CITY OF MACCLENNY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2025

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF MACCLENNY, FLORIDA
AUDIT REPORT
SEPTEMBER 30, 2025
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CITY OF MACCLENNY, FLORIDA

CITY OFFICIALS

SERVING AS OF SEPTEMBER 30, 2025

CITY COMMISSIONERS

Mark Bryant (Mayor)

Cecil Horne, Jr.

Danny Norton

Lynward Bones

Sam Kitching

CITY MANAGER

Mike Griffis

CITY ATTORNEY

Frank E. Maloney, Jr.

LYONS AND LYONS
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Macclenny, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of 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 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.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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, 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Rules of the Auditor General,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with Florida Statute 218.39(3)(c) but does not include the financial statements and our auditor's report thereon. Our opinions on financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 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 the City's 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.

Lyons and Lyons, CPA

June 22, 2026
Macclenny, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Macclenny, Florida's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2024-2025.

- The City's overall net position increased by $6,300,935 from $30,218,264 to $36,519,199.
- Total ending unrestricted net position increased by $3,804,394 from $10,036,249 to $13,840,643.
- The City's notes and capital lease payable increased by $508,865 from $1,251,840 to $1,760,705. Bonds payable decreased by $287,000, from $2,697,628 to $2,410,628.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the City's activities as a whole and fund financial statements that report on the City's individual funds.

This 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. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the City's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenditures are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the City's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the City's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the City.

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration, public safety, sanitation services, street and storm water maintenance, and culture and recreation. The business-type activities of the City include water and sewer operations and rental of five residential properties. These activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that are 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. The City currently maintains three fund types: 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 used in evaluating a government's near-term financial 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 financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Florida Recreation Development Assistance Program (FRDAP) – Memorial Park Fund which are considered to be major funds. Data from the Special Revenue Funds are combined into a single, aggregated presentation as non-major governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the report.

Proprietary funds – The City maintains one type of proprietary fund, the Enterprise Fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Fund to account for its water and sewer operations and five residential rental homes. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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 resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements, and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general fund and the special revenue fund, and other postemployment benefits information. Supplementary information and additional elements as required by the auditor general, as listed in the table of contents, are also presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $36,519,199 at the close of the fiscal year ended September 30, 2025.

City of Macclenny's Net Position

	Governmental Activities		Business-type Activities		Total	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Current and other assets	$ 12,384,342	$ 11,148,813	$ 7,550,019	$ 7,464,344	$ 19,934,361	$ 18,613,157
Capital assets	7,052,348	6,877,514	20,746,423	16,522,947	27,798,771	23,400,461
Total assets	19,436,690	18,026,327	28,296,442	23,987,291	47,733,132	42,013,618
Deferred outflows	677,672	820,143	452,490	526,942	1,130,162	1,347,085
Total assets and deferred outflows	20,114,362	18,846,470	28,748,932	24,514,233	48,863,294	43,360,703
Current and other liabilities	499,843	736,171	1,242,212	1,494,937	1,742,055	2,231,108
Long-term liabilities	3,799,079	4,274,019	4,719,004	4,674,203	8,518,083	8,948,222
Total liabilities	4,298,922	5,010,190	5,961,216	6,169,140	10,260,138	11,179,330
Deferred inflows	411,113	205,543	1,672,844	1,757,566	2,083,957	1,963,109
Total liabilities and deferred inflows	4,710,035	5,215,733	7,634,060	7,926,706	12,344,095	13,142,439
Net position:						
Net investment in capital assets	5,745,720	5,509,747	16,611,301	13,900,313	22,357,021	19,410,060
Restricted	-	-	321,535	771,955	321,535	771,955
Unrestricted	9,658,607	8,120,990	4,182,036	1,915,259	13,840,643	10,036,249
Total net position	$ 15,404,327	$ 13,630,737	$ 21,114,872	$ 16,587,527	$ 36,519,199	$ 30,218,264

Changes in Net Position

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

City of Macclenny's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	FY 25	FY 24	FY 25	FY 24	FY 25	FY 24
Revenues:						
Program revenues						
Charges for services	$ 2,232,901	$ 2,129,393	$ 3,537,220	$ 3,456,231	$ 5,770,121	$ 5,585,624
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	523,140	108,454	4,216,585	2,313,849	4,739,725	2,422,303
General revenues						
Property taxes	1,448,798	1,433,365	-	-	1,448,798	1,433,365
Other taxes	2,819,215	2,698,417	103,659	100,638	2,922,874	2,799,055
State shared revenues	830,008	788,346	-	-	830,008	788,346
Interest and other	302,996	272,473	207,527	206,599	510,523	479,072
Total revenues	8,157,058	7,430,448	8,064,991	6,077,317	16,222,049	13,507,765
Expenses:						
General government	1,349,364	1,347,860	-	-	1,349,364	1,347,860
Public safety	2,564,612	2,528,805	-	-	2,564,612	2,528,805
Physical environment	1,541,629	1,468,606	3,483,524	3,609,040	5,025,153	5,077,646
Transportation	551,283	512,852	-	-	551,283	512,852
Culture and recreation	334,252	311,372	-	-	334,252	311,372
Interest on long-term debt	42,328	43,909	54,122	62,187	96,450	106,096
Total expenses	6,383,468	6,213,404	3,537,646	3,671,227	9,921,114	9,884,631
Change in net position	1,773,590	1,217,044	4,527,345	2,406,090	6,300,935	3,623,134
Beginning net position - as previously reported	13,630,737	12,413,693	16,587,527	14,181,437	30,218,264	26,595,130
Ending net position	$ 15,404,327	$ 13,630,737	$ 21,114,872	$ 16,587,527	$ 36,519,199	$ 30,218,264

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental and Business-Type Activities

The governmental activities generated $2,232,901 in charges for services, $5,401,017 of general revenues, and capital grants of $523,140 and incurred $6,383,468 of program expenses. This resulted in a $1,773,590 increase in net assets from current operations. The business-type activities generated operating revenue of $3,537,220 while expending $3,483,524 resulting in a net increase from operations of $53,696. The net increase in operations of $53,696, along with non-operating revenue and expenses and capital grants resulted in a total increase of $4,527,345 in net position.

THE CITY'S INDIVIDUAL FUNDS

The General Fund's fund balance increased by $1,456,566 from $10,464,133 to $11,920,699. The Special Revenue Funds' fund balance remained unchanged at $0. The Proprietary Fund's net position increased by $4,527,345 from $16,587,527 to $21,114,872; net position from operations increased $53,696; net cash decreased $360,752. The City's utility system was operated principally from charges to customers.

BUDGETARY HIGHLIGHTS

General Fund revenues were greater than budgeted amounts by $662,903 and expenditures were less than budgeted amounts by $1,344,652.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had significant capital asset activity during the year. Please refer to the note to the accompanying financial statements entitled *Capital Assets* for more detailed information about the City's capital asset activity. Several construction projects were in progress at September 30, 2025, totaling $5,820,129. These projects include continuation of sewer rehabilitation, water extension, fire station training facility, bathroom rehabilitation, and playground additions.

Debt Administration

The City incurred new debt of $565,485 and retired $328,482 of outstanding debt principal. As a result, the City's notes and revenue bonds payable increased by $237,003. Please refer to the note to the accompanying financial statements entitled *Changes in Long-Term Liabilities* for more detailed information about the City's changes in long-term liabilities.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the City's financial position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Macclenny at 118 East Macclenny Ave., Macclenny, Florida 32063.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and equivalents	$ 11,187,006	$ 4,462,715	$ 15,649,721
Accounts receivable (net)	240,568	335,337	575,905
Due from other funds	548,542	(548,542)	-
Due from other agencies	379,563	599,798	979,361
Accrued interest receivable	-	352	352
Inventories	14,613	111,662	126,275
Prepaid expenses	2,250	-	2,250
Total current assets	12,372,542	4,961,322	17,333,864
Noncurrent assets:			
Restricted assets:			
Cash	11,800	2,040,155	2,051,955
Capital assets:			
Non-depreciable	973,579	6,114,630	7,088,209
Depreciable, net	6,078,769	14,631,793	20,710,562
Total noncurrent assets	7,064,148	22,786,578	29,850,726
Deferred outflows of resources	677,672	452,490	1,130,162
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	20,114,362	28,200,390	48,314,752
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	201,973	254,947	456,920
Accrued interest payable	31,762	35,170	66,932
Accrued payroll payable	55,439	18,248	73,687
Notes and financing lease payable	-	41,649	41,649
Bonds payable	48,000	254,000	302,000
Due to other governments	128	-	128
Accrued compensated absences	162,541	89,656	252,197
Total current liabilities	499,843	693,670	1,193,513
Noncurrent liabilities:			
Customer deposits	11,800	748,140	759,940
Notes and financing lease payable	-	1,719,056	1,719,056
Bonds payable	1,258,627	850,000	2,108,627
Net pension liabilities	2,382,061	1,318,983	3,701,044
Accrued compensated absences	104,805	60,552	165,357
Accrued insurance supplement	-	900	900
Accrued other post employment obligation	41,786	21,373	63,159
Total noncurrent liabilities	3,799,079	4,719,004	8,518,083
Deferred inflows of resources	411,113	1,672,844	2,083,957
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,710,035	7,085,518	11,795,553
NET POSITION			
Net investment in capital assets	5,745,720	16,611,301	22,357,021
Restricted	-	321,535	321,535
Unrestricted	9,658,607	4,182,036	13,840,643
TOTAL NET POSITION	$ 15,404,327	$ 21,114,872	$ 36,519,199

The accompanying “Notes to financial statements” form an integral part of this statement.

