City of Oak Hill, Florida

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2025

CITY COMMISSION
Honorable Ricky Taylor
Mayor

Joseph Catigano
Vice Mayor

Mark Drollinger
Linda Hyatt
Carrie Werning

CITY ADMINISTRATOR
John Barkley

CITY ATTORNEY
Christian Waugh

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Oak Hill, Florida

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Oak Hill, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Oak Hill, Florida's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified

Qualified Opinion on the Governmental Activities

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of Oak Hill, Florida, as of September 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the City of Oak Hill, Florida, as of September 30, 2025, and the respective changes in financial position thereof and, where applicable, the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Oak Hill, Florida, 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

Management has not performed a calculation of the other post-employment benefits liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and, accordingly, has not recorded deferred inflows of resources, deferred outflows of resources, a liability related to post-employment benefits, and expenses, as the amounts are unknown. The City has also not reported the required note disclosures. Accounting principles generally accepted in the United States of America require that such obligations be recorded, which would increase deferred inflows of resources, deferred outflows of resources, liabilities, and expenses, and would decrease the net position in the Governmental Activities. The amount by which this departure would affect the deferred inflows of resources, deferred outflows of resources, liabilities, expenses, and net position of the Governmental Activities has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Oak Hill, Florida'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 the City of Oak Hill, Florida'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, the Schedule of Proportionate Share of Net Pension Liability – Last Ten Fiscal Years, and the Schedule of Contributions – Last Ten Fiscal years, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 Standar*ds

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026, on our consideration of the City of Oak Hill, Florida’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 of Oak Hill, Florida’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 of Oak Hill, Florida's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
August 28, 2026

As financial management of City of Oak Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2025. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

Financial Highlights

- The total assets of the City exceeded its liabilities (net position) at the close of the most recent fiscal year by $9,214,346, compared to $9,397,658 one year earlier. Of this amount, $109,769 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, compared to ($49,627) at the beginning of the year.
- Total net position decreased by $183,312 (or 1.95%) in 2025, compared to the decrease of $130,654 (or 1.4%) in 2024. The City's total net position decreased at a consistent rate in 2025 compared to 2024.
- The City's general fund reported a total fund balance of $743,583 at the end of the current fiscal year, which was an increase of $220,638 from the $522,945 reported at the end of the prior fiscal year. The increase was caused by an excess of current year revenues over expenditures in the amount of $121,514, mostly as a result of an increase in tax revenue compared to the prior year, and the City also recorded a prior period adjustment of $99,124 that further resulted in a current year increase to fund balance.
- The unassigned portion of fund balance in the general fund was a surplus of $397,492, which represents 13.5% of current year expenditures, compared to a deficit of $685,472 in the prior year 2024, or 18.7% of 2024 expenditures. This ratio decreased in 2025 due to a large assignment of general fund resources to complete projects that were originally funded by ARPA in the prior year 2024.
- The City's net investment in capital assets totaled $8,788,216 at the end of 2025, compared to a net investment of $9,178,643 at the end of 2024. The change resulted from current year net additions totaling $12,114, current year depreciation recognized for the year of $443,963, and a decrease in debt of $41,422.
- The City's net pension liability totaled $303,966, net of deferred outflows of $101,027 and deferred inflows of $96,117 at the end of 2025, compared to a net pension liability of $424,359, net of deferred outflows of $155,273 and deferred inflows of $34,844 at the end of 2024.
- The City has a note payable for the Florida Department of Environmental Protection's Clean Water State Revolving Construction Loan, for the purpose of funding the Indian Harbor Septic to Sewer Project. Principal repayments under this loan began in September of 2024. The City made principal repayments of $7,495 during the year. The City also has another note payable which was for the purchase of land for a future City Hall which began in 2021. During the year the City made principal repayments in the amount of $33,927. As of September 30, 2025, the City had an unpaid balance of $1,462,035 on all outstanding loans.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including budgetary comparisons.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt, are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

A statement of net position presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.

The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes, certain grant revenues, and earned but unused personal leave).

Fund Financial Statements. The fund financial statements provide more detailed information about the City's most significant funds and not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes a single General Fund to account for all governmental activities.

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. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Financial Analysis of the City as a Whole

Net Position As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $9,214,346 at the close of the most recent fiscal year. This represents an decrease of $183,312 or 1.95%, above the previous year, all of which is attributable to operations. The following is a summary of Net Position at year end:

	2025	2024
Assets		
Current and other assets	$ 2,265,875	$ 2,243,040
Capital assets, net	10,250,251	10,682,100
Total assets	12,516,126	12,925,140
Deferred outflows of resources	101,027	155,273
Liabilities		
Long-term liabilities outstanding	1,784,398	1,927,815
Other liabilities	125,864	340,730
Total liabilities	1,910,262	2,268,545
Deferred inflows of resources	1,492,545	141,421
Net position		
Investment in capital assets	8,788,216	9,178,643
Restricted	316,361	268,642
Unrestricted	109,769	(49,627)
Total net position	$ 9,214,346	$ 9,397,658

The most significant component of the City's net position ($8,788,216 or 95.4%) is, by far, its investment in capital assets (land, construction in progress, buildings and equipment), less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services and amenities to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (when they exist) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position ($316,361 or 3.4%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining (1.2%) of unrestricted net position, representing amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled $109,769 at the end of 2025, compared to ($49,627) at the end of 2024.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. The following is a summary of changes in net position at year-end:

	2025	2024
Program revenues:		
Charges for services	$ 530,295	$ 418,653
Operating and capital grants/other	312,906	380,393
General revenues:		
Property taxes	1,171,393	1,061,586
Intergovernmental	352,507	331,225
Other taxes	522,761	494,171
Other revenue	168,549	97,368
Total revenues	3,058,411	2,783,396
Expenses:		
General government	1,468,531	1,328,078
Public safety	759,342	711,546
Physical environment	743,600	333,751
Transportation	252,010	367,510
Culture and recreation	124,274	117,742
Interest on debt	5,345	38,219
Total expenses	3,353,102	2,896,846
Change in net position	(294,691)	(113,450)
Net position:		
Beginning of year	9,397,658	9,528,312
Prior period adjustment	111,379	(17,204)
End of year	$ 9,214,346	$ 9,397,658

During 2025, the City's revenues increased by $275,015 and totaled $3,058,411 compared to $2,783,396 in 2024. The increase in 2025 was mostly attributable to a increase of $138,397 in tax revenues.

