treasury and agencies and instrumentalities. Securities will include, but not be limited to treasury bills, notes, bonds and any other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.

Certificates of deposit – Non-negotiable interest-bearing time certificates of deposit in banks organized under the laws of the United States and doing business and situated in Florida.

Repurchase agreements – Overnight (sweep) repurchase agreements collateralized by any security eligible for pledge to the Florida Chief Financial officer for security of local government funds. The City may only transact repurchase agreements with financial institutions that are Well Capitalized as that term is defined by the Federal Deposit Insurance Corporation.

Deposits include cash on hand and amounts held in the City's demand accounts. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) Cash Deposits and Investments:

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

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 pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of September 30, 2025, the City's governmental and business-type investment portfolio was composed of the following investments:

Investment Type	Credit Quality Rating (S&P)	Carrying Value	Weighted Average Investment Maturities (in Years)		Fair Value Hierarchy
			Less Than 1	1 – 5	Classification
FMIT 0-2 Yr High Quality Bond Fund	AAAf/S1	\$ 65,900	\$ 65,900	\$ -	Level 2
FMIT 1-3 Yr High Quality Bond Fund	AAAf/S2	54,944	-	54,944	Level 2
Florida Prime	AAAm	5,491,537	5,491,537	-	N/A
Total Portfolio		<u>\$ 5,612,381</u>	<u>\$ 5,557,437</u>	<u>\$ 54,944</u>	

Interest Rate Risk: The City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately seven to 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 portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) Cash Deposits and Investments: (Continued)

Custodial Credit Risk—Investments: 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. The City generally utilizes third party custodians to help manage custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and is, therefore, not exposed to foreign currency risk.

Pension Plans

The City's Pension Plans are authorized to invest in all of the instruments noted above as well as the following investments:

Bonds, stocks, commingled mutual funds, real estate funds; and foreign securities.

The following chart shows the City pension funds cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Corporate bonds	\$ 8,071,451	7.40	AA2 to BAA3	Level 2
Municipal bonds and government obligations	3,463,484	6.18	AAA – A2	Level 2
Equities	41,436,889	N/A	NR	Level 1
Mutual funds	3,018,538	N/A	NR	Level 1
Total Portfolio	<u>55,990,362</u>			
Other investments:				
Real estate funds	<u>2,111,802</u>	N/A	NR	Level 3
Total Portfolio	<u>\$ 58,102,164</u>			

Units in the American Core Realty Fund (the Core Fund) are offered and sold by means of a private placement offering conducted in compliance with Rule 506 of Regulation D under the Securities Act of 1933, as amended. The Core Fund is an open-end diversified core commingled real estate fund that invests in private real estate and is structured as a Delaware limited partnership. As a result, the City of Lake City Police Officers' Retirement Plan and Firefighters' Retirement Plan own units in the Core Fund, and the Core Fund holds no securities on behalf of the Retirement Plans' account in the Core Fund. As of September 30, 2025, the Police Officers' Retirement Plan and Firefighters' Retirement Plan held 15,855.6459 and 9.0236 units, respectively. The net asset value on that date was \$1,028,165 and \$1,083,637, respectively. Units are purchased and redeemed through periodic transactions and the value of the units purchased or sold in such transactions is based on the unit value applicable to the valuation date at which each individual transaction occurred.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) Cash Deposits and Investments: (Continued)

As of September 30, 2025, all of the Core Fund's investments were categorized as Level 3. Valuation techniques used to determine fair value for the assets in the Core Fund vary based on the asset category and include discounted cash flow, direct capitalization sales approach, and cash equivalency.

Requests for redemptions of units in the American Core Realty Fund may be made at any time, with 10 business day's notification by submitting a Redemption Notice form signed by a representative of the City of Lake City Police Officers' and Firefighters' are effective at the end of the calendar quarter in which the request is received by American Realty Advisors (ARA). The units that are subject to a redemption notice may be redeemed in full or in installments on a pro-rata basis as funds become available for such purpose and the redemption price will be the value per unit based on ARA's estimate of the fair value of the Core Fund's net assets as computed under generally accepted accounting principles at such time that each payment is made. Although ARA is required to use reasonable efforts to cause the Core Fund to pay the redemption price as soon as practicable after the effective date of the request, redemptions are subject to the availability of cash flow arising from investment transactions, sales and other fund operations occurring in the normal course of business. ARA is not required to liquidate or encumber assets or defer investments in order to satisfy redemption requests.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2025, the weighted average maturity in years for each investment type is included in the preceding table.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2025.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Fire Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty (60) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty (30) percent of the fund's total assets. The Police Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty-five (65) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty-five (35) percent of the fund's total assets. The General Employee Pension trust funds policy does not allow assets in the common stock, capital stock, or convertible securities to exceed seventy (70) percent of the fund's total assets or investments in bonds to exceed thirty (30) percent of the fund's total assets. At September 30, 2025, the investment portfolios met the single issuer limitations.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) Cash Deposits and Investments: (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for variable limitations on the concentration of foreign securities. At September 30, 2025, the investment portfolios met the foreign securities limitations.

(4) Receivables:

Accounts Receivable

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

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 660,818	\$ (10,236)	\$ 650,582
Airport Capital Projects Fund			
Accounts receivable	30,678	-	30,678
Fire Assessment Fund			
Accounts receivable	750	-	750
Total – Governmental Activities	<u>692,246</u>	<u>(10,236)</u>	<u>682,010</u>
Business-Type Activities:			
Water and Sewer Fund			
Accounts receivable	\$ 3,091,107	\$ (303,818)	\$ 2,787,289
Natural Gas Fund			
Accounts receivable	733,887	(25,849)	708,038
Totals – Business-Type Activities	<u>3,824,994</u>	<u>(329,667)</u>	<u>3,495,327</u>
Totals	<u>\$ 4,517,240</u>	<u>\$ (339,903)</u>	<u>\$ 4,177,337</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(4) **Receivables:** (Continued)

Leases Receivable

The City has ongoing lease agreements with third parties related to rentals of land and airport hangars owned by the City. The City has 6 leases, with terms varying up to 20 years.

A summary of the City's activity surrounding leases receivable as of and for the year ending September 30, 2025, is as follows:

	<u>Airport Fund</u>	<u>Governmental Activities</u>
Lease Revenue	\$ 523,638	\$ 523,638
Lease Receivable	6,755,129	6,755,129
Deferred Inflows	6,030,475	6,030,475

Annual rentals under these lease agreements include minimum monthly payments ranging from \$1,417 up to \$29,167 with various termination dates through June 2045. For the year ended September 30, 2025, the City recognized in lease revenue \$523,638 and \$311,107 in interest revenue related to this lease. As of September 30, 2025, the City's receivable for lease payments was \$6,755,813. There was no receivable for interest payments. Also, the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$6,030,475.