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

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 1,349,364	$ -	$ -	$ -	$ (1,349,364)	$ -	$ (1,349,364)
Public safety	2,564,612	-	-	-	(2,564,612)	-	(2,564,612)
Physical environment	1,541,629	2,088,259	-	73,143	619,773	-	619,773
Transportation	551,283	144,642	-	-	(406,641)	-	(406,641)
Culture and recreation	334,252	-	-	449,997	115,745	-	115,745
Interest on long-term debt	42,328	-	-	-	(42,328)	-	(42,328)
Total Governmental activities	6,383,468	2,232,901	-	523,140	(3,627,427)	-	(3,627,427)
Business-type activities:							
Water and sewer	3,467,132	3,513,220	-	4,216,585	-	4,262,673	4,262,673
Rental	16,392	24,000	-	-	-	7,608	7,608
Interest on long-term debt	54,122	-	-	-	-	(54,122)	(54,122)
Total Business-type activities	3,537,646	3,537,220	-	4,216,585	-	4,216,159	4,216,159
Total	$ 9,921,114	$ 5,770,121	$ -	$ 4,739,725	(3,627,427)	4,216,159	588,732
	General Revenues:						
	Property taxes				1,448,798	-	1,448,798
	Sales and use taxes				970,811	-	970,811
	Local option taxes				148,460	-	148,460
	Franchise fees				587,042	-	587,042
	Utility service tax				781,871	103,659	885,530
	Communication service tax				331,031	-	331,031
	State shared revenue				830,008	-	830,008
	Fines and forfeitures				4,406	-	4,406
	Interest income				68,500	184,637	253,137
	Miscellaneous				230,090	22,890	252,980
	Total General Revenues				5,401,017	311,186	5,712,203
	Change in net position				1,773,590	4,527,345	6,300,935
	Net position, October 1, 2024				13,630,737	16,587,527	30,218,264
	Net position, September 30, 2025				$ 15,404,327	$ 21,114,872	$ 36,519,199

The accompanying "Notes to financial statements" form an integral part of this statement.

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	GENERAL	Florida Recreation Development Assistance Program - Memorial Park	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 11,187,006	$ -	$ -	$ 11,187,006
Cash - restricted	11,800	-	-	11,800
Accounts receivable (net)	240,568	-	-	240,568
Due from other agencies	-	199,808	179,755	379,563
Due from other funds	913,454	-	-	913,454
Inventory	14,613	-	-	14,613
Prepaid expenses	2,250	-	-	2,250
TOTAL ASSETS	$ 12,369,691	$ 199,808	$ 179,755	$ 12,749,254
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	$ 178,688	$ -	$ 23,285	$ 201,973
Accrued payroll	55,439	-	-	55,439
Accrued compensated absences	162,541	-	-	162,541
Accrued interest	31,762	-	-	31,762
Due to other governments	128	-	-	128
Due to other funds	8,634	199,808	156,470	364,912
Customer deposits	11,800	-	-	11,800
TOTAL LIABILITIES	448,992	199,808	179,755	828,555
FUND EQUITY				
Fund balances:				
Nonspendable				
Inventory	14,613	-	-	14,613
Prepaid expenses	2,250	-	-	2,250
Due from other funds	913,454	-	-	913,454
Unassigned	10,990,382	-	-	10,990,382
TOTAL FUND EQUITY	11,920,699	-	-	11,920,699
TOTAL LIABILITIES AND FUND EQUITY	$ 12,369,691	$ 199,808	$ 179,755	$ 12,749,254

The accompanying “Notes to financial statements” form an integral part of this statement.

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

FUND BALANCES--TOTAL GOVERNMENTAL FUNDS	$ 11,920,699
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds:	
Capital assets--net	7,052,348
Deferred outflows of resources related to pension earnings are not recognized in the governmental funds and are recorded in the statement of net position.	
Change in pension assumptions	677,672
Deferred inflows of resources related to pension earnings are not recognized in the governmental funds and are recorded in the statement of net position.	
Change in pension assumptions	(411,113)
Liabilities are not reported in the governmental funds:	
Compensated absences (noncurrent)	(104,805)
Bonds payable	(1,306,627)
Other post employment benefits payable	(41,786)
Net pension liabilities	(2,382,061)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 15,404,327

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The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	GENERAL	Florida Recreation Development Assistance Program - Heritage Park	NON-MAJOR GOVERNMENTAL FUNDS	TOTALS (Memorandum Only)
REVENUES				
Taxes	$ 3,680,970	$ -	$ -	$ 3,680,970
Licenses and permits	138,406	-	-	138,406
Franchise fees	587,042	-	-	587,042
Intergovernmental	830,008	-	-	830,008
Charges for services	2,232,901	-	-	2,232,901
Fines and forfeitures	4,406	-	-	4,406
Grant revenues	-	190,208	332,932	523,140
Miscellaneous revenues	91,685	-	-	91,685
TOTAL REVENUES	7,565,418	190,208	332,932	8,088,558
EXPENDITURES				
Current:				
General government	1,357,083	-	-	1,357,083
Public safety	2,229,680	-	-	2,229,680
Physical environment	1,433,514	-	-	1,433,514
Transportation	390,303	-	-	390,303
Culture and recreation	185,812	-	-	185,812
Capital outlay:	494,252	190,208	343,812	1,028,272
Debt service:				
Principal	46,000	-	-	46,000
Interest and fiscal charges	42,328	-	-	42,328
TOTAL EXPENDITURES	6,178,972	190,208	343,812	6,712,992
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,386,446	-	(10,880)	1,375,566
OTHER FINANCING SOURCES (USES)				
Interest	68,500			68,500
Transfers in/(out)	1,620	-	10,880	12,500
TOTAL OTHER FINANCING SOURCES (USES)	70,120	-	10,880	81,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,456,566	-	-	1,456,566
FUND BALANCES, October 1, 2024	10,464,133	-	-	10,464,133
FUND BALANCES, September 30, 2025	$11,920,699	$ -	$ -	$ 11,920,699

The accompanying “Notes to financial statements” form an integral part of this statement.

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	1,456,566
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Acquisition of capital assets		925,542
Current year depreciation expense		(750,707)
The issuance of long-term debt provides current financial resources to governmental funds, however this does not affect net position		
Decrease in net pension liability		478,133
Financing lease payment		15,139
Bond principal repayment		46,000
Change in deferred outflows related to pension		(142,471)
Change in deferred inflows related to pension		(205,571)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences		(43,949)
Increase in other post employment benefits expense and miscellaneous		(5,092)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	1,773,590

The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF NET POSITION-
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	TOTALS
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and equivalents	$ 4,462,715
Accounts receivable (net)	335,337
Due from other agencies	599,798
Accrued interest receivable	352
Inventories	111,662
Total current assets	5,509,864
Noncurrent assets:	
Restricted assets:	
Cash	2,040,155
Total cash, restricted	2,040,155
Capital assets:	
Land	511,670
Construction in progress	5,602,960
Buildings, improvements and infrastructure	29,872,149
Machinery and equipment	3,783,993
Right of use assets	150,000
Less: accumulated depreciation	(19,174,349)
Total capital assets net	20,746,423
Total noncurrent assets	22,786,578
Deferred outflows of resources	
Net underwriter's discount	11,380
Deferred gain on early retirement	288
Change in pension assumptions	440,822
Total deferred outflow of resources	452,490
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	28,748,932
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities:	
Accounts payable	254,947
Accrued interest payable	35,170
Accrued payroll payable	18,248
Due to other funds	548,542
Notes payable	41,649
Bonds payable	254,000
Accrued compensated absences	89,656
Total current liabilities	1,242,212
Noncurrent liabilities:	
Customer deposits	748,140
Notes payable	1,719,056
Bonds payable	850,000
Net pension liabilities	1,318,983
Accrued compensated absences	60,552
Accrued insurance supplement	900
Accrued OPEB obligation	21,373
Total noncurrent liabilities	4,719,004
Deferred inflows of resources	
Change in pension assumptions	291,135
Unearned revenue	1,381,709
Total deferred inflows of resources	1,672,844
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,634,060
NET POSITION	
Net investment in capital assets	16,611,301
Restricted for water and sewer development	321,535
Unrestricted	4,182,036
TOTAL NET POSITION	$ 21,114,872

The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

OPERATING REVENUES	
Charges for services	$ 3,537,220
TOTAL OPERATING REVENUES	3,537,220
OPERATING EXPENSES	
Personal services	1,468,193
Materials, supplies and other expenses	1,009,934
Depreciation expense	1,003,813
Amortization expense	1,584
TOTAL OPERATING EXPENSES	3,483,524
OPERATING INCOME (LOSS)	53,696
NON-OPERATING REVENUES (EXPENSES)	
Utility tax	103,659
Grant revenues	4,216,585
Miscellaneous income	22,890
Interest income	184,637
Interest expense	(54,122)
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,473,649
Changes in net position	4,527,345
NET POSITION - October 1, 2024	16,587,527
NET POSITION - September 30, 2025	$ 21,114,872

The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 3,782,806
Cash payments to suppliers for goods and services	(1,281,667)
Cash payments to employees for services	(1,510,537)
NET CASH PROVIDED BY OPERATING ACTIVITIES	990,602
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(5,227,290)
Proceeds from capital grants	4,026,718
Proceeds from loans	565,485
Amount due from other governmental agencies	(558,538)
Interest paid on long term debt	(59,884)
Principle paid on notes payable	(41,482)
Principle paid on bonds payable	(241,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,535,991)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	184,637
NET CASH PROVIDED BY INVESTING ACTIVITIES	184,637
NET DECREASE IN CASH AND CASH EQUIVALENTS	(360,752)
CASH AND CASH EQUIVALENTS - October 1, 2024	6,863,622
CASH AND CASH EQUIVALENTS - September 30, 2025	$ 6,502,870
CASH AND CASH EQUIVALENTS CLASSIFIED AS:	
Cash and cash equivalents - unrestricted	$ 4,462,715
Cash and cash equivalents - restricted	2,040,155
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED	$ 6,502,870
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ 53,696
Utility tax and miscellaneous nonoperating revenue	126,549
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	1,003,813
Amortization	1,584
Change in assets and liabilities:	
Accounts receivable	117,415
Accounts payable	(548,028)
Accrued compensated absences	18,324
Due to other funds	281,599
Net pension liability	(66,539)
Net other post employment benefit obligation	3,112
Accrued payroll	2,759
Customer deposits	1,622
Inventory	(5,304)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 990,602

The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	HRA Fund	Baker Co School Board Impact Fees	Total
ASSETS			
Cash and cash equivalents	$ 131,641	$ 9,200	$ 140,841
TOTAL ASSETS	131,641	9,200	140,841
NET POSITION			
Held in trust and due other agencies	$ 131,641	$ 9,200	$ 140,841

The accompanying “Notes to financial statements” form an integral part of this statement.