Approximately 38.3% of the City's gross revenues came from property tax collections in 2025, compared to 38.1% in 2024. Operating and capital grants represented 10.2% of the City's gross revenues in 2025, compared to 13.7% in 2024. Approximately 34.1% of all revenues earned by the City come from intergovernmental sources, other taxes and shared local taxes. Another 17.3% comes from fees that are charged to citizens for City services.

The total costs for all routine programs and City services increased by 15.8% in 2025, and totaled $3,353,102, compared to $2,896,846 in 2024. Fiscal stability in recent years has been attributable to changes made by the City regarding the City's Police Department, which on August 1, 2011, was eliminated by the City Commission. Subsequent to the elimination of the City's police department, the City entered into an interlocal agreement with the Volusia County Sheriff's Department to provide exclusive law enforcement services. This agreement, which originally expired on October 1, 2024, was renewed through September 30, 2027.

Governmental Activities. Revenues for the City's governmental activities totaled $3,058,411 in 2025, which represents an overall increase of $275,015, or 9.9% above the $2,783,396 reported in the prior year 2024. During 2025, the City's ad valorem taxes represented approximately 38.3% of the City's total revenues, which are typically used to finance traditional City services. Ad valorem receipts in 2025, were based on a millage rate of 5.6820 mills (2024 levy), compared to 5.6820 mills (2023 levy) for 2024. Other public service taxes, franchise fees and intergovernmental revenues totaled $875,268 or 28.6% of the City's total revenues, compared to $825,386 in the prior year 2024.

Financial Analysis of the Governmental Fund

As stated previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental fund reported a fund balance of $743,583, which was $220,638 above the $522,945 reported last year. This increase was primarily attributed to an increase in tax revenue and charges for services during the year.

The general fund is the only operating fund of the City. As of September 30, 2025, the unassigned fund balance in the general fund totaled a surplus of $397,492 which was $1,082,964, or 158.0% more than the deficit of $685,472 reported last year. The unassigned fund balance in the general fund represents 13.5% of current year expenditures, compared to (18.7%) of 2024 expenditures, at the end of the prior year 2024.

General Fund Budgetary Highlights

Over the course of the year, the City Commission reviews their operating budgets to determine if any budget amendments are necessary. During 2025, several budget amendments were made. Differences between the original enacted budget and the final amended budget included grant revenues added to the intergovernmental revenue budget, as well as transportation expenditures budgeted for those related grant revenues.

Actual earned revenues were $2,510,622 (or 45.2%) less than the amounts anticipated to be received ($5,556,000) during the year in the City's General Fund. This was primarily because the City budgeted for $2,968,000 of the Florida Department of Environmental Protection's Revolving loan funds, but the actual revenues recorded vary from the budget depending on timing of when the grant money is spent and therefore when the revenue is earned and recorded in actuality. During 2025, the City did not change its millage rate from the 2024 rate of 5.6820 mills. Actual expenditures were under budget by $2,518,848, mostly as a result of capital outlay expenditures not being incurred yet in 2025 due to timing of when the construction costs were incurred.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2025, the City had $8,788,216 invested (net of debt and payables) in a broad range of capital assets, including land, construction in progress, buildings, park facilities, transportation systems, and public works equipment. This investment in capital assets, net of depreciation, for all activities, is reflected in the following schedule:

		2025		2024
Land	$	756,131	$	756,131
Buildings		338,983		357,451
Improvements other than buildings		8,905,544		9,262,740
Machinery & equipment		249,593		305,778
Total capital assets, net	$	10,250,251	$	10,682,100

Additional information on the City's capital assets can be found in Note 3 to the financial statements.

Long-term Debt. As of the end of 2025, the City had two outstanding long-term note obligations. Other long-term debt obligations consisting of compensated absence liabilities and the City's net pension liabilities are as follows at year end:

	2025	2024
Note payable	$ 218,215	$ 252,142
State Revolving Fund loans	1,243,820	1,251,315
Total long-term debt	$ 1,462,035	$ 1,503,457

Economic Factors and Next Year's Budget and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

The most recent estimates available for unemployment data in Volusia County, Florida, are compiled by the Federal Reserve Economic Data (FRED). This agency estimates a countywide unemployment rate of 4.9%, which is unfavorable to the 4.0% rate experienced one year earlier. These estimates are slightly higher than the state's current 4.2% unemployment rate. Nationwide, the unemployment rate is stated at 4.4%, as of September 2025.

Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

The City Commission voted to keep the same operating millage for the 2025 levy at 5.682 mills - an increase in current year ad valorem taxes when levied against appreciated current year taxable values is projected.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the City Clerk, City of Oak Hill, Florida, 234 S. US 1, Oak Hill, Florida 32759.