(5) **Interfund Loans, Advances, Fees, and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(5) Interfund Loans, Advances, Fees, and Transfers: (Continued)

For the year ended September 30, 2025, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Fire Department Fund	\$ -	\$ 925,056
Debt Service Fund	-	590,471
Water and Sewer Fund	667,000	489,672
Natural Gas Fund	243,000	-
Other Governmental Funds:		
Fire Department Fund:		
General Fund	925,056	-
Debt Service	-	253,968
Debt Service Fund:		
General Fund	590,471	-
Fire Department Fund	253,968	-
Airport Fund		
Airport Capital Projects Fund	-	2,650
Airport Capital Projects Fund		
Airport Fund	2,650	-
	<u>2,682,145</u>	<u>2,261,817</u>
Business-type Activities:		
Water and Sewer Fund:		
General Fund	489,672	667,000
Natural Gas Fund:		
General Fund	-	243,000
	<u>489,672</u>	<u>910,000</u>
Totals – All Funds	<u>\$ 3,171,817</u>	<u>\$ 3,171,817</u>

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

As of September 30, 2025, interfund balances consisted of:

	<u>Due from Other Funds</u>	
	<u>Due to Other Funds</u>	<u>General Fund</u>
		<u>Total</u>
Governmental Funds		
Airport Capital Projects	\$ 265,819	\$ 265,819
Total	<u>\$ 265,819</u>	<u>\$ 265,819</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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	\$ 7,883,051	\$ -	\$ -	\$ 7,883,051
Construction in progress	5,154,382	907,323	(3,455,880)	2,605,825
Total assets not being depreciated	13,037,433	907,323	(3,455,880)	10,488,876
Capital assets being depreciated:				
Building and Improvements	21,141,503	-	-	21,141,503
Infrastructure	58,523,615	3,826,010	-	62,349,625
Machinery and equipment	18,110,023	3,728,769	(299,540)	21,539,252
Total assets being depreciated	97,775,141	7,554,779	(299,540)	105,030,380
Less accumulated depreciation for:				
Building and Improvements	(11,006,157)	(503,290)	-	(11,509,447)
Infrastructure	(32,967,921)	(2,280,409)	-	(35,248,330)
Machinery and equipment	(14,374,848)	(1,006,895)	117,369	(15,264,374)
Total accumulated depreciation	(58,348,926)	(3,790,594)	117,369	(62,022,151)
Total capital assets being depreciated, net	39,426,215	3,764,185	(182,171)	43,008,229
Governmental activities capital assets, net	<u>\$ 52,463,648</u>	<u>\$ 4,671,508</u>	<u>\$ (3,638,051)</u>	<u>\$ 53,497,105</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,234,282	\$ -	\$ -	\$ 5,234,282
Construction in progress	11,010,074	1,470,677	(8,062,476)	4,418,275
Total assets not being depreciated	16,244,356	1,470,677	(8,062,476)	9,652,557
Capital assets being depreciated:				
Building and Improvements	7,932,779	27,025	-	7,959,804
Infrastructure	91,600,317	8,657,079	-	100,257,396
Machinery and equipment	20,186,820	1,246,946	-	21,433,766
Total assets being depreciated	119,719,916	9,931,050	-	129,650,966
Less accumulated depreciation for:				
Building and Improvements	(3,412,433)	(224,468)	-	(3,636,901)
Infrastructure	(46,739,256)	(2,192,126)	-	(48,931,382)
Machinery and equipment	(15,539,570)	(1,258,641)	-	(16,798,211)
Total accumulated depreciation	(65,691,259)	(3,675,235)	-	(69,366,494)
Total capital assets being depreciated, net	54,028,657	6,255,815	-	60,284,472
Business-type activities capital assets, net	<u>\$ 70,273,013</u>	<u>\$ 7,726,492</u>	<u>\$ (8,062,476)</u>	<u>\$ 69,937,029</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 566,217
Public safety	707,380
Transportation	667,635
Airport	1,822,830
Culture and recreation	26,532
Total depreciation expense - governmental activities	<u>\$ 3,790,594</u>
Business-type activities:	
Water and sewer	\$ 3,507,490
Natural gas	167,745
Total depreciation expense - business-type activities	<u>\$ 3,675,235</u>

(7) Commitments:

As of September 30, 2025, the City had outstanding commitments on contracts in progress as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Mobility Fee Consulting Services	\$ 113,400
ITB-003-2025 SR47 Infrastructure Extensions Project	198,673
SCADA for St. Margarets Waste Water Treatment	1,053,345
LCQ North Development Hangar and Taxilanes	1,361,271
	<u>\$ 2,726,689</u>

Amounts received or receivable from grantor agencies are subject to audit or adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, could constitute liabilities of the applicable funds.

During 2018, the City entered into a development agreement related to the redevelopment of the Blanche Hotel property, in which the City agreed to make a one-time grant of \$1,000,000 to the developer, construct certain infrastructure related to the redevelopment project, and execute a 10-year guaranteed rental agreement. Under this agreement, the City commits to making rent advance payments in the amount of \$35,417 per month for 10 years starting upon completion of the renovation project. The advanced rent will be refunded to the City in the form of a percentage of all rents collected by the developers monthly and a percentage of annual cash distributions, as defined in the agreement. Any rent advances not refunded will be repaid to the City upon the developer's refinancing of its original loans for development of the Blanche Hotel in no less than fifteen years, with interest, commencing on the date of refinancing. The developer's loan is secured by a subordinated mortgage and security agreement which encumbers the real estate, improvements, and other property of the developer. The \$1,000,000 grant was paid during the fiscal year ended September 30, 2018.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(8) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds and notes	\$ 9,759,131	\$ -	\$ (691,301)	\$ 9,067,830	\$ 708,082
Compensated absences, net	1,127,270	174,684	-	1,301,954	994,020
Financed purchase agreements	943,971	-	(230,283)	713,688	238,292
Governmental activities – Total long-term liabilities	<u>\$ 11,830,372</u>	<u>\$ 174,684</u>	<u>\$ (921,584)</u>	<u>\$ 11,083,472</u>	<u>\$ 1,940,394</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 29,526,786	\$ -	\$ (2,629,119)	\$ 26,897,667	\$ 2,670,860
Compensated absences, net	547,769	60,159	-	607,928	407,753
Financed purchase agreements	167,864	-	(82,751)	85,113	85,113
Business-type activities – Total long-term liabilities	<u>\$ 30,242,419</u>	<u>\$ 60,159</u>	<u>\$ (2,711,870)</u>	<u>\$ 27,590,708</u>	<u>\$ 3,163,726</u>

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

Bond, notes and financed purchase agreements payable in the City's governmental activities at September 30, 2025, were comprised of the following obligations.

Series 2019 Sales Tax Revenue and Refunding Bonds, was issued to refund Series 2012 Sales Tax Revenue and Refunding Bonds and to finance public capital projects, due in payments of principal plus interest at 2.472% semi-annually on June 20 and December 20 of each year until final maturity on December 20, 2034. Pledged by proceeds of local government half-cent sales tax revenue, including investment income of certain funds.	\$ 7,024,207
Series 2015 Community Redevelopment Agency Revenues Note, was issued to fund the construction of redevelopment projects in the Community Redevelopment Area, due in payments of principal plus interest at 1.80% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2030. Pledged by Community Redevelopment Agency tax increment revenues.	491,111
Series 2017 Airport Revenue Bonds was issued to construct certain capital improvements at the Lake City Gateway airport, due in payments of principal plus interest at 2.58% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2032. Pledged by local communications services tax and airport revenues.	1,552,512
Financed purchase agreement entered into in July 2019 for police equipment, due in payments of principal plus interest at 3.89% annually on July 1 of each year until final maturity on July 1, 2029.	622,156
Financed purchase agreement entered into in November 2020 for police equipment, first principal payment due on November 6, 2021. Annual principal payments plus interest at 2.83% annually beginning on November 6, 2022 of each year until final maturity on November 6, 2025.	91,532
Total revenue bonds, notes and lease payable	<u>\$ 9,781,518</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(8) Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity for the City's governmental activities bonds, notes and financed purchase agreements payable are as follows:

	Principal	Interest	Total
2026	\$ 946,374	\$ 245,053	\$ 1,191,427
2027	877,737	219,569	1,097,306
2028	901,276	196,029	1,097,305
2029	925,480	171,826	1,097,306
2030	779,432	146,942	926,374
2031-2035	5,351,219	452,988	5,804,207
Total	<u>\$ 9,781,518</u>	<u>\$ 1,432,407</u>	<u>\$ 11,213,925</u>

Bonds and financed purchase agreements payable in the City's business-type activities at September 30, 2025, were comprised of the following obligations:

Series 2016 Utility System Refunding Revenue Bonds, were issued in the amount of \$9,547,000 to refund the State Revolving Fund Loan and construct improvements to the City's water and sewer system. Due in payments of principal plus interest at 1.79% semi-annually with payments on December 15 and June 15 through June 15, 2029. Principal and interest are payable solely from and secured by a lien on the net revenues of the City's water and sewer utility systems.	\$ 3,156,000
Series 2020A Utility System Refunding Revenue Bonds, were issued in the amount of \$28,893,978 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 1.34% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2035.	18,836,193
Series 2020B Utility System Revenue Bonds were issued in the amount of \$6,150,250 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 2.69% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2040.	4,905,474
Financed purchase agreement entered into in May 2021 for vacuum truck, first principal payments plus interest at 2.85% annually on May 5, 2022 of each year until final maturity on May 5, 2026.	85,113
Total revenue bonds payable	<u>\$ 26,982,780</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(8) Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity for the City's business-type activities bonds payable and financed purchase agreement are as follows:

	Principal	Interest	Total
2026	\$ 2,755,973	\$ 432,240	\$ 3,188,213
2027	2,714,085	386,780	3,100,865
2028	2,757,802	343,001	3,100,803
2029	2,802,020	298,472	3,100,492
2030	2,261,118	256,056	2,517,174
2031-2035	11,833,966	751,908	12,585,874
2036-2040	1,857,816	140,185	1,998,001
Total	<u>\$ 26,982,780</u>	<u>\$ 2,608,642</u>	<u>\$ 29,591,422</u>

(9) Contingencies and Uncertainties:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

As part of operating the City's natural gas system, the City has committed to purchase various quantities of natural gas, at fixed and variable prices, over the next several years. These contracts allow the City to secure a reliable supply of natural gas for its customers. Currently, the anticipated demand for natural gas by the City's customers exceeds the supply scheduled in advance by the City.

(10) Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City is a member of the Florida Municipal Self-Insurance fund (the Fund). The fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law. The City pays an annual premium to the Fund for workers' compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is not assessable and the City has no liability for future deficits of the Fund, if any.

(11) Other Postemployment Benefits (OPEB):

Plan Description—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. 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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) Other Postemployment Benefits (OPEB): (Continued)

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit 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 No. 75 calls this the “implicit rate subsidy.”

Plan Membership—At September 30, 2024, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Members	241
Inactive Members	3
	<u>244</u>

Total OPEB Liability—The City’s total OPEB liability of \$579,080 was measured as of September 30, 2025, and was determined by an actuarial valuation as of September 30, 2024.

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

Inflation	3.00%
Salary increases	4.00%
Discount rate	4.06%
Healthcare cost trend rate	4.50%
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the 20 Year Municipal Bond Rate as of September 30, 2025. Mortality rates were based on the Florida Retirement System Mortality Table.

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

	Total OPEB Liability
Balance at September 30, 2024	\$ 570,040
Changes for a year:	
Service cost	30,475
Interest	22,685
Changes of assumptions	(21,539)
Benefit payments – implicit rate subsidy	<u>(22,581)</u>
Net changes	<u>9,040</u>
Balance at September 30, 2025	<u><u>\$ 579,080</u></u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) Other Postemployment 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 630,831	\$ 579,080	\$ 533,043

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

The following presents the total OPEB liability of the City 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 (3.50%) or 1% higher (5.50%) than the current healthcare cost trend rates (4.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 521,777	\$ 579,080	\$ 647,578

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City recognized OPEB expense of \$58,179. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 32,644	\$ 50,680
Differences – actual/expected experience	99,284	6,367
Total	\$ 131,928	\$ 57,047

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2026	\$ 4,031
2027	4,031
2028	4,031
2029	9,827
2030	10,348
Thereafter	42,613

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds:

A. Florida Retirement System and Health Insurance Subsidy

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all general employees hired before January 1, 1996, and all firefighters, regardless of date of hire. 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. 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 (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 entity 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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

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. 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, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

The entity participates 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):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2025</u>	<u>After June 30, 2025</u>
Regular Class	13.63%	14.03%
Elected Officers	58.68%	54.57%
Senior Management Service	34.52%	33.24%
Special Risk Regular	32.79%	35.19%
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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

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

Entity Contributions – FRS	\$ 906,034
Entity Contributions – HIS	165,354
Employee Contributions – FRS	248,032

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

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

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 4,709,488
HIS	2,371,347
Total	<u>\$ 7,080,835</u>

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 employer proportion of the net pension liability was based on a projection of the 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:

<u>Plan</u>	<u>2025</u>	<u>2024</u>
FRS	0.015174700%	0.013883450%
HIS	0.018500934%	0.017439757%

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

FRS	\$ 661,069
HIS	112,796
Total	<u>\$ 773,865</u>

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 from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 503,023	\$ -	\$ 14,155	\$ (3,762)
Changes of assumptions	546,894	-	20,989	(573,568)
Net difference between projected and actual investment earnings	-	(786,297)	-	(1,974)
Change in proportionate share	403,986	(39,844)	241,266	(16,459)
Contributions subsequent to measurement date	231,705	-	40,749	-
Total	<u>\$ 1,685,608</u>	<u>\$ (826,141)</u>	<u>\$ 317,159</u>	<u>\$ (595,763)</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (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:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
2026	\$ 898,060	\$ (61,978)	\$ 836,082
2027	(44,817)	(84,693)	(129,510)
2028	(124,002)	(76,034)	(200,036)
2029	(101,479)	(60,454)	(161,933)
2030	-	(36,194)	(36,194)
	<u>\$ 627,762</u>	<u>\$ (319,353)</u>	<u>\$ 308,409</u>

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. 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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
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	<u>100.0%</u>	

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 of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 9,242,298	\$ 4,709,488	\$ 909,246
HIS	5.20%	2,674,075	2,371,347	2,117,454

B. City-Sponsored Defined Benefit Pension Plans

Plan Description and Administration

The City maintains three separate single-employer, defined benefit pension plans: The City of Lake City Municipal Firefighters' Pension Trust Fund (the Fire Plan) covers all of the City's fire and rescue personnel; the City of Lake City Municipal Police Officers' Pension Trust Fund (the Police Plan) covers all of the City's police officers; the City of Lake City Employees' Retirement Plan Fund (the General Employees Plan) covers other general employees of the City. These plans contain the assets, liabilities and net position of each respective plan.

All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

The City also has a Deferred Retirement Option Program for eligible Police and Fire Plan participants. The DROP Plan allows members who have met the eligibility requirement for normal retirement to have their retirement benefits deposited monthly into a DROP account, earning interest, while simultaneously continuing to work (but not earning additional credit for retirement) for up to thirty-six months (3 years) for General and Fire Plan and sixty months (5 years) for Police Plan. Employees who enter the DROP Program have an option of either receiving their earned compensated absences when they enter the program in one lump sum, or to receive the lump sum at the end of their employment with the City. The purpose of this program is to provide a way for retirees to accumulate additional savings while continuing employment.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2024:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Retirees and beneficiaries currently receiving benefits, including DROP participants and disabled retirees	103	30	22
Vested terminated employees	9	31	4
Active participants	10	37	23
Pending refunds	-	-	4
Total current membership	122	98	53

General Employees' Plan

The General Employees' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to regular full-time employees who are not classified as full-time sworn police officers or firefighters. As of January 1, 2006, the General Employees' Plan was closed to all new employees and participating employees were given the option to withdraw from the plan.

The General Employees' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

For non-elected members, normal retirement is generally available upon the earlier of: 1) attainment of age sixty-two and the completion of ten years of credited service, or 2) completion of thirty years of credited service regardless of age. For elected members, normal retirement is available upon attainment of age sixty-two and completion of eight years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty-two and the completion of ten years of credited service for non-elected members and attainment of age fifty-two and the completion of eight years of service in excess of fifteen years.