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

	HRA Fund	Baker Co School Board Impact Fees	Total
ADDITIONS			
Contributions	$ 24	$ 77,304	$ 77,328
Total additions	24	77,304	77,328
DEDUCTIONS			
Health reimbursements paid and remittances	1,250	68,104	69,354
Total deductions	1,250	68,104	69,354
Changes in net position	(1,226)	9,200	7,974
Net position, October 1, 2024	132,867	-	132,867
Net position, September 30, 2025	$ 131,641	$ 9,200	$ 140,841

The accompanying “Notes to financial statements” form an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are hereafter described.

Reporting Entity

The City is a unit of local government, established under Section 166, Florida Statutes and Chapter 24670, Laws of the State of Florida, and operates under a Commissioners-Manager form of government. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City as a primary government.

The City uses the criteria established in GASB Statement 14 to define the reporting entity and identify component units. Component units are entities for which a primary government is considered to be financially accountable. Component units, if any, are included in the reporting entity because of the significance of their operational or financial relationships with the primary government.

A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities are, in substance, part of the primary government's operations and, accordingly, data from these units would be combined with data of the City. There are no blended component units included in the City's financial reporting entity.

Discretely presented component units, on the other hand, would be reported in separate columns to emphasize that they are legally separate from the City. There are no discretely presented component units included in the City's financial reporting entity.

The Macclenny Housing Authority is a legally separate fiscally independent organization in which the City Commissioners appoint the Authority Board. The City is not able to impose its will on the Authority and no financial responsibility of the Authority rests with the City. The Authority is not included as a component unit of the City's financial statements since the City does not exercise sufficient oversight responsibility.

There were no additional entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the City's financial statements.

The City did not participate in any joint ventures during the 2024–2025 fiscal year.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statements (concluded)

normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but all non-major funds are aggregated and presented in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the General Fund and the Florida Recreation Development Assistance Program (FRDAP) - Memorial Park Fund as major governmental funds. The General Fund is the primary operating fund. It is used to account for all activities except those required to be accounted for in another fund. The FRDAP – Memorial Park Fund is a Special Revenue Fund used to account for funding received from the State of Florida Department of Environmental Protection for playground equipment, picnic facilities, and the renovation of bathroom facilities at Memorial Park. All other Special Revenue Funds are combined and reported as non-major governmental funds and are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

The City reports the Proprietary Fund (enterprise fund) as a major fund. The Proprietary Fund consists of two separate funds identified as the Water and Sewer Utility and Rental Funds. The City provides services for water and sewer to its residents, which are financed by user charges. The City also maintains several homes located adjacent to the City's sewer treatment plant which are rented to tenants. Activities of the Water and Sewer Utility Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Water and Sewer Utility Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets.

The City's fiduciary funds include the Health Reimbursement Account and impacts fees collected for the Baker County School Board. These funds are held in a purely custodial capacity and are reported using the accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance – Governmental Funds

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* to classify fund balances for governmental funds into specifically defined classifications. The classifications 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 the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is the City Commission. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Manager; or (b) a body or official to whom the City Manager has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The City's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Governmental fund balances with restrictions as of September 30, 2025, are as follows:

	Classification					
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund	$ 930,317	$ -	$ -	$ -	$ 10,990,382	$ 11,920,699
	$ 930,317	$ -	$ -	$ -	$ 10,990,382	$ 11,920,699

Measurement Focus and Basis of Accounting

The government-wide financial statements and the fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (concluded)

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Expenditures are generally recognized when the related liability is incurred. However, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets and Budgetary Accounting

The City adopts annual budgets for the General, Special Revenue and Enterprise Funds. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- Prior to July 1, the City Manager submits to the City Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of an ordinance.
- Any revision that alters total expenditures of any fund or to transfer budgeted amounts between departments within any fund must be approved by the City Commissioners. Budgetary control is maintained at the department level. The fund is the legal level of control. Budgetary data presented in the accompanying financial statements represent the “final” budget data; i.e., the effects of budget amendments have been applied to “original” budgetary data. Budgeted appropriations lapse at year-end.
- The budget amounts presented in the accompanying financial statements were prepared on the modified accrual basis of accounting.
- All budget changes during the fiscal year are approved by the City Commissioners.
- Appropriations lapse at the end of the fiscal year.

Budgets are adopted for the General, Special Revenue and Enterprise Funds on a basis that does not differ materially from accounting principles generally accepted in the United States of America. In accordance with Section 166.241(3), Florida Statutes, total expenditures did not exceed budget appropriations for the fiscal year ended September 30, 2025.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Application of FASB Pronouncements

For its enterprise fund, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments, including restricted assets to be cash equivalents. Restricted cash for customer deposits, bond reserves, impact fees, unspent funds from the Clean Water State Revolving Fund Planning Loan Agreements, and funds received from the American Rescue Act totaled $2,040,155. The governmental funds had restricted cash in the amount of $11,800 for customer deposits. Unrestricted resources are used first when expense is incurred for both restricted and unrestricted purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits with Financial Institutions

All cash resources and certificates of deposit of the City are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Assets capitalized generally have an original cost of $1,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-30 years
Water and Sewer System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5-15 years
Improvements other than Buildings	20-50 years

Compensated Absences

The City’s policy on sick leave allows accumulation from one year to the next. Vesting occurs after an employee has eight years of service with the City. An employee may be paid, depending on length of service, for 25% to 100% of a maximum of 240 hours of accumulated sick time.

City policies allow employees to accumulate vacation time and carryover unused vacation to the next calendar year in amounts of 240 hours for regular class, 320 for fire fighters and 360 for senior management. The maximum amount that can be carried over is one year’s accumulated leave. The City follows accounting principles generally accepted in the United States of America in accounting for accrued compensated absences. A liability for accrued compensated absences of employees has been accrued in the Proprietary Fund and in the Government-wide financial statements. Compensated absences are recorded as expenditures in Governmental Funds to the extent of the amount of the liability that would normally be liquidated with expendable available financial resources (the current portion).

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports $321,535 of restricted net position, which is restricted by enabling legislation. Proprietary restricted net position in the amount of $321,535 consists of water and sewer development funds.

Property Taxes

The Baker County Tax Collector bills and collects property taxes for the City. City property tax revenues are recognized when levied, to the extent that they result in current receivables.
Details of the City's property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Installment Payments	
1st Installment	No later than June 30
2nd Installment	No later than September 30
3rd Installment	No later than December 31
4th Installment	No later than March 31
Regular Payments	
Discount Periods	November-February
No Discount Period	March
Delinquent Date	April 1

Debt Premiums, Discounts, Issuance Costs and Debt Refunding Gains and Losses

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt (new debt) and the refunded debt (the old debt).

Bond issue costs are recognized as an outflow of resources in the reporting period in which they are incurred. At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

Capitalization of Interest Costs

When applicable, the City follows the guidelines of Statement of Financial Accounting Codification No. 835-20 to determine if interest costs related to construction of fixed assets should be capitalized. Total interest cost for the fiscal year ended September 30, 2025 was $96,450 of which none was capitalized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make various estimates and assumptions. Actual results could vary from estimates used.

NOTE 2 – ACCOUNTING CHANGES

During the fiscal year ended September 30, 2025, the City adopted Governmental Accounting Standards Board (GASB) Statement No 101, *Compensated Absences* (“GASB 101), effective for fiscal years beginning after December 15, 2023, which was implemented in the current year; the provisions of GASB 101 were applied as a change in accounting principle in accordance with GASB Statement No. 100*, Accounting Changes and Error Corrections*, and related guidance in the GASB Codification (Codification §2250), and applies to the Government’s compensated absences (for example, vacation and sick leave) as applicable—however, management has determined that the impact of adoption on beginning net position, fund balance, and the current-period financial statements is not material and, accordingly, no restatement of beginning net position or fund balance and no quantitative reconciliation table has been presented.

NOTE 3 – INVESTMENTS

The City invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the City is authorized to invest excess public funds in the following instruments: the Local Government Investment Pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

Investment Risks
The City is exposed to the following risks associated with its investment portfolio:

Credit Risk – the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations.

Interest Rate Risk – the risk that changes in interest rate will adversely affect the fair value of an investment.

The City maintains a certificate of deposit in a qualified public depository totaling $654,059. The rate of return is 3.92% and matures on March 20, 2026. The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City’s exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. Certificate of deposits are reported as a cash equivalent.