CITY OF OAK HILL, FLORIDA

Basic Financial Statements

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City of Oak Hill, Florida
Statement of Net Position

September 30, 2025

		Governmental Activities
Assets		
Cash and cash equivalents	$	296,185
Receivables, net		116,136
Due from other governments		410,706
Leases receivable		1,413,118
Prepaid items		29,730
Capital assets:		
Nondepreciable:		
Land		756,131
Depreciable, net of accumulated depreciation:		
Buildings		338,983
Improvements other than building		8,905,544
Machinery and equipment		249,593
Total assets		12,516,126
Deferred outflows related to pensions		
Deferred outflows related to pensions		101,027
Total deferred ouflows of resources		101,027
Liabilities		
Accounts payable		104,258
Accrued payroll and related liabilities		17,895
Unearned revenue		3,711
Noncurrent liabilities:		
Due within one year:		
Compensated absences		4,600
Notes payable		102,006
Due in more than one year:		
Compensated absences		13,797
Notes payable		1,360,029
Net pension liability		303,966
Total liabilities		1,910,262
Deferred Inflows of Resources		
Deferred inflows related to leases		1,396,428
Deferred inflows related to pensions		96,117
Total deferred inflows of resources		1,492,545
Net Position		
Investment in capital assets		8,788,216
Restricted for:		
Public safety		316,361
Unrestricted		109,769
Total net position	$	9,214,346

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

For the year ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental activities					
General government	$ 1,468,531	$ 118,712	$ -	$ -	$ (1,349,819)
Public safety	759,342	9,892	-	-	(749,450)
Physical environment	743,600	353,877	-	-	(389,723)
Transportation	252,010	47,814	-	312,906	108,710
Culture and recreation	124,274	-	-	-	(124,274)
Interest on debt	5,345	-	-	-	(5,345)
Total governmental activities	$ 3,353,102	$ 530,295	$ -	$ 312,906	$ (2,509,901)

General revenues:	
Taxes	
Property taxes, levied for general purposes	1,171,393
Franchise fees and utility taxes	517,748
Other taxes	5,013
State revenue sharing	352,507
Investment earnings	3,641
Miscellaneous other income	139,620
Gain on disposal of capital assets	25,288
Total general revenues	2,215,210
Change in net position	(294,691)
Net position, beginning of year as previously reported	9,397,658
Prior period adjustment (see Note 2)	111,379
Net position, beginning of year, as restated	9,509,037
Net position, end of year	$ 9,214,346

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

City of Oak Hill, Florida
Balance sheet
Governmental fund

September 30, 2025		General Fund
Assets		
Cash and cash equivalents	$	296,185
Receivables, net		116,136
Due from other governments		410,706
Leases receivable		1,413,118
Prepaid items		29,730
Total assets	$	2,265,875
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts payable	$	104,258
Accrued liabilities		17,895
Unearned revenue		3,711
Total liabilities		125,864
Deferred inflows of resources		
Deferred inflows related to leases		1,396,428
Total deferred inflows of resources		1,396,428
Fund balances:		
Nonspendable		
Prepaid items		29,730
Restricted for:		
Building inspections		316,361
Unassigned		397,492
Total fund balances		743,583
Total liabilities, deferred inflows of resources, and fund balances	$	2,265,875

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

City of Oak Hill, Florida
Reconciliation of Fund Balance of Governmental Fund to Net Position of the Governmental Activities

September 30, 2025

Total fund balance of governmental fund			$	743,583
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund.				
Governmental capital assets	$	11,797,001		
Less accumulated depreciation		(1,546,750)		
				10,250,251
Deferred outflow of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.				101,027
Deferred inflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.				(96,117)
Certain liabilities are not due and payable in the current period, and therefore are not reported in the fund.				
Net pension liability				(303,966)
Notes payable				(1,462,035)
Compensated absences				(18,397)
Net position of governmental activities			$	9,214,346

City of Oak Hill, Florida
Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

For the year ended September 30, 2025	General Fund
Revenues	
Taxes	$ 1,631,685
Intergovernmental	532,921
Licenses and permits	265,835
Charges for services	461,784
Fines and forfeitures	9,892
Miscellaneous revenue	143,261
Total revenues	3,045,378
Expenditures	
Current:	
General government	1,399,900
Public Safety	760,519
Physical environment	459,431
Transportation	246,647
Parks and recreation	23,774
Debt service:	
Principal	41,421
Interest	5,346
Capital outlay	12,114
Total expenditures	2,949,152
Excess (deficiency) of revenues over (under) expenditures	96,226
Other Financing Sources	
Proceeds on sale of fixed assets	25,288
Net other financing sources	25,288
Net change in fund balance	121,514
Fund balances, beginning, as previously reported	522,945
Prior period adjustment (see Note 2)	99,124
Fund balances, beginning of year, as restated	622,069
Fund balances, end of year	$ 743,583

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

City of Oak Hill, Florida
Reconciliation of Net Change in Fund Balance of the Governmental Fund to Change in Net Position of Governmental Activities

For the year ended September 30, 2025

Net change in fund balances - total governmental funds	$	121,514
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 allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		12,114
Depreciation expense		(443,963)
Changes to the pension liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.		4,874
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		41,422
Some revenues that are were not collected within 60 days after the close of the City's 2023 fiscal year-end were not considered as "available" revenue in the governmental fund in the prior year,and were therefore are recorded as revenue in the current year in the Statement of Revenues, Expenditures and Change in Fund Balance.		(12,255)
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.		
Change in the accrual for compensated absences		(18,397)
Change in net position of governmental activities	$	(294,691)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oak Hill, Florida (the "City"), was incorporated on June 4, 1927 under the provisions of the Laws of the State of Florida, Special Acts of 1927, Chapter 13156 – (No. 1351) and operates under the City Commission form of government. The current City Code authorizes the following services: general administrative services, public safety, public works (solid waste and storm debris removal), planning and zoning, transportation, and parks and recreation.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member governing city commission (the "Commission"). The City has no blended component units or discretely presented component units. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to government units. The more significant accounting policies used by the City are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City does not engage in any business-type activities.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the City's governmental fund, the General Fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Taxes and certain intergovernmental revenues are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund.

Fund Financial Statements

The fund financial statements provide information about the City’s fund. The emphasis of fund financial statements is on the major governmental fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government.

Budgetary Information

Budgetary Basis of Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. On or before July 1st, the City Clerk submits a preliminary budget to the City Commission for the ensuing fiscal year.
2. Budget workshop sessions are scheduled by the City Commission, as needed.
3. A general summary of the budget and notice of public hearing is published in a local newspaper.
4. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
5. The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with the City Charter. Prior to the end of the fiscal year, supplemental appropriates are made for unanticipated spending requirements by the Commission.
6. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
7. Every appropriation lapses at the close of the fiscal year.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Receivables and Payables

Lease receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term and an offsetting deferred inflow of resources at the beginning of the term. The periodic amortization of the discount on the receivable is reported as interest revenue for that period. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments.

