

*Vale of Paradise*



# City of Valparaiso, Florida Financial Statements September 30, 2025

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FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and the schedules related to the pension liabilities, contributions, and investment returns, 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 nor 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Fort Walton Beach, Florida  
June 30, 2026

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

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This discussion and analysis (MD&A) of the City of Valparaiso, Florida's (the City) financial performance provides an overview of financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues for the fiscal year ended September 30, 2025. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets decreased by \$206,840, or 0.7%.
- Net position increased by \$220,259 or 1.0%.
- Total revenues decreased by \$1,435,350, or 12.3%. The decrease in revenues was primarily attributable to expending a substantial amount of the nonrecurring Community Development Block Grant (CDBG) funds for various projects in the prior fiscal year.
- Total expenses increased by \$869,288, or 9.5%. The increase in expenses was primarily driven attributable to an increase in public safety expenses as a result of the City entering into a contract with the City of Niceville for fire protection services.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements, prepared in accordance with financial reporting standards issued by the Governmental Accounting Standards Board. The statement of net position and the statement of activities (on pages 10-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**REPORTING THE CITY AS A WHOLE**

**Government-Wide Financial Statements**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

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These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, cemetery, library, parks, and general administration. Taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's utility, communication, and sanitation systems are included here.

## **REPORTING THE CITY'S FUNDS**

### **Fund Financial Statements**

Our analysis of the City's funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliations on pages 13 and 15.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The proprietary funds financial statements begin on page 16.

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

**REPORTING THE CITY'S FIDUCIARY RESPONSIBILITIES**

The City is the trustee, or fiduciary, for its employees' pension plan. All the City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 21 and 22.

We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table reflects the net position of the City's governmental activities and business-type activities and is compared to the prior year.

**Table 1  
CITY OF VALPARAISO, FLORIDA  
STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2025 AND 2024**

|                                       | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     | <b>Total</b>         |                      |
|---------------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|                                       | <b>2025</b>                    | <b>2024</b>          | <b>2025</b>                     | <b>2024</b>         | <b>2025</b>          | <b>2024</b>          |
| Current and other assets              | \$ 9,356,804                   | \$ 9,062,993         | \$ 6,623,268                    | \$ 6,556,982        | \$ 15,980,072        | \$ 15,619,975        |
| Capital assets, net                   | 7,490,779                      | 7,722,579            | 5,204,011                       | 5,539,148           | 12,694,790           | 13,261,727           |
| <b>Total assets</b>                   | <b>16,847,583</b>              | <b>16,785,572</b>    | <b>11,827,279</b>               | <b>12,096,130</b>   | <b>28,674,862</b>    | <b>28,881,702</b>    |
| <b>Deferred outflows of resources</b> | <b>172,392</b>                 | <b>210,844</b>       | <b>44,153</b>                   | <b>44,477</b>       | <b>216,545</b>       | <b>255,321</b>       |
| Current liabilities                   | 383,505                        | 466,057              | 356,997                         | 275,946             | 740,502              | 742,003              |
| Other liabilities                     | 2,919,234                      | 3,030,504            | 2,136,880                       | 2,398,065           | 5,056,114            | 5,428,569            |
| <b>Total liabilities</b>              | <b>3,302,739</b>               | <b>3,496,561</b>     | <b>2,493,877</b>                | <b>2,674,011</b>    | <b>5,796,616</b>     | <b>6,170,572</b>     |
| <b>Deferred inflows of resources</b>  | <b>414,753</b>                 | <b>475,889</b>       | <b>148,903</b>                  | <b>179,686</b>      | <b>563,656</b>       | <b>655,575</b>       |
| Net position                          |                                |                      |                                 |                     |                      |                      |
| Net investment in capital assets      | 4,780,129                      | 4,933,604            | 3,220,016                       | 3,278,469           | 8,000,145            | 8,212,073            |
| Restricted                            | 3,847,453                      | 3,217,311            | 1,276,841                       | 1,255,804           | 5,124,294            | 4,473,115            |
| Unrestricted                          | 4,674,901                      | 4,873,051            | 4,731,795                       | 4,752,637           | 9,406,696            | 9,625,688            |
| <b>Total net position</b>             | <b>\$ 13,302,483</b>           | <b>\$ 13,023,966</b> | <b>\$ 9,228,652</b>             | <b>\$ 9,286,910</b> | <b>\$ 22,531,135</b> | <b>\$ 22,310,876</b> |

For more detailed information on the amounts shown in Table 1, see the accompanying statement of net position.