NOTE 4 – CAPITAL ASSETS

	Balance October 1	Additions	Deletions	Balance September 30
Governmental activities:				
Capital assets not being depreciated				
Land	$ 756,411	$ -	$ -	$ 756,411
Construction in progress	202,367	451,623	(436,822)	217,168
Total capital assets not being depreciated	958,778	451,623	(436,822)	973,579
Capital assets being depreciated				
Buildings, improvements and infrastructure	7,679,263	577,384	-	8,256,647
Machinery and equipment	4,927,643	333,357	(271,788)	4,989,212
Total capital assets being depreciated	12,606,906	910,741	(271,788)	13,245,859
Total capital assets, before depreciation	13,565,684	1,362,364	(708,610)	14,219,438
Less accumulated depreciation and amortization for:				
Buildings, improvements and infrastructure	(3,257,800)	(311,552)	-	(3,569,352)
Machinery and equipment	(3,430,371)	(439,155)	271,788	(3,597,738)
Total accumulated depreciation and amortization	(6,688,171)	(750,707)	271,788	(7,167,090)
Total capital assets being depreciated, net	5,918,735	160,034	-	6,078,769
Governmental activities capital assets, net	$ 6,877,513	$ 611,657	$ (436,822)	$ 7,052,348
Business-type activities:				
Capital assets not being depreciated				
Land	$ 511,669	$ -	$ -	$ 511,669
Construction in progress	3,887,818	5,090,095	(3,374,952)	5,602,961
Total capital assets not being depreciated	4,399,487	5,090,095	(3,374,952)	6,114,630
Capital assets being depreciated				
Buildings, improvements and infrastructure	26,448,624	3,425,170	(1,645)	29,872,149
Right-of-use leases being amortized	150,000	-	-	150,000
Machinery and equipment	3,705,545	87,470	(9,022)	3,783,993
Total capital assets being depreciated	30,304,169	3,512,640	(10,667)	33,806,142
Total capital assets, before depreciation	34,703,656	8,602,735	(3,385,619)	39,920,772
Less accumulated depreciation and amortization for:				
Buildings, improvements and infrastructure	(15,503,086)	(849,110)	1,152	(16,351,044)
Right-of-use lease amortization	(8,500)	(3,000)	-	(11,500)
Machinery and equipment	(2,669,124)	(151,703)	9,022	(2,811,805)
Total accumulated depreciation and amortization	(18,180,710)	(1,003,813)	10,174	(19,174,349)
Total capital assets being depreciated, net	12,123,459	2,508,827	(493)	14,631,793
Business-type activities capital assets, net	$ 16,522,946	$ 7,598,922	$ (3,375,445)	$ 20,746,423

NOTE 4 – CAPITAL ASSETS (concluded)

Depreciation expense was charged as direct expense to programs of the government as follows:

Governmental Activities:	
General Government	$ 29,228
Public Safety	379,463
Physical Environment	111,822
Transportation	161,570
Culture and Recreation	68,624
Total Depreciation Expense-Governmental Activities	$ 750,707
Business-Type Activities:	
Water and Sewer	$ 1,003,813
Total Depreciation Expense-Business-Type Activities	$ 1,003,813

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Amounts Due within One Year
Governmental activities:					
Revenue bonds payable	$ 1,352,627	$ -	$ 46,000	$ 1,306,627	$ 48,000
Financing lease obligations	15,138	-	15,138	-	-
Compensated absences	231,386	43,949	7,989	267,346	162,541
OPEB obligation	36,694	5,092	-	41,786	-
Net pension liability - FRS	2,860,191	-	478,130	2,382,061	-
Total Governmental activities	$ 4,496,036	$ 49,041	$ 547,257	$ 3,997,820	$ 210,541
Business-type activities:					
Notes payable	$ 1,236,702	$ 565,485	$ 41,482	$ 1,760,705	$ 41,649
Revenue bonds payable	1,345,000	-	241,000	1,104,000	254,000
Compensated absences	131,883	18,324	-	150,207	89,656
OPEB obligation	18,261	3,112	-	21,373	-
Net pension liability -FRS	1,563,537	-	244,554	1,318,983	-
Total Business-type activities	$ 4,295,383	$ 586,921	$ 527,036	$ 4,355,268	$ 385,305

NOTE 6 – NOTES AND REVENUE BONDS PAYABLE

The City’s notes and revenue bonds payable are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental activities:
As of September 30, 2025, the governmental bonds payable of the City consisted of the following:

NOTE 6 – NOTES AND REVENUE BONDS PAYABLE (continued)

Bonds Payable:

Public Improvement Revenue Bonds were issued on December 11, 2015 in the amount of $1,685,800 bearing interest at a rate of 3.25% with varying annual installments with a final installment payment on December 11, 2045. The purpose of the bonds was to provide permanent financing of the fire station. The bonds are secured by the pledge of the City's discretionary one cent sales tax revenue.	$1,306,627
Total Governmental Activities Bonds and Lease Obligations Payable	$1,306,627

Business-type activities:
The business-type activities notes and revenue bonds payable for the City at September 30, 2025, consist of the following:

Notes Payable:

Clean Water State Revolving Fund Planning Loan Agreements were entered into with the Florida Department of Environmental Protection for the purpose of providing funding for the evaluation and rehabilitation of the sanitary/sewer system infrastructure. The City has entered into four agreements which call for loan principal forgiveness of eighty percent. The first agreement was dated January 16, 2016, for $169,662 with an interest rate of 1.62% and semi-annual payments of $4,641 beginning June 15, 2020. The second agreement dated October 8, 2019, was for $88,455 with an interest rate of 1% and semi-annual payments of $2,687 beginning September 15, 2021. The third agreement was dated February 12, 2020, in the amount of $882,521 with no interest and semi-annual payments of $14,709 beginning February 15, 2022. The fourth agreement was dated December 21, 2021, in the amount of $977,600 with no interest and semi-annual payments of $17,923 beginning October 15, 2026. During the year ending September 30, 2025, the City received $4,071,177 of grant funds for the fourth loan of which $814,235 is reflected as the loan portion. As of September 30, 2025, outstanding notes payable totaled $1,760,705.	$1,760,705
Total Notes Payable	$1,760,705

Bonds Payable:

$1,800,000 Water and Sewer Revenue Bonds, Series 1997, dated January 28, 1997, issued to finance a part of the cost of certain additions, extensions, and improvements to the sewer facilities of the City. The Bonds are due in annual installments of $18,000 to $94,000 through January 1, 2037. Interest is at 4.5%. Net revenues from the related system and certain franchise and public service tax are pledged as collateral.	$909,000

NOTE 6 – NOTES AND REVENUE BONDS PAYABLE (concluded)

\$2,475,000 Water and Sewer Revenue Refunding Bonds, Series 2008, dated September 30, 2008, issued to refund certain bond issues. The bonds were purchased by Regions Bank and are to be repaid in semi-annual payments beginning April 1, 2009 ranging from \$97,435 to \$102,292 through April 1, 2026. Interest is at 4.14%. Net revenues from the related system and certain municipal excise taxes are pledged as collateral.	195,000
Total Bonds Payable	\$1,104,000
Total Business-Type Activity Notes and Revenue Bonds Payable	\$2,864,705

Annual debt service requirements to maturity for long-term debt are as follows:

Year ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	\$ 48,000	\$ 42,465	\$ 295,649	\$ 49,434
2027	49,000	40,905	139,665	40,503
2028	51,000	39,313	141,838	37,540
2029	53,000	37,655	145,013	34,485
2030	54,000	35,933	148,191	31,292
2031-2035	295,000	152,169	795,713	103,258
2036-2040	328,000	102,054	559,979	13,963
2041-2045	362,000	46,544	328,990	13
2046-2050	66,627	2,165	280,248	-
2051	-	-	29,418	-
Total	\$ 1,306,627	\$ 499,203	\$ 2,864,704	\$ 310,488

NOTE 7 – LEASES

Business-type Activities

On December 2, 2021, the city entered into a lease agreement with the State of Florida Department of Children and Families (the State) for the purposes of establishment and operation of the water treatment storage and distribution facilities located at Northeast Florida State Hospital (NEFSH). The term of this lease is for a period of 50 years, commencing on December 2, 2021, and ending December 1, 2071. Upon termination or expiration of the lease, the premises are to be surrendered to the State. The City is required to provide NEFSH up to 7,500,000 gallons of potable water per month at no charge. In addition, a one-time lump sum payment of \$150,000 was required to be paid to the State. This payment is being reported as a right of use asset and is being amortized over the 50 years. At September 30, 2025, the unamortized amount is \$138,500

NOTE 8 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Department of Management Services, Division of Retirement, Research and Education Section, PO Box 9000, Tallahassee, Florida, 32315-9000, by calling (877) 377-1888, or website: http://www.dms.myflorida.com/workforce_operations/retirement/publications.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership.

Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2025, retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $7.50. The payments are at least $45 but not more than $225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension Plan are computed based on 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.

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.

NOTE 8 – STATE OF FLORIDA PENSION PLANS (continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The City's contribution rates as of September 30, 2025, were as follows:

	FRS	HIS
Regular Class	12.03%	2.00%
Special Risk Class	33.19%	2.00%
Senior Management Service Class	31.24%	2.00%
Elected Officials	53.57%	2.00%
DROP from FRS	20.02%	2.00%

The City's contributions for the year ended September 30, 2025, were $565,288 to the FRS and $54,744 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2025, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2025, and the total pension liabilities used to calculate the net pension liability were determined by the plan's actuarial valuation dated July 1, 2025. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	$ 2,910,858	$ 790,187
Proportion at:		
Current measurement date	0.009379235%	0.006164937%
Prior measurement date	0.009082568%	0.006067390%
Pension expense (benefit)	$ 400,703	$ 22,698

NOTE 8 – STATE OF FLORIDA PENSION PLANS (continued)

Deferred Outflows/Inflows of Resources 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:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 310,910	$ -	$ 4,717	$ 1,253
Changes of assumptions	338,026	-	6,994	191,126
Net difference between projected and actual earnings on pension plan investments	-	485,997	-	658
Changes in proportion and differences between employer contributions and proportionate share of contributions	272,622	-	32,162	23,214
Employer contributions subsequent to measurement date	139,970	-	13,089	-
Total	$ 1,061,528	$ 485,997	$ 56,962	$ 216,251

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2025. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2026	$ 581,026	$ (36,101)
2027	10,292	(43,556)
2028	(75,054)	(39,454)
2029	(80,703)	(33,460)
2030	-	(19,807)
Thereafter	-	-
Total	$ 435,561	$ (172,379)

Actuarial Assumptions

The total pension liability for each cost-sharing defined benefit plan was measured as of June 30, 2025. The actuarial assumptions that determined the total pension liability for the FRS Pension Plan was determined by a valuation dated July 1, 2025. For the HIS Program, the actuarial assumptions that determined the total pension liability was determined by a valuation dated July 1, 2025. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.50%	3.50%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	5.20%

NOTE 8 – STATE OF FLORIDA PENSION PLANS (continued)

Mortality assumptions for both plans were based on the Generational PUB2010 with Scale MP-2021.