Capital Assets

Capital assets, which include property, plant, equipment, right-to-use assets, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	15-40 years
Improvements other than buildings	15-40 years
Equipment	5-7 years
Infrastructure	15-50 years

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City has one item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to pensions*, reported in the government-wide statement of net position. The *deferred outflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification (GASBC) Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred outflows related to pensions* will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASBC Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred inflows related to pensions* will be recognized as a reduction to pension expense in future reporting years. The *deferred inflows related to leases* are associated with amounts owed to the City, as lessor, by an entity leasing the City's capital assets.

Compensated Absences

The City has recorded accumulated earned but unused vacation benefits as a liability at year-end. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Long-Term Obligations (Continued)

In the governmental fund financial statements, bond premiums and discounts, as well as bond issua nce costs, are expensed during the current period. The face amount of debt issued, and repayments are reported as other financing sources. Premiums received on debt issuances and disc ounts on debt issuances are reported as other financing uses

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology,* specifies the following classifications:

Nonspendable Fund Balance – Nonspendable 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and classification of net position and fund balance (Continued)

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 - The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property values are assessed as of January 1 each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Volusia County (the "County") on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the real property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the pension liability.

Subsequent events

Management has evaluated subsequent events through the date the financial statements were available to be issued, August 28, 2026. See Note 6. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The City implemented the following standard during the current year.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There were no significant impacts of implementing this Statement.

GASB Statement No. 102, Certain Risk Disclosures. This Statement establishes financial reporting requirements for risks related to vulnerability due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments. This Statement amends NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. This pronouncement did not have a material impact on the District's Financial Statements.

The Government Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing government accountability. The Statement enhances Management Discussion and Analysis, addresses unusual

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements(Continued)

or infrequent items, and clarifies the presentation of proprietary fund statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet evaluated the impact that this pronouncement will have on the City's Financial Statements.

GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The Statement also requires that capital assets held for sale be evaluated each reporting period and requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet evaluated the impact that this pronouncement will have on the City's Financial Statements.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: PRIOR PERIOD RESTATEMENTS

In fiscal year 2025, the City restated opening net position and fund balances to correct errors in the prior year financial statements.

The following tables summarize the changes to the City's net position and fund balance as a result of the error corrections:

	Government-wide Statements	
	Governmental Activities	Total
Net position, September 30, 2024, as previously reported	$ 9,397,658	$ 9,397,658
Cumulative effect of correcting revenue for land development revenues earned in prior years	111,379	111,379
Beginning net position, as restated	$ 9,509,037	$ 9,509,037

Note 2: PRIOR PERIOD RESTATEMENTS (Continued)

		General Fund
Fund balance, September 30, 2024, as previously reported	$	522,945
Cumulative effect of correcting revenue for land development revenues earned in prior years [1]		99,124
Beginning fund balance, as restated	$	622,069

(1) In the prior year, the City did not record revenues earned for land development charges in the amount of $99,124 in the general fund and $111,379 in Governmental Activities as revenue, which should have been recorded as revenues when the charges were incurred by the City in the fiscal years ending of September 30, 2023 and September 30, 2024.

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits

At September 30, 2025, the City's carrying amount of cash deposits was $296,045 and the bank balance was $313,167. In addition, the City reported petty cash of $140. As of September 30, 2025, $250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

All account receivables are shown net of allowances for uncollectable accounts for the governmental fund. The accounts receivable and allowance for uncollectible accounts at September 30, 2025, were as follows:

	Accounts Receivable	Allowance for Uncollectible	Net
General Fund	$ 116,136	$ -	$ 116,136
Total	$ 116,136	$ -	$ 116,136

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2025. There are no other reserves for receivables recorded by the City as of September 30, 2025.

Leases - Lessor

The City accounts for leases in accordance with GASB Statement No. 87, *Leases*. The City's operations consists of an agreement for use of land by a tenant for a wireless communications tower, including access to easements and utilities. The non-cancelable agreement for the property began on March 6, 2001 with the option to extend for each of eight (8) additional five (5) year renewal terms. Annual rental payments are $18,250 and will increase each renewal term by 15% of the current rate. The lease includes a revenue share agreement whereby the lessee shall pay the City 25% of any rents actually received by the lessee. The City recognized $22,553 of lease revenue principal and $1,311 of lease interest for the year ended September 30, 2025. As of September 30, 2025, the lease receivable was $113,738 and the deferred inflows of resources related to leases was $99,054.

The City is a lessor for a non-cancellable agreement for a sewer collection system with the lease term through 2044. During the fiscal year, the City recognized $70,446 in lease revenue and $2,941 in interest income related to this agreement. As of September 30, 2025, the lease receivable was $1,299,380. Also, the City has a deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of deferred inflows of resources was $1,297,374.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases – Lessor (Continued)

Fiscal Year Ended June 30	Volusia Lease	Tower Lease	Governmental Activities
2026	$ 70,446	$ 22,012	$ 92,458
2027	70,446	22,012	92,458
2028	70,446	22,012	92,458
2029	70,446	22,012	92,458
2030	70,446	11,006	81,452
2031 - 2035	352,228	-	352,228
2036 - 2040	352,228	-	352,228
2041 - 2044	240,688	-	240,688
Total	$ 1,297,374	$ 99,054	$ 1,396,428

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025.