For non-elected members, the normal retirement benefit shall be equal to 2.00% of final average earnings times the first fifteen years of credited service plus 2.50% of final average earnings times credited service in excess of fifteen years. For elected members, the normal retirement benefit shall be equal to 3.00% of final average earnings times the first fifteen years of credited service plus 3.50% of final average earnings times credited service in excess of fifteen years.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who completed at least twenty years of credited service and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 2% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the General Employees Plan investment policies.

Police Officers' Plan

The Police Officers' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time police officers.

The Police Officers' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 3.00% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Police Plan investment policies.

Firemen's Plan

The Firemen's Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time firefighters.

The Firemen's Plan is administered by the Firemen's Pension Board. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 2.75% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Fire Plan investment policies.

Financial Statements

The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. The City's single-employer pension plans do not issue stand-alone financial statements.

Contributions

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the City's pension plans for the year ended September 30, 2025, were as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan	Total
Employee contributions	\$ 11,082	\$ 153,195	\$ 83,071	\$ 247,348
City contributions	84,266	245,111	267,153	596,530
State contributions	-	211,188	125,437	336,625
Total contributions	<u>\$ 95,348</u>	<u>\$ 609,494</u>	<u>\$ 475,661</u>	<u>\$ 1,180,503</u>

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2025:

	Target Asset Allocation		
Asset Class	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Domestic equities	52.5%	50%	65%
Bonds	0%	0%	0%
Cash and equivalents	0%	0%	1%
Real estate	0%	10%	10%
Money market investment	0%	0%	0%
International equities	22.5%	15%	0%
Broad market fixed income	25%	20%	24%
Non-core fixed income	0%	5%	0%

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the pension plans at September 30, 2025, were as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan	Total
Total pension liability	\$ 23,901,716	\$ 20,285,023	\$ 12,771,553	\$ 56,958,292
Plan fiduciary net position	(24,451,786)	(24,434,804)	(12,686,248)	(61,572,838)
Net pension liability (asset)	<u>\$ (550,070)</u>	<u>\$ (4,149,781)</u>	<u>\$ 85,305</u>	<u>\$ (4,614,456)</u>

Plan fiduciary net position as percentage of total pension liability	102.30%	120.46%	99.33%	108.10%
--	---------	---------	--------	---------

The total pension liability was determined by actuarial valuation as of October 1, 2023 and measurement dates of September 30, 2025, using the following actuarial assumptions to all measurement periods.

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Inflation	2.75%	2.50%	2.50%
Salary increases	Service-based	Service-based	Service-based
Investment rate of return	7.25%	7.00%	7.20%
Mortality table	FRS Tables	FRS Tables	FRS Tables

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table:

	Long Term Expected Real Rate of Return		
Asset Class	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Domestic equities	6.71%	7.50%	7.50%
Bonds	n/a	n/a	n/a
Cash and equivalents	n/a	n/a	2.50%
Real estate	n/a	4.50%	4.50%
Money market investment	n/a	n/a	n/a
International equities	7.09%	8.50%	n/a
Treasuries	n/a	n/a	n/a
Broad market fixed income	n/a	2.50%	2.50%
Non-core fixed income	2.68%	3.50%	n/a

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

Discount rate

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability:

Changes in each plan's net pension liability were as follows:

	General Employees' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a – b)
Beginning Balance	\$ 22,366,664	\$ 23,861,394	\$ (1,494,730)
Changes for year:			
Service cost	60,385	-	60,385
Interest	1,560,235	-	1,560,235
Differences between expected/actual experience	538,665	-	538,665
Changes of assumptions	1,188,916	-	1,188,916
Contributions – employer	-	84,266	(84,266)
Contributions – employee	-	11,082	(11,082)
Net investment income	-	2,343,539	(2,343,539)
Benefit payments, including refunds	(1,813,139)	(1,813,139)	-
Administrative expenses	-	(35,356)	35,356
Net changes	1,535,052	590,392	944,660
Ending Balance	\$ 23,901,716	\$ 24,451,786	\$ (550,070)

	Police Officers' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a – b)
Beginning Balance	\$ 18,743,985	\$ 22,284,180	\$ (3,540,195)
Changes for year:			
Service cost	444,667	-	444,667
Interest	1,307,870	-	1,307,870
Changes in benefit terms	78,302	-	78,032
Differences between expected/actual experience	719,787	-	719,787
Contributions – employer	-	245,111	(245,111)
Contributions – state	-	211,188	(211,188)
Contributions – employee	-	153,195	(153,195)
Net investment income	-	2,622,152	(2,622,152)
Benefit payments, including refunds	(1,009,588)	(1,009,588)	-
Administrative expenses	-	(71,434)	71,434
Net changes	1,541,038	2,150,624	(609,586)
Ending Balance	\$ 20,285,023	\$ 24,434,804	\$ (4,149,781)

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

	Firemen's Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a – b)
Beginning Balance	\$ 12,984,561	\$ 12,323,897	\$ 660,664
Changes for year:			
Service cost	291,102	-	291,102
Interest	915,410	-	915,410
Share plan allocation	16,833	-	16,833
Differences between expected/actual experience	(260,609)	-	(260,609)
Changes of assumptions	(52,488)	-	(52,488)
Contributions – employer	-	267,153	(267,153)
Contributions – state	-	125,437	(125,437)
Contributions – employee	-	83,071	(83,071)
Net investment income	-	1,051,893	(1,051,893)
Benefit payments, including refunds	(1,123,256)	(1,123,256)	-
Other	-	17,839	(17,839)
Administrative expenses	-	(59,786)	59,786
Net changes	(213,008)	362,351	(575,359)
Ending Balance	<u>\$ 12,771,553</u>	<u>\$ 12,686,248</u>	<u>\$ 85,305</u>

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

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) 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
General Employees	7.25%	\$ 1,759,210	\$ (550,070)	\$ (2,520,125)
Police	7.00%	(1,414,238)	(4,149,781)	(6,371,338)
Fire	7.20%	1,710,140	85,305	(1,251,800)
Total		<u>\$ 2,055,112</u>	<u>\$ (4,614,546)</u>	<u>\$ (10,143,263)</u>

For the year ended September 30, 2025, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	General Employees Plan	Police Officers' Plan	Firemen's Plan
Annual money-weighted rate of return	10.00%	11.91%	8.91%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$1,385,715, \$394,980, and \$323,138 in the General Employees, Police Officers', and Firemen's pension plans, respectively, for a total of \$2,103,833.

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

	General Employees' Plan		Police Officers' Plan		Firemen's Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 635,200	\$ -	\$ 257,902	\$ (314,056)
Changes of assumptions	-	-	-	-	143,197	(51,120)
Net different between projected and actual investment earnings	-	(1,489,786)	-	(2,302,543)	-	(454,734)
	<u>\$ -</u>	<u>\$ (1,489,786)</u>	<u>\$ 635,200</u>	<u>\$ (2,302,543)</u>	<u>\$ 401,099</u>	<u>\$ (819,910)</u>

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:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
2026	\$ 347,504	\$ 278,397	\$ 295,893
2027	(968,445)	(863,777)	(310,591)
2028	(733,417)	(866,210)	(299,496)
2029	(135,428)	(215,753)	(52,434)
2030	-	-	(52,183)
Thereafter	-	-	-

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for General Employees', Police Officers', or Firemen's Pension Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2025:

STATEMENT OF FIDUCIARY NET POSITION

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents with trustee	\$ 2,611,223	\$ 473,160	\$ 230,573	\$ 3,314,956
Total cash and cash equivalents	<u>2,611,223</u>	<u>473,160</u>	<u>230,573</u>	<u>3,314,956</u>
Receivables				
Contributions receivable	-	-	125,437	125,437
Interest and dividends receivable	<u>46,668</u>	<u>40,304</u>	<u>23,636</u>	<u>110,608</u>
Total receivables	<u>46,668</u>	<u>40,304</u>	<u>149,073</u>	<u>236,045</u>
Investments, at fair value				
Corporate bonds	649,325	6,375,804	1,046,322	8,071,451
Municipal bonds	1,688,325	-	1,775,159	3,463,484
Equities	16,437,707	16,559,490	8,439,692	41,436,889
Mutual funds	3,018,538	-	-	3,018,538
Real estate funds	<u>-</u>	<u>1,028,165</u>	<u>1,083,637</u>	<u>2,111,802</u>
Total investments	<u>21,793,895</u>	<u>23,963,459</u>	<u>12,344,810</u>	<u>58,102,164</u>
Total assets	<u><u>\$ 24,451,786</u></u>	<u><u>\$ 24,476,923</u></u>	<u><u>\$ 12,724,456</u></u>	<u><u>\$ 61,653,165</u></u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ 42,119</u>	<u>\$ 38,208</u>	<u>\$ 80,327</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 42,119</u></u>	<u><u>\$ 38,208</u></u>	<u><u>\$ 80,327</u></u>
NET POSITION				
Restricted for pensions	<u><u>\$ 24,451,786</u></u>	<u><u>\$ 24,434,804</u></u>	<u><u>\$ 12,686,248</u></u>	<u><u>\$ 61,572,838</u></u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) Employee Retirement Systems and Pension Funds: (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	General Plan	Police Plan	Fire Plan	Total
Additions				
Contributions:				
Employer	\$ 84,266	\$ 245,111	\$ 267,153	\$ 596,530
Plan members	11,082	153,195	83,071	247,348
State - insurance premium taxes	-	211,188	125,437	336,625
Total contributions	<u>95,348</u>	<u>609,494</u>	<u>475,661</u>	<u>1,180,503</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	2,062,203	651,240	717,200	3,430,643
Interest and dividends	466,925	2,017,377	431,945	2,916,247
Total investment earnings	<u>2,529,128</u>	<u>2,668,617</u>	<u>1,149,145</u>	<u>6,346,890</u>
Less: investment expense	<u>(185,589)</u>	<u>(71,434)</u>	<u>(59,786)</u>	<u>(316,809)</u>
Net investment income (loss)	<u>2,343,539</u>	<u>2,597,183</u>	<u>1,089,359</u>	<u>6,030,081</u>
Total additions	<u>2,438,887</u>	<u>3,206,677</u>	<u>1,565,020</u>	<u>7,210,584</u>
Deductions				
Benefit payments and refunds	1,813,139	1,009,588	1,123,256	3,945,983
Administrative expenses	<u>35,356</u>	<u>46,465</u>	<u>97,252</u>	<u>179,073</u>
Total deductions	<u>1,848,495</u>	<u>1,056,053</u>	<u>1,220,508</u>	<u>4,125,056</u>
Change in net position	<u>590,392</u>	<u>2,150,624</u>	<u>344,512</u>	<u>3,085,528</u>
Net position restricted for pensions, beginning of year	23,861,394	22,284,180	12,341,736	58,487,310
Net position restricted for pensions, end of year	<u>\$ 24,451,786</u>	<u>\$ 24,434,804</u>	<u>\$ 12,686,248</u>	<u>\$ 61,572,838</u>

(13) 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 fiscal years subsequent to September 30, 2025, 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:

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 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.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(13) **Recent Accounting Pronouncements:** (Continued)

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE CITY, 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	\$ 30,475	\$ 32,152	\$ 28,992	\$ 12,413	\$ 12,001	\$ 30,155	\$ 5,703	\$ 6,136
Interest	22,685	18,958	18,709	13,365	12,762	44,414	5,361	5,232
Difference between expected and actual experience	-	114,946	-	(14,855)	-	13,789	-	-
Changes of assumptions	(21,539)	23,494	(3,647)	(5,754)	-	(39,452)	6,934	(6,155)
Estimated benefit payments	(22,581)	(17,585)	(18,197)	(20,183)	(19,222)	(61,624)	(21,046)	(19,532)
Change in actuarial methodology	-	-	-	-	-	264,498	-	-
Net change in total OPEB liability	9,040	171,965	25,857	(15,014)	5,541	251,780	(3,048)	(14,319)
Total OPEB liability - beginning of year	570,040	398,075	372,218	387,232	381,691	129,911	132,959	147,278
Total OPEB liability - end of year	\$ 579,080	\$ 570,040	\$ 398,075	\$ 372,218	\$ 387,232	\$ 381,691	\$ 129,911	\$ 132,959
Covered employee payroll	\$ 12,400,000	\$ 11,917,040	\$ 10,936,162	\$ 10,515,540	\$ 10,174,196	\$ 9,782,881	\$ 10,197,400	\$ 9,819,243
Total OPEB liability as a percentage of covered employee payroll	4.67%	4.78%	3.64%	3.54%	3.81%	3.90%	1.27%	1.35%

Notes to Schedule:

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

Valuation date:	9/30/2024	9/30/2024	9/30/2022	9/30/2022	9/30/2020	9/30/2020	9/30/2018	9/30/2018
Measurement date:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

4.50%	4.06%	4.87%	4.77%	3.43%	3.43%	3.58%	4.18%
-------	-------	-------	-------	-------	-------	-------	-------

Benefit Payments. The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2023. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

Fiscal Year Ending September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 60,385	\$ 42,514	\$ 43,874	\$ 47,311	\$ 44,592	\$ 61,012	\$ 60,437	\$ 93,780	\$ 92,950	\$ 126,321
Interest	1,560,235	1,628,338	1,629,032	1,649,585	1,684,732	1,800,627	1,790,729	1,765,941	1,661,505	1,652,136
Difference between actual and expected experience	538,655	142,131	101,660	39,130	(273,272)	(502,409)	2,584	141,087	-	(241,541)
Changes of assumptions	1,188,916	(965,131)	-	695,769	203,117	(792,801)	-	-	1,052,237	-
Benefit payments including refunds of contributions	(1,813,139)	(1,796,991)	(1,768,562)	(1,846,970)	(1,824,472)	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)
Net change in total pension liability	1,535,052	(949,139)	6,004	584,825	(165,303)	(1,131,650)	98,617	460,699	1,426,890	151,412
Total pension liability - beginning	22,366,664	23,315,803	23,309,799	22,724,974	22,890,277	24,021,927	23,923,310	23,462,611	22,035,721	21,884,309
Total pension liability - ending (a)	\$ 23,901,716	\$ 22,366,664	\$ 23,315,803	\$ 23,309,799	\$ 22,724,974	\$ 22,890,277	\$ 24,021,927	\$ 23,923,310	\$ 23,462,611	\$ 22,035,721
Total Fiduciary Net Position										
Contributions - employer	\$ 84,266	\$ 79,610	\$ 74,959	\$ 534,812	\$ 731,849	\$ 793,601	\$ 904,774	\$ 959,005	\$ 960,362	\$ 903,328
Contributions - employee	11,082	10,899	11,081	9,447	12,610	13,594	14,057	16,597	19,425	23,359
Net investment income	2,343,539	4,459,883	2,583,563	(4,646,657)	4,862,079	1,580,006	623,945	2,324,679	2,453,755	1,575,111
Benefit payments, including refunds of contributions	(1,813,139)	(1,796,991)	(1,768,562)	(1,846,970)	(1,678,087)	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)
Administrative expense	(35,356)	(40,439)	(40,804)	(35,193)	(30,390)	(35,699)	(34,861)	(38,286)	(32,166)	(38,134)
Net change in plan fiduciary net position	590,392	2,712,962	860,237	(5,984,561)	3,898,061	653,423	(247,218)	1,721,886	2,021,574	1,078,160
Plan fiduciary net position - beginning	23,861,394	21,148,432	20,288,195	26,272,756	22,374,695	21,721,272	21,968,490	20,246,604	18,225,030	17,146,870
Plan fiduciary net position - ending (b)	\$ 24,451,786	\$ 23,861,394	\$ 21,148,432	\$ 20,288,195	\$ 26,272,756	\$ 22,374,695	\$ 21,721,272	\$ 21,968,490	\$ 20,246,604	\$ 18,225,030
Net pension liability (asset) - ending (a) - (b)	\$ (550,070)	\$ (1,494,730)	\$ 2,167,371	\$ 3,021,604	\$ (3,547,782)	\$ 515,582	\$ 2,300,655	\$ 1,954,820	\$ 3,216,007	\$ 3,810,691
Plan fiduciary net position as a percentage of the total pension liability	102.30%	106.68%	90.70%	87.04%	115.61%	97.75%	90.42%	91.83%	86.29%	82.71%
Covered payroll	\$ 554,097	\$ 536,974	\$ 573,197	\$ 653,842	\$ 641,929	\$ 757,478	\$ 855,211	\$ 1,015,616	\$ 1,087,009	\$ 1,129,111
Net pension liability (asset) as a percentage of covered payroll	-99.27%	-278.36%	378.12%	462.13%	-552.68%	68.07%	269.02%	192.48%	295.86%	337.49%