The FRS actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS plan.

The following changes in key actuarial assumptions occurred in 2025:

HIS: All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.

HIS: The assumptions changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.

HIS: The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate (property)	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.5%	6.1%	8.7%
	100%			

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.70%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

NOTE 8 – STATE OF FLORIDA PENSION PLANS (concluded)

Because the HIS Program is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. A municipal bond rate of 5.20% was used to determine the total pension

liability for the program. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Employer's proportionate share of the net pension liability	$ 5,712,514	$ 2,910,858	$ 561,990	$ 891,063	$ 790,187	$ 705,584

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2025, totaled $69,939.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City follows Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the City. The philosophy driving this accounting standard is that non-pension post employment benefits are part of the compensation paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those resources, rather than after they have retired.

Plan Description

The City offers postemployment medical and pharmacy insurance benefits to any employee who satisfies the normal retirement provisions of the applicable retirement plan (FRS). Former employees who retire from the City are eligible to participate in the City's healthcare insurance benefits, a single-employer defined benefit plan.

According to the City's Personnel Policy & Procedures, a regular/permanent full-time employee hired before July 1, 2011; after full retirement with at least ten years of full-time service who has obtained

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

the required time of service for full retirement benefits (age of 62 or 30 years of service under regular class retirement or 25 years of service under special risk class retirement) can continue to participate in the City's healthcare insurance benefits. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The City does not issue a stand-alone annual report for the plan and it is not included in the annual report of a public employment retirement system or another entity. As of September 30, 2025, the latest actuarial valuation date, there were 39 active participants and 0 retirees participating in the plan.

Funding Policy

The City's OPEB benefits are currently unfunded; there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by the general assets of the City. Although an actuarial valuation for OPEB was completed to measure current year's subsidies and project future year subsidies, the City has not determined if a separate trust fund or equivalent arrangement will be established.

Annual OPEB Cost and Net OPEB Liability

The City's net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the OPEB plan's fiduciary net position as actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 75. The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

	Amount
Prior measurement balance at 9/30/2024	$ 54,955
Increase in Net OPEB Liability	8,204
Net OPEB Liability at 9/30/2025	$ 63,159

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial methods are:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Amortization Period	20 Years
Asset Valuation Method	Unfunded

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (concluded)

Healthcare Cost Trend	Rates are expected to be 10.8% in year one decreasing to 4.1% in year 10 and forward for medical; 11.7% in year one decreasing to 4.1% in year 10 and forward for pharmacy; 3.5% in year one decreasing to 3.0% in year 10 and forward for dental; and 3.0% for all years for vision.
Turnover Assumption	Derived from data maintained by the U. S. Office of Personnel Management regarding the most recent Experience of the employee group covered by the Federal Employees Retirement System.
Coverage Election	Assumed that 25% of eligible employees participate.
Bond yield & discount rate	4.05%
Projected salary increase	3.00%
Mortality Table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Funded Status and Funding Progress
No OPEB payments for the 2025 fiscal year were made. As of September 30, 2025, the most recent actuarial valuation report date, the actuarial value of assets was $0, the covered payroll (annual payroll of active participating employees) was $2,817,088 and the unfunded actuarial accrued liability as a percentage of covered payroll was 2.24%.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 10 – CONTINGENT LIABILITIES

The City is sometimes involved in litigation arising from the normal operations of a local government. It is the opinion of management that such litigation will not have a material financial impact on the financial statements of the City.

NOTE 11 – ALLOWANCE FOR UNCOLLECTIBLES

Accounts receivable have been reported in the funds net of allowance for uncollectibles. The allowance for uncollectibles is as follows:

General Fund	$ 6,652
Enterprise Fund	7,727
Total	$ 14,379

The allowance is based upon a moving average of the collection experience relating to these receivables.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

The City entered into an agreement with a residential property developer on March 28, 2006. This agreement allowed the developer to connect to City’s water and wastewater utility plants and pipes and to reserve sufficient capacity in the utility plant and the wastewater pipe associated with utility

NOTE 12 – DEFERRED INFLOWS OF RESOURCES (concluded)

plant capacity. Upon execution of the contract, the developer paid $1,022,175 for impact fees. As homes are constructed and connected to the utility system, revenue will be recognized. At September 30, 2025, twenty-nine homes in the development were connected to the City utility system; unearned revenue at September 30, 2025 was $893,850. In addition, an additional $700,000 was paid by the developer for cost to increase the water and sewer line capacity to the subdivision. Of this amount, $376,600 together with 6% interest for the two calendar years following the date of completion, was due back to the developer as additional users connect to the lines; the balance due of $361,227 at September 30, 2025, is reflected in customer deposits.

NOTE 13 – SEGMENTS OF ENTERPRISE ACTIVITIES

The City provides services for water and sewer to its residents, which are financed by user charges. The City also maintains an Enterprise Fund relating to four homes, which the City rents to four tenants. Financial data for water and sewer services and the rental home fund is combined in these financial statements under the Enterprise Fund of the Proprietary Fund Type. Segment information reported for both funds is presented as supplementary information.

NOTE 14 – INTERFUND BALANCES

At September 30, 2025, interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
General Fund	$548,542	$ -
Enterprise Fund	-	548,542
Totals	$ 548,542	$ 548,542

The interfund balances resulted from the normal course of operations and should be paid within one year.

NOTE 15 – RISK MANAGEMENT

Commercial Insurance
The City carries commercial insurance for general liability, auto liability, collision, property, inland marine and crime. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Public Entity Risk Pool
The City is exposed to a risk of loss related to workers' compensation. To manage this risk, the City joined a public entity risk pool (the "pool"). Premiums paid to the pool are designed to fund the risks assumed by the pool and are based on certain actual exposures of each member.

NOTE 16 – AMERICAN RESCUE PLAN ACT (ARPA) FUNDS

The ARPA was signed into law on March 11, 2021, to provide $350 billion in additional funding for state and local governments. There are certain restrictions on how the City can utilize the funds. On September 29, 2021, the City received $1,737,963 and on August 16, 2022, the City received additional funding from the ARPA in the amount of $1,737,963. A portion of this funding is shown in the Enterprise Fund as unearned revenue in the amount of $487,859.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 22, 2026, the date which the financial statements were available to be issued. There were no subsequent events determined to have occurred that would have a material effect on the fair presentation of the financial statements taken as a whole through the date of the report, June 22, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL
REVENUES	**ORIGINAL**	**FINAL**	**AMOUNTS**	**BUDGET**
Taxes	$ 3,425,288	$ 3,425,288	$ 3,680,970	$ 255,682
Licenses and permits	79,000	79,000	138,406	59,406
Franchise fees	513,300	513,300	587,042	73,742
Intergovernmental	794,486	794,486	830,008	35,522
Charges for services	2,057,941	2,057,941	2,232,901	174,960
Fines and forfeitures	5,000	5,000	4,406	(594)
Miscellaneous revenues	27,500	27,500	91,685	64,185
TOTAL REVENUES	6,902,515	6,902,515	7,565,418	662,903
EXPENDITURES				
Current:				
General government	1,549,709	1,549,709	1,357,083	192,626
Public safety	2,721,457	2,721,457	2,229,680	491,777
Physical environment	1,508,010	1,508,010	1,433,514	74,496
Transportation	538,950	538,950	390,303	148,647
Culture and recreation	218,211	218,211	185,812	32,399
Capital outlay:				
General government	141,615	141,615	35,977	105,638
Public safety	114,712	114,712	46,961	67,751
Physical environment	225,000	225,000	225,433	(433)
Transportation	341,000	341,000	166,935	174,065
Culture and recreation	75,000	75,000	18,946	56,054
Debt service:				
Principal, Public safety	46,000	46,000	46,000	-
Interest expense, Public safety	43,960	43,960	42,328	1,632
TOTAL EXPENDITURES	7,523,624	7,523,624	6,178,972	1,344,652
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(621,109)	(621,109)	1,386,446	2,007,555
OTHER FINANCING SOURCES (USES)				
Interest revenue	60,000	60,000	68,500	8,500
Transfer in (out)	(1,785,000)	(1,785,000)	1,620	1,786,620
TOTAL OTHER FINANCING SOURCES (USES)	(1,725,000)	(1,725,000)	70,120	1,795,120
NET CHANGE IN FUND BALANCE	(2,346,109)	(2,346,109)	1,456,566	3,802,675
FUND BALANCES, October 1, 2024	10,464,133	10,464,133	10,464,133	-
FUND BALANCES, September 30, 2025	$ 8,118,024	$ 8,118,024	$ 11,920,699	$ 3,802,675

Notes to Budgetary Comparison Schedules

The preparation, adoption, and amendment of the budgets are governed by Florida Statutes. The fund is the legal level of control. Budgets are prepared and adopted on a basis that does not differ materially from generally accepted accounting principles (GAAP). Appropriations lapse at year-end.

The accompanying “Notes to financial statements” form an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FLORIDA RECREATION DEVELOPMENT ASSISTANCE PROGRAM -MEMORIAL PARK
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL
REVENUES	**ORIGINAL**	**FINAL**	**AMOUNTS**	**BUDGET**
Grant revenue	$ 190,400	$ 190,400	$ 190,208	$ (192)
TOTAL REVENUES	190,400	190,400	190,208	(192)
EXPENDITURES				
Capital outlay:				
Culture and recreation	190,400	190,400	190,208	192
TOTAL EXPENDITURES	190,400	190,400	190,208	192
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES, October 1, 2024	-	-	-	-
FUND BALANCES, September 30, 2025	$ -	$ -	$ -	$ -

Notes to Budgetary Comparison Schedules

The preparation, adoption, and amendment of the budgets are governed by Florida Statutes. The fund is the legal level of control. Budgets are prepared and adopted on a basis that does not differ materially from generally accepted accounting principles (GAAP). Appropriations lapse at year-end.