Governmental activities:	Beginning Balance	Additions / Transfers	Disposals / Tranfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 756,131	$ -	$ -	$ 756,131
Total capital assets, not being depreciated	756,131	-	-	756,131
Capital assets, being depreciated:				
Buildings	758,723	-	-	758,723
Improvements other than buildings	9,816,368	7,614	-	9,823,982
Machinery and Equipment	453,665	4,500	-	458,165
Total capital assets being depreciated	11,028,756	12,114	-	11,040,870
Less accumulated depreciation for:				
Buildings	(401,272)	(18,468)	-	(419,740)
Improvements other than buildings	(553,628)	(364,810)	-	(918,438)
Machinery and Equipment	(147,887)	(60,685)	-	(208,572)
Total accumulated depreciation	(1,102,787)	(443,963)	-	(1,546,750)
Total capital assets being depreciated, net	9,925,969	(431,849)	-	9,494,120
Governmental activities capital assets, net	$ 10,682,100	$ (431,849)	$ -	$ 10,250,251

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

During the fiscal year ended September 30, 2025, the City, in collaboration with the St. Johns River Management District and County of Volusia, jointly acquired a parcel of land located at W Halifax Ave, Oak Hill 32759 for a total purchase price of $196,550. The land was purchased for the purpose of a preservation project. Each entity holds an equal one-third ownership interest. The City's share of the land, amounting to $27,118, is recorded as a capital asset in the government-wide Statement of Net Position under Land, a non-depreciable asset class. The land is not currently generating revenue or being depreciated. No liabilities were incurred by the City related to this acquisition beyond its share of the purchase price.

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

For the year ended September 30,		2025
Governmental activities		
General government	$	53,102
Public safety		284,365
Transportation		5,996
Culture/recreation		100,500
Total depreciation expense - governmental activities	$	443,963

Long-Term Debt and Liabilities

Capital Improvement Revenue Note, Series 2021

In July of 2021, the City issued a Capital Improvement Revenue Note, Series 2021, which was originally issued for $350,000 and is payable through July of 2031. Proceeds from the note were used to finance the purchase of land to be used as the site for a future City Hall. The note bears interest at a fixed rate of 1.99% and is payable annually in July of each year until maturity in 2031. The balance due on this obligation was $218,215 as of September 30, 2025.

Florida Department of Environmental Protection Clean Water State Revolving Loan

In April of 2022, the City entered into a loan agreement with the Florida Department of Environmental Protection to fund the ongoing Indian Harbor Septic to Sewer Project. The agreement has a grant portion (that does not need to be repaid) and a loan portion (that will have to be repaid). The full proceeds are expected to be $4,764,013, of which $3,811,210 will be considered a grant, leaving an expected principal balance at the end of the project on the loan portion of $952,803. There will also be a loan service fee of $95,280 that will be added onto the principal balance. During 2024 there was an amendment increasing the loan by an additional $300,000, so the full expected principal balance will be $1,348,083. The City makes draws on this loan as the Septic to Sewer Project progresses. Semi-annual payments of $26,202 began on

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

September 15, 2024 and will continue until the loan is paid in full. The original loan has a 0% interest rate and the amended loan for an additional $300,000 has an interest rate of 0.22%. Once the project was completed and loan payments became due, the County leased part of the system from the City until 2044. The lease payments exceed the required semi-annual loan payments. As the loan repayments have become due, the City must have certain revenues pledged for payment of the loan that must equal 1.15 times the annual debt service. The principal balance of the loan as of September 30, 2025 was $1,243,820.

The following is a summary of governmental activities notes payable for the year ended September 30, 2025:

	Governmental Activities			
For the years ending	SRF Loan		Capital Improvement Note	
September 30,	Principal	Interest	Principal	Interest
2026	$ 67,405	$ 646	$ 34,601	$ 4,342
2027	67,441	611	35,290	3,654
2028	67,476	575	35,992	2,952
2029	67,512	540	36,709	2,235
2030	67,547	504	37,439	1,505
2031-2035	338,271	1,987	38,184	760
2036-2040	339,163	1,095	-	-
2041-2044	229,005	234	-	-
Total	1,243,820	6,192	218,215	15,448
Less: current portion	(67,405)	(646)	(34,601)	(4,342)
Payable after one year	$ 1,176,415	$ 5,546	$ 183,614	$ 11,106

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital Improvement Revenue Note, Series 2021	$ 252,142	$ -	$ (33,927)	$ 218,215	$ 34,601
FDEP Clean Water State Revolving Loan	1,251,315	-	(7,495)	1,243,820	67,405
Net pension liabilities	424,359	-	(120,393)	303,966	-
Compensated absences	-	18,397	-	18,397	4,600
Total Government Activities	$ 1,927,816	$ 18,397	$ (161,815)	$ 1,784,398	$ 106,606

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities
Capital assets (net)	$ 10,250,251
Outstanding debt related to capital assets	(1,462,035)
Net investment in capital assets	$ 8,788,216

Retirement Plans

Defined Benefit Plan

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 is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer 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. 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 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 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 cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plans (Continued)

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

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.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer'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	52.57%	2.00%
DROP from FRS	20.02%	2.00%

The employer's contributions for the year ended September 30, 2025 were $44,187 to the FRS Pension Plan and $6,913 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2025, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2025. The Council's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plans (Continued)

Pension Liabilities and Pension Expense (Continued)

	FRS	HIS
Net pension liability	$ 213,669	$ 90,297
Proportion at:		
Current measurement date	0.000688480%	0.000704438%
Prior measurement date	0.000780318%	0.000816578%
Pension expense	$ 30,928	$ 5,766

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 Outlfows of Resources	Deferred Inflows of Resources	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,822	$ -	$ 539	$ (143)
Changes in assumptions	24,812	-	799	(21,840)
Net difference between projected and actual earnings on pension plan investments	-	(35,674)	-	(75)
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,330	(23,170)	21,829	(15,215)
Employer contributions subsequent to the measurement date	5,909	-	987	-
Total	$ 76,873	$ (58,844)	$ 24,154	$ (37,273)

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:

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plans (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Year ending September 30,		FRS		HIS
2026	$	39,156	$	(928)
2027		(5,687)		(3,088)
2028		(10,815)		(3,159)
2029		(10,534)		(3,067)
2030		-		(3,864)
Total	$	12,120	$	(14,106)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2025. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2025. For the HIS Program, the total pension liability was determined by an actuarial 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%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2021.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

The following changes in key actuarial assumptions occurred in 2025:

For FRS and HIS: The payroll assumed growth rate, including inflation is same rate of 3.50%.