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

Fiscal Year Ending September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 444,667	\$ 379,607	\$ 359,031	\$ 274,854	\$ 315,202	\$ 337,030	\$ 340,336	\$ 368,645	\$ 341,397	\$ 437,718
Interest	1,307,870	1,228,552	1,133,018	1,118,723	1,122,896	1,133,857	1,099,762	1,041,883	1,050,183	1,014,179
Change in excess of state money	-	-	-	-	(10,334)	-	-	-	-	-
Share plan allocation	-	-	-	-	10,334	-	-	-	-	-
Changes in benefit terms	78,302	-	-	-	-	-	-	-	-	(132,292)
Difference between actual and expected experience	719,787	466,027	827,073	(345,638)	(13,697)	(550,169)	(185,395)	155,061	(741,233)	(303,219)
Changes of assumptions	-	-	-	-	535,602	(178,322)	-	-	-	587,453
Benefit payments including refunds of contributions	(1,009,588)	(1,002,667)	(947,184)	(908,632)	(931,731)	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)
Net change in total pension liability	1,541,038	1,071,519	1,371,938	139,307	1,028,272	(59,304)	462,808	826,388	(186,986)	994,076
Total pension liability - beginning	18,743,985	17,672,466	16,300,528	16,161,221	15,132,949	15,192,253	14,729,445	13,903,057	14,090,043	13,095,967
Total pension liability - ending (a)	\$20,285,023	\$18,743,985	\$17,672,466	\$16,300,528	\$16,161,221	\$15,132,949	\$15,192,253	\$14,729,445	\$13,903,057	\$14,090,043
Total Fiduciary Net Position										
Contributions - employer	\$ 245,111	\$ 213,847	\$ 156,450	\$ 177,585	\$ 189,148	\$ 185,478	\$ 237,500	\$ 296,710	\$ 297,723	\$ 514,483
Contributions - state	211,188	186,188	165,145	141,291	132,580	122,100	117,283	105,293	112,064	118,886
Contributions - employee	153,195	133,654	110,177	98,668	83,695	85,175	87,382	93,893	85,582	84,732
Net investment income	2,622,152	4,514,634	2,325,347	(3,511,730)	3,153,185	1,794,659	633,430	1,379,459	1,595,827	1,279,744
Benefit payments, including refunds of contributions	(1,009,588)	(1,002,667)	(947,184)	(908,632)	(931,731)	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)
Administrative expense	(71,434)	(59,086)	(50,573)	(49,769)	(43,468)	(35,156)	(37,873)	(37,338)	(33,774)	(44,309)
Net change in plan fiduciary net position	2,150,624	3,986,570	1,759,362	(4,052,587)	2,583,409	1,350,556	245,827	1,098,816	1,220,089	1,343,773
Plan fiduciary net position - beginning	22,284,180	18,297,610	16,538,248	20,590,835	18,007,426	16,656,870	16,411,043	15,312,227	14,092,138	12,748,365
Plan fiduciary net position - ending (b)	\$24,434,804	\$22,284,180	\$18,297,610	\$16,538,248	\$20,590,835	\$18,007,426	\$16,656,870	\$16,411,043	\$15,312,227	\$14,092,138
Net pension liability (asset) - ending (a) - (b)	\$ (4,149,781)	\$ (3,540,195)	\$ (625,144)	\$ (237,720)	\$ (4,429,614)	\$ (2,874,477)	\$ (1,464,617)	\$ (1,681,598)	\$ (1,409,170)	\$ (2,095)
Plan fiduciary net position as a percentage of the total pension liability	120.46%	118.89%	103.54%	101.46%	127.41%	118.99%	109.64%	111.42%	110.14%	100.01%
Covered payroll	\$ 3,063,897	\$ 2,673,088	\$ 2,203,532	\$ 1,973,362	\$ 1,673,911	\$ 1,703,503	\$ 1,747,646	\$ 1,877,855	\$ 1,711,639	\$ 1,694,648
Net pension liability as a percentage of covered payroll	-135.44%	-132.44%	-28.37%	-12.05%	-264.63%	-168.74%	-83.81%	-89.55%	-82.33%	-0.12%

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

Fiscal Year Ending September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 291,102	\$ 224,104	\$ 181,746	\$ 116,411	\$ 116,968	\$ 135,094	\$ 99,824	\$ 153,355	\$ 141,339	\$ 129,860
Interest	915,410	886,801	844,989	841,815	838,458	813,550	826,579	786,676	750,730	723,418
Share plan allocation	16,833	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(260,609)	236,070	201,046	(178,334)	(224,605)	75,794	(521,796)	341,659	-	(83,851)
Contributions - buy back	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	(52,488)	(11,069)	-	368,491	122,196	40,444	-	-	173,054	-
Benefit payments including refunds of contributions	(1,123,256)	(717,963)	(668,881)	(748,253)	(577,387)	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)
Net change in total pension liability	(213,008)	617,943	558,900	400,130	275,630	474,372	(220,861)	480,612	639,547	338,007
Total pension liability - beginning	12,984,561	12,366,618	11,807,718	11,407,588	11,131,958	10,657,586	10,878,447	10,397,835	9,758,288	9,420,281
Total pension liability - ending (a)	\$ 12,771,553	\$ 12,984,561	\$ 12,366,618	\$ 11,807,718	\$ 11,407,588	\$ 11,131,958	\$ 10,657,586	\$ 10,878,447	\$ 10,397,835	\$ 9,758,288
Total Fiduciary Net Position										
Contributions - employer	\$ 267,153	\$ 236,217	\$ 117,375	\$ 226,116	\$ 249,735	\$ 312,178	\$ 355,220	\$ 314,888	\$ 368,917	\$ 305,436
Contributions - state	125,437	96,014	90,501	69,290	69,520	64,182	63,423	63,787	-	-
Contributions - employee	83,071	83,794	72,723	47,764	48,297	48,149	46,851	41,533	43,185	41,491
Net investment income	1,051,893	2,154,006	928,664	(2,174,716)	2,358,089	523,436	168,343	1,124,631	1,111,293	1,066,780
Benefit payments, including refunds of contributions	(1,123,256)	(717,963)	(668,881)	(748,253)	(577,387)	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)
Administrative expense	(59,786)	(80,136)	(81,536)	(40,481)	(47,817)	(57,355)	(51,202)	(61,945)	(54,477)	(43,425)
Other	17,839	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	362,351	1,771,932	458,846	(2,620,280)	2,100,437	300,080	(42,833)	681,816	1,043,342	938,862
Plan fiduciary net position - beginning	12,323,897	10,551,965	10,093,119	12,713,399	10,612,962	10,312,882	10,355,715	9,673,899	8,630,557	7,691,695
Plan fiduciary net position - ending (b)	\$ 12,686,248	\$ 12,323,897	\$ 10,551,965	\$ 10,093,119	\$ 12,713,399	\$ 10,612,962	\$ 10,312,882	\$ 10,355,715	\$ 9,673,899	\$ 8,630,557
Net pension liability (asset) - ending (a) - (b)	\$ 85,305	\$ 660,664	\$ 1,814,653	\$ 1,714,599	\$ (1,305,811)	\$ 518,996	\$ 344,704	\$ 522,732	\$ 723,936	\$ 1,127,731
Plan fiduciary net position as a percentage of the total pension liability	99.33%	94.91%	85.33%	85.48%	111.45%	95.34%	96.77%	95.19%	93.04%	88.44%
Covered payroll	\$ 1,661,396	\$ 1,480,413	\$ 1,212,587	\$ 852,342	\$ 928,815	\$ 1,019,505	\$ 793,729	\$ 879,278	\$ 861,178	\$ 834,327
Net pension liability as a percentage of covered payroll	5.13%	44.63%	149.65%	201.16%	-140.59%	50.91%	43.43%	59.45%	84.06%	135.17%