The accompanying "Notes to financial statements" form an integral part of this statement.

OTHER POSTEMPLOYMENT BENEFITS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

I. Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
-Service Cost	$ 3,603	$ 3,358	$ 3,741	$ 3,261	$ 3,402	$ 3,040	$ 234	$ -
-Interest	1,757	2,377	2,332	1,668	1,590	1,942	168	1,417
-Effect of economic/demographic gains or losses	8,564	(26,649)	(4,208)	16,735	(2,233)	(1,642)	35,380	(35,610)
-Effect of assumptions, changes, or inputs	(5,720)	-	-	-	-	3,272	3,444	(147)
Net change in OPEB Liability	8,204	(20,914)	1,865	21,664	2,759	6,612	39,226	(34,340)
Total OPEB liability, beginning	54,955	75,869	74,004	52,340	49,581	42,969	3,743	38,083
Total OPEB liability, ending	$ 63,159	$ 54,955	$ 75,869	$ 74,004	$ 52,340	$ 49,581	$ 42,969	$ 3,743
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	$ 2,817,088	$ 2,706,587	$ 2,407,350	$ 2,329,146	$ 2,208,812	$ 2,032,996	$ 2,051,994	$ 1,993,816
City's net OPEB liability as a percentage of covered employee payroll	2.242%	2.030%	3.152%	3.177%	2.370%	2.439%	2.094%	0.188%

II. Ten-year Trend Information

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation	Covered Employee Payroll	Net OPEB Liability As Percentage of Covered Employee Payroll
9/30/2016	(168,337)	-	0.00%	40,327	1,771,449	2.276%
9/30/2017	(1,722)	-	0.00%	38,605	1,191,935	3.234%
9/30/2018	(34,862)	-	0.00%	3,743	1,993,816	0.188%
9/30/2019	39,226	-	0.00%	42,969	2,051,994	2.094%
9/30/2020	6,612	-	0.00%	49,581	2,032,996	2.439%
9/30/2021	2,759	-	0.00%	52,340	2,208,812	2.370%
9/30/2022	21,664	-	0.00%	74,004	2,329,146	3.177%
9/30/2023	1,865	-	0.00%	75,869	2,407,350	3.152%
9/30/2024	(20,914)	-	0.00%	54,955	2,706,587	2.030%
9/30/2025	8,204	-	0.00%	63,159	2,817,088	2.242%

III. Additional supplementary information

Valuation date	September 30, 2025
Alternate measurement method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Unfunded
Discount rate utilized in the current valuation	4.05%
Projected salary increases	3.00%
Mortality basis	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

The accompanying "Notes to financial statements" form an integral part of this statement.

GOVERNMENTAL FUNDS
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS (1)
CITY OF MACCLENNY, FLORIDA

Florida Retirement System

Fiscal Year Ending September 30	Employer's Proportion of the FRS Net Pension Liability	Employer's Proportionate of the FRS Net Pension Liability	Employer's Covered Payroll (2)	Employer's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.00453600%	1,129,053	1,061,922	106.32%	56.86%
2017	0.00495943%	1,467,470	1,191,935	123.12%	56.21%
2018	0.00507342%	1,442,521	1,269,274	113.65%	56.45%
2019	0.00514661%	1,709,610	1,325,517	128.98%	54.53%
2020	0.00480585%	2,044,858	1,283,799	159.28%	51.31%
2021	0.00489778%	349,750	1,372,437	25.48%	62.08%
2022	0.00520631%	1,913,108	1,484,545	128.87%	54.50%
2023	0.00585779%	2,291,268	1,636,162	140.04%	54.69%
2024	0.00606455%	2,289,850	1,714,541	133.55%	55.89%
2025	0.00620535%	1,891,097	1,863,799	101.46%	55.38%

Health Insurance Subsidy Program

Fiscal Year Ending September 30	Employer's Proportion of the HIS Net Pension Liability	Employer's Proportionate of the HIS Net Pension Liability	Employer's Covered Payroll (2)	Employer's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.00342847%	390,181	1,061,922	36.74%	0.65%
2017	0.00374000%	357,294	1,191,935	29.98%	1.10%
2018	0.00388609%	374,646	1,269,274	29.52%	1.45%
2019	0.00396763%	413,415	1,325,517	31.19%	1.74%
2020	0.00369893%	427,307	1,283,799	33.28%	1.95%
2021	0.00387668%	450,957	1,372,437	32.86%	2.29%
2022	0.00407359%	401,952	1,484,545	27.08%	3.16%
2023	0.00412990%	622,186	1,636,162	38.03%	2.74%
2024	0.00405128%	570,344	1,714,541	33.27%	3.21%
2025	0.00407875%	490,964	1,863,799	26.34%	3.18%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

The accompanying “Notes to financial statements” form an integral part of this statement.

PROPRIETARY FUNDS

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

LAST 10 FISCAL YEARS (1)

CITY OF MACCLENNY, FLORIDA

Florida Retirement System

Fiscal Year Ending September 30	Employer's Proportion of the FRS Net Pension Liability	Employer's Proportionate of the FRS Net Pension Liability	Employer's Covered Payroll (2)	Employer's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.00266400%	688,953	623,669	110.47%	28.02%
2017	0.00233385%	690,573	560,910	123.12%	27.68%
2018	0.00249885%	838,284	625,165	134.09%	27.81%
2019	0.00265128%	975,876	682,842	142.91%	28.09%
2020	0.00257882%	1,155,770	688,887	167.77%	27.54%
2021	0.00262815%	218,749	736,450	29.70%	34.32%
2022	0.00271161%	1,032,995	773,198	133.60%	28.39%
2023	0.00296521%	1,224,420	828,244	147.83%	27.69%
2024	0.00301802%	1,223,715	853,240	143.42%	27.81%
2025	0.00317389%	1,019,762	953,289	106.97%	28.32%

Health Insurance Subsidy Program

Fiscal Year Ending September 30	Employer's Proportion of the HIS Net Pension Liability	Employer's Proportionate of the HIS Net Pension Liability	Employer's Covered Payroll (2)	Employer's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.00203500%	246,178	623,669	39.47%	0.32%
2017	0.00174320%	230,702	560,910	41.13%	0.54%
2018	0.00191404%	239,248	625,165	38.27%	0.70%
2019	0.00204393%	259,219	682,842	37.96%	0.89%
2020	0.00198485%	266,674	688,887	38.71%	1.05%
2021	0.00208023%	279,748	736,450	37.99%	1.27%
2022	0.00139506%	254,224	773,198	32.88%	1.65%
2023	0.00138797%	365,706	828,244	44.15%	1.38%
2024	0.00134619%	339,821	853,240	39.83%	1.59%
2025	0.00208619%	299,220	953,289	31.39%	1.62%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

The accompanying “Notes to financial statements” form an integral part of this statement.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST 10 FISCAL YEARS

CITY OF MACCLENNY, FLORIDA

Florida Retirement System Pension Plan

Fiscal Year Ending September 30	Contractually Required FRS Contribution	FRS Contributions In Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	City's Covered Payroll (1)	FRS Contributions as a Percentage of Covered Payroll
2016	191,263	(191,263)	-	1,685,591	11.35%
2017	186,727	(186,727)	-	1,752,845	10.65%
2018	225,183	(225,183)	-	1,894,438	11.89%
2019	245,444	(245,444)	-	2,008,359	12.22%
2020	252,491	(252,491)	-	1,984,922	12.72%
2021	299,912	(299,912)	-	2,173,825	13.80%
2022	360,071	(360,071)	-	2,300,002	15.66%
2023	428,950	(428,950)	-	2,409,989	17.80%
2024	538,785	(538,785)	-	2,673,515	20.15%
2025	576,676	(576,676)	-	2,736,580	21.07%

Health Insurance Subsidy Pension Plan

Fiscal Year Ending September 30	Contractually Required HIS Contribution	HIS Contributions In Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	City's Covered Payroll (1)	HIS Contributions as a Percentage of Covered Payroll
2016	29,527	(29,527)	-	1,685,591	1.75%
2017	28,491	(28,491)	-	1,752,845	1.63%
2018	32,273	(32,273)	-	1,894,438	1.70%
2019	33,465	(33,465)	-	2,008,359	1.67%
2020	32,956	(32,956)	-	1,984,922	1.66%
2021	36,093	(36,093)	-	2,173,825	1.66%
2022	38,188	(38,188)	-	2,300,002	1.66%
2023	41,942	(41,942)	-	2,409,989	1.74%
2024	53,483	(53,483)	-	2,673,515	2.00%
2025	54,732	(54,732)	-	2,736,580	2.00%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

The accompanying “Notes to financial statements” form an integral part of this statement.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	COMMUNITY DEVELOPMENT BLOCK GRANT - COVID	Florida Recreation Development Assistance Program - Heritage Park	U. S. Department of Agriculture Cooperative Forestry Assistance Grant	Department of State Division of Historical Resources Special Category Grant	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash	$ -	$ -	$ -	$ -	$ -
Due from other agencies	76,750	-	73,143	29,862	179,755
TOTAL ASSETS	$ 76,750	$ -	$ 73,143	$ 29,862	$ 179,755
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ 23,285	$ 23,285
Due to other funds	76,750	-	73,143	6,577	156,470
TOTAL LIABILITIES	76,750	-	73,143	29,862	179,755
FUND BALANCES					
Fund Balances:					
Restricted to:					
Impact fees	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 76,750	$ -	$ 73,143	$ 29,862	$ 179,755

The accompanying "Notes to financial statements" form an integral part of this statement.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	COMMUNITY DEVELOPMENT BLOCK GRANT - COVID	Florida Recreation Development Assistance Program - Heritage Park	U. S. Department of Agriculture Cooperative Forestry Assistance Grant	Department of State Division of Historical Resources Special Category Grant	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Grant revenue	$ 34,600	$ 170,239	$ 73,143	$ 54,950	$ 332,932
TOTAL REVENUES	34,600	170,239	73,143	54,950	332,932
EXPENDITURES					
Capital outlay:	34,600	170,239	73,143	65,830	343,812
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Transportation	-	-	-	-	-
TOTAL EXPENDITURES	34,600	170,239	73,143	65,830	343,812
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(10,880)	(10,880)
OTHER FINANCING SOURCES (USES)					
Interest income	-	-	-	-	-
Transfer in (out)	-	-	-	10,880	10,880
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	10,880	10,880
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	-	-	-
FUND BALANCES, October 1, 2024	-	-	-	-	-
FUND BALANCES, September 30, 2025	$ -	$ -	$ -	$ -	$ -

The accompanying “Notes to financial statements” form an integral part of this statement.

COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	WATER AND SEWER UTILITY	RENTAL HOMES	COMBINED TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and equivalents	$ 4,142,121	$ 320,594	$ 4,462,715
Accounts receivable (net)	332,218	3,119	335,337
Accrued interest receivable	352	-	352
Due from other agencies	599,798	-	599,798
Inventories	111,662	-	111,662
Total current assets	5,186,151	323,713	5,509,864
Noncurrent assets:			
Restricted assets:			
Cash	2,039,405	750	2,040,155
Total cash and investments, restricted	2,039,405	750	2,040,155
Capital assets:			
Non-depreciable capital assets:			
Land	475,923	35,747	511,670
Construction in progress	5,602,960	-	5,602,960
Total non-depreciable capital assets	6,078,883	35,747	6,114,630
Depreciable capital assets:			
Buildings, improvements and infrastructure	29,594,622	277,527	29,872,149
Machinery and equipment	3,783,993	-	3,783,993
Right of use asset	150,000	-	150,000
Accumulated depreciation and amortization	(18,915,132)	(259,217)	(19,174,349)
Total depreciable assets net of accumulated depreciation	14,613,483	18,310	14,631,793
Total capital assets net of accumulated depreciation	20,692,366	54,057	20,746,423
Total noncurrent assets	22,731,771	54,807	22,786,578
Deferred outflows of resources:			
Net underwriter's discount	11,380	-	11,380
Deferred gain on early retirement	288	-	288
Change in pension assumptions	440,822	-	440,822
Total deferred outflow of resources	452,490	-	452,490
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	28,370,412	378,520	28,748,932
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	254,532	415	254,947
Accrued interest payable	35,170	-	35,170
Accrued payroll payable	18,248	-	18,248
Due to other funds	548,542	-	548,542
Notes payable	41,649	-	41,649
Bonds payable	254,000	-	254,000
Accrued compensated absences	89,656	-	89,656
Total current liabilities	1,241,797	415	1,242,212
Noncurrent liabilities:			
Customer deposits	747,390	750	748,140
Notes payable	1,719,056	-	1,719,056
Bonds payable	850,000	-	850,000
Net pension liabilities	1,318,983	-	1,318,983
Accrued compensated absences	60,552	-	60,552
Accrued insurance supplement	900	-	900
Accrued OPEB obligation	21,373	-	21,373
Total noncurrent liabilities	4,718,254	750	4,719,004
Deferred inflows of resources:			
Change in pension assumptions	291,135	-	291,135
Unearned revenues	1,381,709	-	1,381,709
Total deferred inflows of resources	1,672,844	-	1,672,844
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,632,895	1,165	7,634,060
NET POSITION			
Invested in capital assets, net of related debt	16,557,244	54,057	16,611,301
Restricted for water and sewer development	321,535	-	321,535
Unrestricted	3,858,738	323,298	4,182,036
TOTAL NET POSITION	$ 20,737,517	$ 377,355	$ 21,114,872

The accompanying “Notes to financial statements” form an integral part of this statement.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	WATER AND SEWER UTILITY	RENTAL HOMES	COMBINED TOTAL
OPERATING REVENUES			
Charges for services	$ 3,513,220	$ 24,000	$ 3,537,220
TOTAL OPERATING REVENUES	3,513,220	24,000	3,537,220
OPERATING EXPENSES			
Personal services	1,468,193	-	1,468,193
Materials, supplies and other expenses	994,570	15,364	1,009,934
Depreciation	1,002,785	1,028	1,003,813
Amortization expense	1,584	-	1,584
TOTAL OPERATING EXPENSES	3,467,132	16,392	3,483,524
OPERATING INCOME (LOSS)	46,088	7,608	53,696
NON-OPERATING REVENUES (EXPENSES)			
Utility tax	103,659	-	103,659
Grant revenue	4,216,585	-	4,216,585
Miscellaneous income	22,890	-	22,890
Interest income	184,637	-	184,637
Interest expense	(54,122)	-	(54,122)
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,473,649	-	4,473,649
Changes in net position	4,519,737	7,608	4,527,345
NET POSITION, October 1, 2024	16,217,780	369,747	16,587,527
NET POSITION, September 30, 2025	$ 20,737,517	$ 377,355	$ 21,114,872

The accompanying “Notes to financial statements” form an integral part of this statement.

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
CITY OF MACCLENNY, FLORIDA

	WATER AND SEWER UTILITY	RENTAL HOMES	COMBINED TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 3,758,806	$ 24,000	$ 3,782,806
Cash payments to suppliers for goods and services	(1,266,646)	(15,021)	(1,281,667)
Cash payments to employees for services	(1,510,537)	-	(1,510,537)
NET CASH PROVIDED BY OPERATING ACTIVITIES	981,623	8,979	990,602
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(5,227,290)	-	(5,227,290)
Proceeds from capital grants	4,026,718	-	4,026,718
Proceeds from loans	565,485	-	565,485
Amounts due from other governemental agencies	(558,538)	-	(558,538)
Interest paid on long term debt	(59,884)	-	(59,884)
Principle paid on notes payable	(41,482)	-	(41,482)
Principle paid on bonds payable	(241,000)	-	(241,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITITES	(1,535,991)	-	(1,535,991)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	184,637	-	184,637
NET CASH PROVIDED BY INVESTING ACTIVITIES	184,637	-	184,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(369,731)	8,979	(360,752)
CASH AND CASH EQUIVALENTS - October 1, 2024	6,551,257	312,365	6,863,622
CASH AND CASH EQUIVALENTS - September 30, 2025	$ 6,181,526	$ 321,344	$ 6,502,870
CASH AND CASH EQUIVALENTS CLASSIFIED AS:			
Cash and cash equivalents - unrestricted	$ 4,142,121	$ 320,594	$ 4,462,715
Cash and cash equivalents - restricted	2,039,405	750	2,040,155
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED	$ 6,181,526	$ 321,344	$ 6,502,870
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 46,088	$ 7,608	$ 53,696
Utility tax and miscellaneous nonoperating revenue	126,549	-	126,549
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,002,785	1,028	1,003,813
Amortization	1,584	-	1,584
Change in assets and liabilities:			
Accounts receivable	117,415	-	117,415
Accounts payable	(548,371)	343	(548,028)
Accrued compensated absences	18,324	-	18,324
Due to other funds	281,599	-	281,599
Net pension liability	(66,539)	-	(66,539)
Net OPEB obligation and insurance supplement	3,112	-	3,112
Accrued payroll	2,759	-	2,759
Customer deposits	1,622	-	1,622
Inventory	(5,304)	-	(5,304)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 981,623	$ 8,979	$ 990,602

The accompanying “Notes to financial statements” form an integral part of this statement.

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

Grantor/Program or Cluster Title	*CFDA or CSFA Number*	*Pass-through Number*	*Name of Grant*	*Total Expenditures*
	Federal Awards			
United States Department of Agriculture Forest Service				
Cooperative Forestry Assistance	10.664	31113	Florida Department of Agruculture Grant	$ 73,143
Total United States Department of Agriculture Forest Service				73,143
United States Department of Housing and Urban Development				
Passed through Florida Department of Commerce				
Small Cities Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	22DB-OP-04-12-02-N15	Neighborhood Revitalization Funding	314,892
Small Cities Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	DBF20 22CV-S32	CDBG CV Grant	34,600
Total Florida Department of Commerce				349,492
United States Department of Treasury				
Passed through Florida Department of Commerce				
Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)	21.027	DO250	Rural Infrastructure Program D0250	905,000
Passed through Florida Department of Emergency Management				
Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan Act)	21.027	Y5194	America Rescue Plan Act	167,691
Total United States Department of Treasury				1,072,691
United States Department of Homeland Security				
Disaster Grants Hurricane Debby	97.036	Z4495	Federal Emergency Management Hurricane Debbie DR 406	20,640
United States Department of Homeland Security				20,640
Total Expenditures of Federal Awards				$ 1,515,966
	State Financial Assistance			
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	Line Item No. 1796, GAA, FY 2023-2024	A2426 - Heritage Park	$ 170,239
Florida Recreation Development Assistance Program	37.017	Line Item No. 1796, GAA, FY 2023-2024	A2438 - Memorial Park	190,208
Statewide Water Quality Restoration Projects	37.039	LPA05070	Legislative Appropriation NEFSH	159,480
Wastewater Treatment Facility Construction - Water Restoration Assistance	37.077	CS-12000119-1	Capitalization Grants for Clean Water State Revolving Funds	3,112,229
Total Florida Department of Environmental Protection				3,632,156
Executive Office of the Governor				
Hurricane Loss Mitigation Program	31.066	Line Item No. 2700, GAA, FY 2023-2024	Hurricane Loss Mitigation Program	3,440
Total Executive Office of the Governor				3,440
Florida Department of State				
Acquisition, Restoration of Historic Properties	45.032	24.h.sc.100.087	Burnsed Block House Restoration	60,837
Total Florida Department of State				60,837
Total Expenditures of State Financial Assistance				$ 3,696,433

The accompanying "Notes to financial statements" form an integral part of this statement.