All demographic assumptions and methods were reviewed as part of the 2025 Experience Study. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its meeting in October 2025.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plans (Continued)

Actuarial Assumptions (Continued)

For HIS: The discount rate used in calculation of the pension liability increased from 3.93% to 5.20%.

The coverage election assumptions 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 2025 meeting.

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
Cash	1.0%	3.2%	3.2%
Fixed income	29.0%	5.5%	5.4%
Global equity	45.0%	8.5%	6.9%
Real estate	12.0%	8.4%	7.1%
Private equity	11.0%	12.4%	8.8%
Strategic investments	2.0%	6.5%	6.1%
Total	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. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plans (Continued)

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 employer'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 (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Employer's proportionate share of the net pension liability	$ 419,322	$ 213,669	$ 41,252	$ 101,824	$ 90,297	$ 80,629

Pension Plans' Fiduciary Net Position

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

Note 4: RISK MANAGEMENT

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

Note 5: COMMITMENTS AND CONTINGENCIES

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

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

The City has no active construction commitments as of September 30, 2025.

Note 6: SUBSEQUENT EVENT

In late August 2026, the City Administrator was terminated, and the City hired an interim City Administrator.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Oak Hill
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 1,581,000	$ 1,581,000	$ 1,631,685	$ 50,685
Intergovernmental	3,196,000	3,196,000	532,921	(2,663,079)
Licenses and permits	276,000	276,000	265,835	(10,165)
Charges for services	8,000	8,000	461,784	453,784
Fines and forfeitures	446,000	446,000	9,892	(436,108)
Miscellaneous revenue	49,000	49,000	143,261	94,261
Total revenues	5,556,000	5,556,000	3,045,378	(2,510,622)
Expenditures				
Current:				
General government	995,500	995,500	1,399,900	(404,400)
Public Safety	796,500	796,500	760,519	35,981
Physical environment	341,000	341,000	459,431	(118,431)
Transportation	360,000	360,000	246,647	113,353
Parks and recreation	36,000	36,000	23,774	12,226
Debt service				
Principal	34,000	34,000	41,421	(7,421)
Interest	5,000	5,000	5,346	(346)
Capital outlay	2,900,000	2,900,000	12,114	2,887,886
Total expenditures	5,468,000	5,468,000	2,949,152	2,518,848
Excess (deficiency) of revenues over expenditures	88,000	88,000	96,226	8,226
Other Financing Sources				
Gain on sale of fixed assets	-	-	25,288	25,288
Total other financing sources	-	-	25,288	25,288
Net change in fund balance	88,000	88,000	121,514	33,514
Fund balances, beginning, as previously reported	522,945	522,945	522,945	-
Prior period adjustment (see Note 2)	-	-	99,124	99,124
Fund balances, beginning of year, as restated	522,945	522,945	622,069	99,124
Fund balances, end of year	$ 610,945	$ 610,945	$ 743,583	$ 132,638

City of Oak Hill, Florida
Schedule of Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

Florida Retirement System (FRS)*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	**0.0007%**	0.0008%	0.0007%	0.0007%	0.0007%	0.0006%	0.0005%	0.0005%	0.0005%	0.0005%
City's proportionate share of the net pension liability	**$ 213,669**	$ 301,864	$ 285,381	$ 247,898	$ 49,717	$ 241,619	$ 170,831	$ 145,466	$ 139,481	$ 122,976
City's covered payroll	**$ 281,903**	$ 255,632	$ 302,873	$ 242,100	$ 261,841	$ 187,740	$ 168,333	$ 158,856	$ 144,140	$ 143,126
City's proportionate share of the net pension liability as a percentage of its covered payroll	**75.80%**	118.09%	94.22%	102.39%	18.99%	128.70%	101.48%	91.57%	96.77%	85.92%
Plan fiduciary net position as a percentage of the total pension liability	**87.30%**	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Health Insurance Subsidy (HIS)*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	**0.0007%**	0.0008%	0.0007%	0.0006%	0.0006%	0.0005%	0.0005%	0.0005%	0.0004%	0.0005%
City's proportionate share of the net pension liability	**$ 90,297**	$ 122,495	$ 108,625	$ 66,698	$ 74,827	$ 62,446	$ 55,681	$ 50,152	$ 47,767	$ 52,560
City's covered payroll	**$ 281,903**	$ 255,632	$ 302,873	$ 242,100	$ 261,841	$ 187,740	$ 168,333	$ 158,856	$ 144,140	$ 143,126
City's proportionate share of the net pension liability as a percentage of its covered payroll	**32.03%**	47.92%	35.86%	27.55%	28.58%	33.26%	33.08%	31.57%	33.14%	36.72%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

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

City of Oak Hill, Florida
Schedule of Contributions
Last Ten Fiscal Years

Florida Retirement System (FRS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	**$ 41,107**	$ 49,922	$ 31,542	$ 28,435	$ 22,542	$ 13,329	$ 14,648	$ 14,702	$ 14,365	$ 13,628
Contributions in relation to the contractually required contribution	**(41,107)**	(49,922)	(31,542)	(28,435)	(22,542)	(13,329)	(14,648)	(14,702)	(14,365)	(13,628)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	**$ 313,027**	$ 237,403	$ 310,317	$ 242,100	$ 261,841	$ 187,740	$ 168,333	$ 158,856	$ 144,140	$ 143,126
Contributions as a percentage of covered payroll	**13.13%**	21.03%	10.16%	11.75%	8.61%	7.10%	8.70%	9.25%	9.97%	9.52%