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2025	\$ 81,369	\$ 84,266	\$ (2,897)	\$ 554,097	15.21%
2024	87,078	82,496	4,582	536,974	15.36%
2023	71,510	77,676	(6,166)	573,197	13.55%
2022	77,783	555,001	(477,218)	653,842	84.88%
2021	758,079	759,842	(1,763)	641,929	118.37%
2020	798,065	824,353	(26,288)	757,478	108.83%
2019	930,235	939,834	(9,599)	855,211	109.89%
2018	974,284	996,166	(21,882)	1,015,616	98.08%
2017	995,683	997,576	(1,893)	1,087,009	91.77%
2016	976,209	938,332	37,877	1,129,111	83.10%

Notes to Schedule:

Valuation Date: 10/1/2024

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	N/A
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.50%
Investment Rate of Return:	7.25%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2025	\$ 459,585	\$ 456,299	\$ 3,286	\$ 3,063,897	14.89%
2024	392,944	400,035	(7,091)	2,673,088	14.97%
2023	341,547	321,595	19,952	2,203,532	14.59%
2022	343,365	318,876	24,489	1,973,362	16.16%
2021	291,260	321,728	(30,468)	1,673,911	19.22%
2020	294,706	307,578	(12,872)	1,703,503	18.06%
2019	328,557	354,783	(26,226)	1,747,646	20.30%
2018	339,892	402,003	(62,111)	1,877,855	21.41%
2017	373,137	409,787	(36,650)	1,711,639	23.94%
2016	460,944	633,369	(172,425)	1,694,648	37.37%

Notes to Schedule:

Valuation Date: 10/1/2024

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	30 Years (as of 10/1/2015 Valuation)
Mortality:	RP-2000 Table with No Projection - (Disabled Lives Set Forward 5 Years)
Retirement Age:	Earlier of Age 55 and 10 Years of Service, or Age 52 with 25 Years of Service
Interest Rate:	7.00% per Year Compounded Annually, Net of Investment Related Expenses
Salary Increases:	15.00% in first year of employment and 4.00% per year during each subsequent year until the assumed retirement age.
Early Retirement:	Commencing with the Attainment of Early Retirement Status, Members are Assumed to Retire with an Immediate Subsidized Benefit at the Rate of 5% per Year
Payroll Growth:	1.00% per Year
Cost of Living Adjustment:	2.00% per Year Beginning at Age 60
Asset Valuation Method:	Each Year, the Prior Actuarial Value of Assets is Brought Forward Utilizing the Historical Geometric 4-Year Average Market Value Return; it is Possible that Over Time this Technique will Produce an Insignificant Bias Above or Below Market
Termination and Disability Rate:	See Table Below

Age	Percent Becoming Disabled During the Year
20	0.15%
30	0.20%
40	0.35%
50	0.90%
60	4.50%

**Percent
Terminating**

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2025
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2025	\$ 350,568	\$ 375,757	\$ (25,189)	\$ 1,661,396	22.62%
2024	199,175	344,274	(145,099)	1,480,413	23.26%
2023	142,809	215,412	(72,603)	1,212,587	17.76%
2022	299,277	306,558	(7,281)	852,342	35.97%
2021	326,538	331,467	(4,929)	928,815	35.69%
2020	296,723	390,944	(94,221)	1,019,505	38.35%
2019	382,219	434,865	(52,646)	793,729	54.79%
2018	384,222	393,349	(9,127)	879,278	44.74%
2017	382,832	383,213	(381)	861,178	44.50%
2016	382,832	317,272	65,560	834,327	38.03%

Notes to Schedule:

Valuation Date: 10/1/2024

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	15 years
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.50%
Investment Rate of Return:	7.20%
Salary Increases:	Service based
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2025
(UNAUDITED)

For the Year Ending September 30,	General Employees' Pension Plan	Police Officers' Pension Plan	Firemen's Pension Plan
2025	10.00%	11.91%	8.91%
2024	9.72%	25.07%	8.76%
2023	12.49%	14.31%	9.10%
2022	-19.97%	-17.30%	-19.09%
2021	20.60%	17.80%	20.13%
2020	7.18%	11.03%	4.81%
2019	7.01%	3.91%	1.39%
2018	8.68%	9.11%	9.57%
2017	14.41%	11.49%	13.03%
2016	9.97%	10.06%	14.81%

CITY OF LAKE CITY, 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	0.015174700%	0.013883450%	0.013997843%	0.014137094%	0.013452569%	0.012749094%	0.012380148%	0.011489332%	0.010534545%	0.010698858%
Proportionate share of the net pension liability	\$ 4,709,488	\$ 5,370,772	\$ 5,577,697	\$ 5,260,135	\$ 1,016,189	\$ 5,525,645	\$ 4,263,551	\$ 3,460,646	\$ 3,116,048	\$ 2,701,470
Covered payroll	8,267,720	7,382,507	6,799,673	6,315,764	5,609,878	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366
Proportionate share of the net pension liability as a percentage of covered payroll	56.96%	72.75%	82.03%	83.29%	18.11%	98.95%	79.07%	68.61%	63.81%	57.21%
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	0.018500934%	0.017439757%	0.017158944%	0.017326791%	0.015842776%	0.016086160%	0.016118867%	0.015439074%	0.015319547%	0.015298419%
Proportionate share of the net pension liability	\$ 2,371,347	\$ 2,616,134	\$ 2,725,069	\$ 1,835,184	\$ 1,943,355	\$ 1,964,094	\$ 1,803,540	\$ 1,634,089	\$ 1,638,037	\$ 1,782,967
Covered payroll	8,267,720	7,382,507	6,799,673	6,315,764	5,609,878	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366
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%	33.55%	37.76%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3%	2.63%	2.15%	1.64%	0.97%

**CITY OF LAKE CITY, 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	\$ 947,637	\$ 801,658	\$ 708,463	\$ 585,847	\$ 533,708	\$ 423,596	\$ 383,874	\$ 327,437	\$ 274,240	\$ 260,909
Contributions in relation to the contractually required contribution	947,637	801,658	708,463	585,847	533,708	423,596	383,874	327,437	274,240	260,909
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,626,779	\$ 7,434,670	\$ 6,984,082	\$ 6,227,331	\$ 5,635,167	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366
Contributions as a percentage of covered payroll	10.98%	10.78%	10.14%	9.41%	9.47%	7.59%	7.12%	6.49%	5.62%	5.52%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	\$ 172,536	\$ 148,693	\$ 121,465	\$ 103,374	\$ 93,544	\$ 92,697	\$ 89,507	\$ 83,726	\$ 81,075	\$ 78,414
Contributions in relation to the contractually required contribution	172,536	148,693	121,465	103,374	93,544	92,697	89,507	83,726	81,075	78,414
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,626,779	\$ 7,434,670	\$ 6,984,082	\$ 6,227,331	\$ 5,635,167	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366
Contributions as a percentage of covered payroll	2.00%	2.00%	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