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state award activity of the City of Macclenny (the City) for the fiscal year ended September 30, 2025. 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 assets, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule is presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in the proprietary funds. Such expenditures are recognized following the cost principles in the Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Chapter 10.650 *Rules of the Auditor General*, and the Florida Single Audit Act wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in the schedule is presented in accordance with the Uniform Guidance and Audits of States, Local Governments, and Non-Profit Organizations; therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City's financial statements.

NOTE 3 – INDIRECT COST

Title 2, Section 200.414(f) of the Code of Federal Regulations (CFR) allows certain non-federal agencies that never received a negotiated federal indirect cost rate to instead use the 10% de minimis indirect cost rate to recover allowable indirect costs for federal grants and cooperative agreements. If the agency elects to use the 10% de minimis indirect cost rate, the agency must continue to use the 10% de minimis indirect cost rate for all federal awards until the agency negotiates a cost rate. The City has not elected to use the 10% de minimis indirect cost rate.

ADDITIONAL ELEMENTS REQUIRED

BY THE

RULES OF THE AUDITOR GENERAL

Lyons and Lyons
Certified Public Accountants

106 West Boulevard | Telephone (904) 259-4307
Macclenny, Florida 32063 | Fax (904) 259-5102

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

Report on the Financial Statements
We have audited the financial statements of the City of Macclenny, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 22, 2026.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports and Schedule
We have issued our 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;* Independent Auditor's Report on Compliance for each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's 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 schedules, which are dated June 22, 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 financial audit report. Accordingly, audit finding 2025-001 is a repeated finding from the prior audit.

Official Title and Legal Authority
Section 10.554(1)(i)1.*,* 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. This information is disclosed within the City's notes to the financial statements.

Financial Condition and Management
Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific 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 for the City. It is management's responsibility to monitor the City's financial conditions, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same. The application of such procedures did not reveal evidence of "deteriorating financial condition."

Section 10.554(1)(i)2*., Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted item 2025-001 in the accompanying Schedule of Findings and Questioned Costs.

<u>Property Assessed Clean Energy (PACE) Programs</u>
As required by Section 10.554 (1)(i)6.a., Rules of the Auditor General, the City is required to include a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the City's geographical boundaries during the fiscal year under audit.

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

<u>Purpose of This Letter</u>
Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and members of the City Commissioners and management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the courtesies, which have once again, been extended to our staff. We have sincerely enjoyed our association with the City and look forward to a continuing relationship. If you have any questions or comments concerning this letter, our accompanying reports, or any other matters, please do not hesitate to contact us.

Lyons and Lyons, CPA

June 22, 2026
Macclenny, Florida

LYONS AND LYONS
CERTIFIED PUBLIC ACCOUNTANTS

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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 and
Members of the City Commission
City of Macclenny, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Macclenny, 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 22, 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we considered to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002.

City of Macclenny, Florida's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Lyons and Lyons, CPA

June 22, 2026
Macclenny, Florida

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

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

Report on Compliance for the Major Federal Project and Major State Project

Opinion on the Major Federal Program and State Project

We have audited the City of Macclenny's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the Florida Department of Financial Services' *Florida Single Audit Act* that could have a direct and material effect on the City's major federal program and major state project for the year ended September 30, 2025. The City's major federal program and state project 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program and major state project for the year ended September 30, 2025.

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

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

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

Responsibilities of Management for Compliance

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

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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program and the major state project as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Lyons and Lyons, CPA

June 22, 2026
Macclenny, FL

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES, SECTION 218.415, FLORIDA STATUTES

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

We have examined the City of Macclenny, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements

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

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

Lyons and Lyons, CPA

June 22, 2026
Macclenny, Florida

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

PART 1 – SUMMARY OF AUDITOR'S RESULTS

(i) The independent auditor's report on the financial statements expressed an unmodified opinion on the financial statements.

(ii) The audit disclosed a deficiency in internal control over financial reporting that was considered to be a material weakness.

(iii) The audit did not disclose any noncompliance considered material to the financial statements.

(iv) The audit did not disclose material weaknesses or report significant deficiencies for the major federal program or state project.

(v) The auditor's report on compliance with requirements applicable to the major federal program and state project expressed an unmodified opinion.

(vi) The audit did not disclose findings relative to the major federal program or major state project.

(vii) The City's major federal program and major state project were

Federal Program	CFDA Number
Coronavirus State and Local Fiscal Recovery funds (American Rescue Plan Act)	21.027

State Project	CSFA Number
Wastewater Treatment Facilities Construction - Water Restoration Assistance	37.077

(viii) A threshold of $1,000,000 and $750,000 was used to distinguish between Type A and Type B programs for federal programs and state projects, respectively.

(ix) The City did not qualify as a high-risk audit as the term is described in Uniform Guidance.

PART II – FINANCIAL STATEMENT FINDINGS

2025-001 ***Criteria –*** Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition – Statements of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires auditors to prepare written communication if they identify misstatements during the audit process or if it was necessary to assist with the preparation of the financial statements. As part of the audit process, we proposed material adjustments to the City's financial statements. It was also necessary for us to assist with the preparation of the financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Cause – The City has a limited number of personnel necessary to handle all the year-end material adjustments to the financial accounts. This results in the risk of the financial statements to be materially inaccurate.

***Effec*t** – The lack of preparation of the year-end closing adjustments to the financial accounts can lead to inaccuracies, errors, and irregularities.

PART II – FINANCIAL STATEMENT FINDINGS (concluded)

Recommendation – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. By improving the financial reporting process, the City will have an enhanced ability to monitor its financial position on an ongoing basis.

2025-002 ***Criteria* –**Section 215.425, Florida Statutes, generally prohibits a unit of government from granting extra compensation to any officer agent, employee, or contractor after services have been rendered or after a contract has been made, unless authorized by law. The statute also provides requirements for any policy, ordinance, rule or resolution implementing a bonus scheme, including that the bonus must be based on work performance, describe the performance standards and evaluation process, notify all employees before the beginning of the evaluation period and consider all employees for the bonus**.**

Condition – The City paid Christmas bonuses to all employees. The bonuses were calculated as a percentage of each employee's annual compensation. The City did not have a policy, ordinance, rule, or resolution in place before the beginning of the fiscal year or applicable evaluation period that was designed to implement a bonus scheme. The bonus payments were not supported by pre-established performance standards, an evaluation process, or evidence that employees were notified of bonus eligibility criteria before the period for which the bonuses were paid.

Cause – The City did not establish a formal bonus policy, ordinance, rule, or resolution before the beginning of the fiscal year or applicable evaluation period. As a result, the Christmas bonuses were paid without a documented framework specifying the purpose of the bonus program, performance standards, evaluation criteria, employee notification requirements, approval procedures, and limitations on the treatment of the payments.

Effect – Because the City paid bonuses to all employees as a percentage of annual compensation without a pre-existing bonus program tied to performance standards, the payments appear inconsistent with the requirements of Sections 215.425 and 166.021(7), Florida Statutes. The payments may be viewed as retroactive extra compensation for services already rendered rather than compensation authorized under a prospective bonus program.

Recommendation – We recommend before making any future bonus payments, the City should adopt a formal policy, ordinance, rule, or resolution that complies with Sections 215.425 and 166.021(7), Florida Statutes.

PART III – FEDERAL PROGRAM AND STATE PROJECT FINDINGS AND QUESTIONED COSTS

There were no findings relative to the major federal program or major state project.

City of Macclenny

June 22, 2026

118 East Macclenny Avenue
Macclenny, Florida 32063
Tel: 904.259.6261

Sherrill F. Norman, CPA
Auditor General
111 W Madison Avenue
Tallahassee, FL 32399-1450

Dear Madam:

In reply to the audit finding of the City of Macclenny's financial statements for the fiscal year ending September 30, 2025, please find below corrective action on the finding which will be implemented by appropriate staff and me:

2025-001 ***Criteria*** – Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition – Statements of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires auditors to prepare written communication if they identify misstatements during the audit process or if it was necessary to assist with the preparation of the financial statements. As part of the audit process, we proposed material adjustments to the City's financial statements. It was also necessary for us to assist with the preparation of the financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

<u>Corrective Action Plan</u>
We continue to recognize this is an ongoing weakness common for small agencies. We will consider and evaluate the costs and benefits of improving internal controls related to the financial reporting process. By improving the financial reporting process, the City will have an enhanced ability to monitor its financial position on an ongoing basis.

2025-002 ***Criteria*** –Section 215.425, Florida Statutes, generally prohibits a unit of government from granting extra compensation to any officer agent, employee, or contractor after services have been rendered or after a contract has been made, unless authorized by law. The statute also provides requirements for any policy, ordinance, rule or resolution implementing a bonus scheme, including that the bonus must be based on work performance, describe the performance standards and evaluation process, notify all employees before the beginning of the evaluation period and consider all employees for the bonus.

Condition – The City paid Christmas bonuses to all employees. The bonuses were calculated as a percentage of each employee's annual compensation. The City did not have a policy, ordinance, rule, or resolution in place before the beginning of the fiscal year or applicable evaluation period that was designed to implement a bonus scheme. The bonus payments were not supported by pre-established performance standards, an evaluation process, or evidence that employees were notified of bonus eligibility criteria before the period for which the bonuses were paid.

<u>Corrective Action Plan</u>
We will not give bonuses unless a formal policy, ordinance, rule or resolution is in place that complies

with Sections 215.425 and 166.021(7), Florida Statutes.

If you have questions and need additional information, please feel free to contact me.

Sincerely,

Mike Griffis

Mike Griffis
City Manager