Health Insurance Subsidy (HIS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	**$ 6,296**	$ 7,490	$ 4,489	$ 3,810	$ 3,600	$ 3,116	$ 2,794	$ 2,637	$ 2,393	$ 2,376
Contributions in relation to the contractually required contribution	**(6,296)**	(7,490)	(4,489)	(3,810)	(3,600)	(3,116)	(2,794)	(2,637)	(2,393)	(2,376)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	**$ 313,027**	$ 237,403	$ 310,317	$ 242,100	$ 261,841	$ 187,740	$ 168,333	$ 158,856	$ 144,140	$ 143,126
Contributions as a percentage of covered payroll	**2.01%**	3.15%	1.45%	1.57%	1.37%	1.66%	1.66%	1.66%	1.66%	1.66%

ADDITIONAL ELEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND THE RULES OF THE AUDITOR GENERAL

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

To the Honorable Mayor and
Members of the City Commission
City of Oak Hill, 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 and the major fund information of City of Oak Hill, 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 August 28, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described below as item 2025-001 to be a material weakness.

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. We consider deficiencies described below as items 2025-002 and 2025-003 to be significant deficiencies.

2025-001 – Revenue Recognition (Material Weakness)

Criteria: According to the Governmental Accounting Standards Board (GASB) Statement No. 33, revenue should be recognized when eligibility requirements are met and, for governmental funds, when the revenue is measurable and available. For full accrual funds, revenue should be recognized when earned and measurable, regardless of timing of cash receipt. Additionally, according to the Governmental Accounting Standards Board (GASB) Statement No. 34 and the agency's internal financial procedures, all revenue must be classified according to its source to ensure accurate financial reporting.

Condition: During the review of fiscal year 2025 financial records for revenue, it was noted that the City was obligated FEMA funds in the amount of $312,500 in the current year which were not properly recognized as a receivable and revenue when the funds were obligated, resulting in a understatement of revenue for the both the general fund and governmental activities. The City passes through charges incurred by consultants for land development consulting fees. As the City passes through this cost to customers it is noted that the City should recognize the revenue for these charges when the City incurs the expense. During review of the revenues recognized in 2025 it was identified that revenues recorded during the year where for expenses incurred in prior years and as such should have been recorded as revenue in prior year. This resulted in a prior period adjustment for the general fund in the amount of $99,124 and $111,379 for governmental activities as the revenues were overstated in 2025. The City also had misclassified $14,306 as licenses and permit revenues when they were in fact charges for service.

Cause: The City did not ensure that revenue was complete and classified correctly, as they do not have a process in place to ensure all revenues are recorded in the period in which they are earned or correctly classified.

Effect: Opening net position and fund balance were understated and charges for service were overstated by $111,379 for governmental activities and $99,124 for the general fund. Additionally, the City understated intergovernmental revenue by $312,500 and misclassified $14,306 into licenses and permits when they should have been recorded as charges for services.

Recommendation: We recommend that the City should put a process in place to ensure all revenues are recognized when they both measurable and available for governmental funds and when earned and measurable for governmental activities. In addition the City should implement a review process to ensure all revenues are correctly classified. Staff involved in financial recording should receive training on revenue recognition standards.

Management Response: The City concurs with the finding. Staff will work with the outside consultant to ensure that revenue classifications are recorded correctly along with maintaining and supporting documentation requirements.

2025-002 – Segregation of Duties (Significant Deficiency)

Criteria: A fundamental element of the design of internal controls is the segregation of duties between those who have custody of City assets, perform recordkeeping, and review and approval of the transaction. In electronic point of sale systems, this extends to those who perform cashiering functions should not be able to perform price adjustments, voids, or refunds without review and approval. Governmental Accounting Standards Board (GASB) Statement No. 34 requires that financial information reported by governments be reliable and complete, which necessitates a layer of internal oversight regardless of who prepares the information.

Condition: There is not consistent and adequate segregation of duties between those who perform recordkeeping and have those who control or have custody of City assets. The City does not perform any formal review or oversight of financial work performed by its contracted third-party accountant. Specifically, there is no documented process to verify the accuracy, completeness, or compliance of the financial statements and related financial records prepared by the third-party accountant.

Cause: The design of certain controls does not include an adequate level of segregation of duties. Multiple schedules (fund balance, compensated absences, and accrued payroll) include prior year information, were not updated for new policy, or incorrectly calculated.

Effect: The potential for an error or misappropriation of the City's assets and revenues could occur and not be detected in a timely manner. This lack of review may result in inaccurate financial reporting, potential noncompliance with legal or regulatory requirements, or delayed detection of fraud or misuse of public funds.

Recommendation: Controls design should be reevaluated to include segregation of duties and oversite of the outside accountant.

Management Response: The City agrees with the recommendation. Management will revise internal control procedures to ensure adequate segregation of duties. Oversight will be added to the work performed by the external accountant, and reconciliations will be reviewed by City personnel prior to financial statement preparation.

2025-003 – Lack of Payroll Documentation (Significant Deficiency)

Criteria: The City should retain proper documentation of all payroll related records of all its employees and retain personal record of new employees in HR files. Additionally, there should be controls in place to ensure the payroll information is reviewed by someone other than the person entering the information prior to submission to payroll subservice organization.

Condition: During the year, there was a lack of documentation over payroll. This included no documented support for new hire information being submitted to payroll subservice organization, review of payroll records prior to payroll processing, and lack of support retained in HR files.

Cause: There is no review of updated payroll information after it is entered into the system and there is no segregation of who enters them into the system and who reviews them for most of the fiscal year.

Effect: Payroll/expenditures may be inaccurate if improper information is entered into the payroll system.

Recommendation: We recommend that the City ensures proper retention of payroll records of its employees. The person entering the payroll information into the system not be the same person reviewing the information.

Management Response: The City concurs. Procedures will be implemented to ensure retention of all payroll records in employee personnel files. Payroll entries will now be reviewed and approved by a separate individual from the one who processes payroll, ensuring segregation of duties and accuracy of payroll records.