SUPPLEMENTARY INFORMATION

**CITY OF LAKE CITY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Seized Assets	Special Police	Drug Task Force Grant	Sales Tax Bond	Debt Service
ASSETS					
Equity in pooled cash and cash equivalents	\$ 156,331	\$ 87,492	\$ -	\$ 1,693,593	\$ 147,398
Total assets	<u>\$ 156,331</u>	<u>\$ 87,492</u>	<u>\$ -</u>	<u>\$ 1,693,593</u>	<u>\$ 147,398</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 20	\$ -	\$ -	\$ -
Unearned revenue	103,695	-	-	-	-
Total liabilities	<u>103,695</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Public safety	52,636	87,472	-	1,693,593	-
Debt service	-	-	-	-	147,398
Total fund balances	<u>52,636</u>	<u>87,472</u>	<u>-</u>	<u>1,693,593</u>	<u>147,398</u>
Total liabilities and fund balances	<u>\$ 156,331</u>	<u>\$ 87,492</u>	<u>\$ -</u>	<u>\$ 1,693,593</u>	<u>\$ 147,398</u>

**CITY OF LAKE CITY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Seized Assets	Special Police	Drug Task Force Grant	Sales Tax Bond	Debt Service	
Revenues						
Intergovernmental	\$ -	\$ -	\$ 120,737	\$ -	\$ -	\$ 120,737
Investment income	4,601	-	-	67,427	-	72,028
Miscellaneous	-	1,993	-	-	-	1,993
Total revenues	4,601	1,993	120,737	67,427	-	194,758
Expenditures						
Current:						
General government	-	-	-	2,048	-	2,048
Public safety	-	-	116,958	-	-	116,958
Capital outlay	-	-	-	14,900	-	14,900
Debt service:						
Principal retirement	-	-	-	-	628,623	628,623
Interest and fiscal charges	-	-	-	-	215,816	215,816
Total expenditures	-	-	116,958	16,948	844,439	978,345
Excess (deficiency) of revenues over expenditures	4,601	1,993	3,779	50,479	(844,439)	(783,587)
Other financing sources (uses)						
Transfers in	-	-	-	-	844,439	844,439
Total other financing sources (uses)	-	-	-	-	844,439	844,439
Net change in fund balances	4,601	1,993	3,779	50,479	-	60,852
Fund balances, beginning of year	48,035	85,479	(3,779)	1,643,114	147,398	1,920,247
Fund balances, end of year	\$ 52,636	\$ 87,472	\$ -	\$ 1,693,593	\$ 147,398	\$ 1,981,099

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF NET REVENUES AND DEBT SERVICE COVERAGE
UTILITY SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2013, SERIES 2016, AND SERIES 2020 RATE COVENANT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Gross revenues	
Charges for services	\$ 17,939,851
Interest	656,311
Miscellaneous income	<u>190,028</u>
Total gross revenues	<u>18,786,190</u>
Operating expenses, excluding interest, amortization, and depreciation	14,233,632
Net revenues	<u><u>\$ 4,552,558</u></u>
Current annual debt service	
2016 Bonds	\$ 821,642
2020 Bonds	<u>2,279,601</u>
Total current annual debt service	<u><u>\$ 3,101,243</u></u>
Debt service coverage ratio	<u><u>1.47</u></u>
Required minimum debt service coverage ratio	<u><u>1.25</u></u>

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

State Agency / Pass-Through Entity / State Program	ALN/ CSFA Number	Contract / Grant Number	Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Environmental Protection</u>			
Direct:			
Florida Springs Grant Program			
Environmental Restoration Assistance	37.052	LP12031	\$ 108,624
Environmental Restoration Assistance	37.052	LPS0090	215,815
Total Florida Springs Grant Program			<u>324,439</u>
Total Florida Department of Environmental Protection			<u>324,439</u>
<u>Florida Department of Financial Services</u>			
Direct:			
Fire Marshal Administrative and Support Services	43.009	D2282	231,909
Total Florida Department of Financial Services			<u>231,909</u>
<u>Florida Department of Transportation</u>			
Direct:			
Aviation Development Grants			
Transportation Systems Development	55.004	G2I06	10,635
Transportation Systems Development	55.004	G2J77	66,012
Transportation Systems Development	55.004	G3716	15,360
Transportation Systems Development	55.004	G2W12	201,727
Total Aviation Development Grants			<u>293,734</u>
Direct:			
Small County Outreach Program and Rural Areas of Opportunity			
Highway Operations	55.009	G2G60	93,535
Total Florida Department of Transportation			<u>387,269</u>
Total State Financial Assistance			<u>\$ 943,617</u>

The accompanying notes to the schedule of expenditures of state financial assistance are an integral part of this schedule.

CITY OF LAKE CITY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Lake City, Florida. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes, *Florida Single Audit Act*. 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 in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Section 215.97, Florida Statutes, *Florida Single Audit Act*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

No grant awards were passed through to subrecipients.

(3) **Contingency:**

Program and 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 program and 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 LAKE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

A. 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? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

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: \$300,000

Identification of major State programs:

<u>CSFA Number</u>	<u>Project Name</u>
37.052	Florida Springs Grant Program
55.004	Aviation Development Grants

- B. Financial Statement Findings:** None.
- C. State Project Findings and Questioned Costs:** None.
- D. Summary Schedule of Prior Audit Findings:** None.
- E. Corrective Action Plan:** Not applicable as there are no current year findings.

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

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the City of Lake City, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in 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 state projects for the year ended September 30, 2025. The City's major 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 state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major 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; 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 state projects. 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 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*, 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 state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550 Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material 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 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 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 state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
June 26, 2026

**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 Council, and City Manager,
City of Lake City, 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, each major fund, and the aggregate remaining fund information of the City of Lake City, 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 June 26, 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.

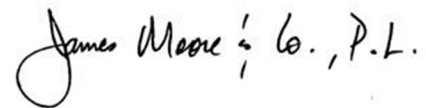
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
June 26, 2026

**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 Council, and City Manager,
City of Lake City, Florida:

Report on the Financial Statements

We have audited the financial statements of City of Lake City, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 26, 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 Section 215.97, Florida Statutes, *Florida Single Audit Act*, 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 State Project and Report on Internal Control over Compliance in accordance with the Chapter 10.550 Rules of the Florida 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 June 26, 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. There were no such findings and recommendations.

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 and component units 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 report 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 conditions 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. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 had no recommendations to improve financial management.

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 Units – Lake City Community Redevelopment Agency

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 units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

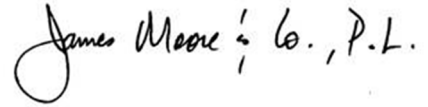
The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the City of Lake City Community Redevelopment Agency (the CRA) have been reported in the separately-issued audited financial statements of the CRA.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to address noncompliance with provisions of contracts or grant agreements, fraud, waste, or abuse, that has occurred, or is 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.

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, State grant agencies, the City Council, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

Gainesville, Florida
June 26, 2026

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

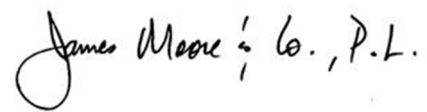
To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

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

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance for evaluating against the aforementioned statute during the year ended September 30, 2025, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute during the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statute in all material respects, 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 City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the City complied with the aforementioned requirements, in all material respects, for the year ended September 30, 2025.



Gainesville, Florida
June 26, 2026