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 determination of financial statement amounts. 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.

City of Oak Hill, Florida's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Oak Hill, Florida's responses to the findings identified in our audit. The City of Oak Hill, Florida's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
August 28, 2026

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Commission
City of Oak Hill, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Oak Hill, Florida as of and for the fiscal year ended September 30, 2025 and have issued our report thereon dated August 28, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' 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, which are dated <DATE>, 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.

Prior Year	Description	Status	2025 No.	First Year Reported
2024-001	Budget Not Posted Timely	Cleared	N/A	2023
2024-002	Revenue Misclassification	Repeated	2025-001	2024
2024-003	Accrual of Compensated Absences	Cleared	N/A	2023
2024-004	Building Permits Carryover Fund Balance	Repeated	2025-004	2023
2024-005	Recognition of Lease Receivable	Cleared	N/A	2024
2024-006	Segregation of Duties	Repeated	2025-002	2009
2024-007	Accrual of Expense	Cleared	N/A	2024
2024-008	Improper Netting of Franchise Fee Revenue	Cleared	N/A	2024
2024-009	Formal Policy to Track Fixed Asset Purchased with Grant Funds	Repeated	2025-005	2024
2024-0010	Lack of Documentation of Meeting Minutes	Cleared	N/A	2023
2024-0011	Lack of Documentation of Bidding Procedures	Repeated	2025-006	2023
2024-0012	Lack of Payroll Documentation	Repeated	2025-003	2023
2024-0013	Deteriorating Financial Condition	Cleared	N/A	2024

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Oak Hill, Florida is disclosed in the notes to the financial statements. There are no component units of the City.

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 of Oak Hill, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Oak Hill, Florida did meet the conditions described in Section 218.503(1), Florida Statutes. The City has incurred a decline in its revenues and unassigned fund balance, as well as an incline in its debt balances.

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 of Oak Hill, Florida. It is management's responsibility to monitor the City of Oak Hill, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. In connection with our assessment procedures, we noted the following matter.

2025-004 – Building Permits Carryover Fund Balance

Criteria: Section 553.80(7)(a) of Florida Statutes has been updated to limit the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees.

Condition: The City's unexpended building permit funds at September 30, 2019 exceeded the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years by $302,055.

Cause: Prior to July 1, 2019, there was no provision in the Florida Statutes limiting the amount of carryforward of unexpended building permit funds. In prior fiscal years, the annual revenue derived from building permit fees exceeded anticipated amounts.

Effect: The City has excess unexpended balances at September 30, 2025.

Recommendation: The City should identify how it intends to reduce the amount of unexpended building code balances in order to comply with Section 553.80(7)(a) of Florida Statues. Such action may require the City to modify its fiscal year 2025-2026 budget.

Management Response: The City recognizes the statutory limitation on unexpended building permit funds. By the end of calendar year 2026, the City will evaluate the excess balance and develop a plan to comply with the statute.

2025-005 – Formal Policy to track Fixed Asset purchased with Grant Funds

Criteria: Under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), also known as Uniform Guidance, non-federal entities are required to maintain property records for equipment acquired with federal funds and ensure that such assets are properly tracked, safeguarded, and disposed of in accordance with federal requirements. Additionally, sound grant management practices recommend clearly documenting ownership, funding source, and any restrictions associated with grant-funded assets.

Condition: During our walkthrough with City staff, we noted that the City does not have a formal, written policy specifically addressing the tracking and management of fixed assets purchased with grant funds. While general fixed asset records are maintained, there is no process in place to identify, separately track, or monitor grant-funded capital assets in accordance with grant agreements or federal requirements.

Cause: This condition was identified during a walkthrough, where City staff indicated that while assets are recorded in the general fixed asset system, there is no separate tracking or tagging process in place for grant-funded purchases. This appears to result from the absence of a formal policy or dedicated procedure to address grant-specific asset requirements.

Effect: Without a formal policy and tracking process, the City may be at risk of noncompliance with federal grant requirements, particularly in the areas of asset accountability, inventory, and disposition. This could lead to potential audit findings, questioned costs, or future grant funding limitations.

Recommendation: We recommend that the City develop and implement a formal policy and implement a system for tracking fixed assets purchased with grant funds. The policy should include: Procedures for identifying and tagging grant-funded assets at acquisition;

- Maintaining separate records that include funding source, award identification, and applicable restrictions;
- Performing periodic inventory reviews;
- Ensuring compliance with grantor reporting and disposition requirements.

Establishing this policy will strengthen internal controls, support compliance with grant terms, and improve overall grant asset management.

Management Response: The City agrees and will develop a written policy to track fixed assets purchased with grant funds.

2025–006 Lack of Documentation of Bidding Procedures

Criteria: The City's 'Finance Policy and Procedures Manual' and Florida Statutes 287.017 and 287.057 requires the City to adhere to bidding procedures.

Condition: During the year the City did not adhere to there bidding procedures as they had initiated a contract with a vendor that exceeded the contract value stated in their policies which should have been bid.

Cause: The City did not follow the bidding process as documented in their 'Finance Policy and Procedure Manual' adopted in Resolution No. 2020-09 and Florida Statues.

Effect: The City was not in compliance with the City's 'Finance Policy and Procedure Manual', along with Florida Statues.

Recommendation: The City should ensure that the bidding procedures outlined in their 'Finance Policy and Procedure Manual' and the Florida Statues are followed.

Management Response: The City agrees. A procurement compliance file will be maintained for each solicitation, including bid advertisements, bid tabulations, and Commission approvals.

Property Assessed Clean Energy (PACE) Programs (Unaudited)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not operate a PACE program pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City's geographical boundaries during the fiscal year under audit.

Additional Matters

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
August 28, 2026

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Honorable Mayor and
Members of the City Commission
City of Oak Hill, Florida

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

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

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

Our examination does not provide a legal determination on the City of Oak Hill, Florida's compliance with specified requirements.

In our opinion, the City of Oak Hill, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
August 28, 2026