The table on the following page reflects the changes in net position of the City's governmental and business-type activities and compares the current and previous fiscal year.

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

Table 2  
CITY OF VALPARAISO, FLORIDA  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

|                                    | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                                    | 2025                    | 2024                 | 2025                     | 2024                | 2025                 | 2024                 |
| <b>REVENUES</b>                    |                         |                      |                          |                     |                      |                      |
| Program revenues                   |                         |                      |                          |                     |                      |                      |
| Charges for services               | \$ 607,640              | \$ 854,420           | \$ 3,826,154             | \$ 3,978,853        | \$ 4,433,794         | \$ 4,833,273         |
| Operating grants and contributions | 73,085                  | 59,174               | -                        | -                   | 73,085               | 59,174               |
| Capital grants and contributions   | 28,223                  | 1,330,299            | 100,980                  | 126,295             | 129,203              | 1,456,594            |
| General revenues                   |                         |                      |                          |                     |                      |                      |
| Property taxes                     | 2,285,301               | 1,921,066            | -                        | -                   | 2,285,301            | 1,921,066            |
| Utility service taxes              | 476,416                 | 455,859              | -                        | -                   | 476,416              | 455,859              |
| Sales taxes                        | 1,536,631               | 1,517,195            | -                        | -                   | 1,536,631            | 1,517,195            |
| Franchise taxes                    | 463,703                 | 458,229              | -                        | -                   | 463,703              | 458,229              |
| Intergovernmental                  | 300,779                 | 611,369              | -                        | -                   | 300,779              | 611,369              |
| Investment returns                 | 285,066                 | 251,824              | 125,967                  | 74,464              | 411,033              | 326,288              |
| Gain on disposal of capital assets | 87,800                  | 2,777                | -                        | 2,700               | 87,800               | 5,477                |
| Miscellaneous                      | 24,810                  | 11,029               | 26,775                   | 29,127              | 51,585               | 40,156               |
| <b>TOTAL REVENUES</b>              | <b>6,169,454</b>        | <b>7,473,241</b>     | <b>4,079,876</b>         | <b>4,211,439</b>    | <b>10,249,330</b>    | <b>11,684,680</b>    |
| <b>EXPENSES</b>                    |                         |                      |                          |                     |                      |                      |
| Primary government                 |                         |                      |                          |                     |                      |                      |
| General government                 | 1,241,245               | 1,213,075            | -                        | -                   | 1,241,245            | 1,213,075            |
| Public safety                      | 3,028,834               | 2,381,804            | -                        | -                   | 3,028,834            | 2,381,804            |
| Physical environment               | 321,467                 | 279,068              | -                        | -                   | 321,467              | 279,068              |
| Economic environment               | -                       | 11,250               | -                        | -                   | -                    | 11,250               |
| Transportation                     | 470,420                 | 486,156              | -                        | -                   | 470,420              | 486,156              |
| Culture and recreation             | 747,066                 | 655,272              | -                        | -                   | 747,066              | 655,272              |
| Debt service interest              | 81,905                  | 85,599               | -                        | -                   | 81,905               | 85,599               |
| Business-type activities           |                         |                      |                          |                     |                      |                      |
| Utility                            | -                       | -                    | 1,760,796                | 1,668,375           | 1,760,796            | 1,668,375            |
| Communication                      | -                       | -                    | 1,355,874                | 1,399,800           | 1,355,874            | 1,399,800            |
| Sanitation                         | -                       | -                    | 1,021,464                | 979,384             | 1,021,464            | 979,384              |
| <b>TOTAL EXPENSES</b>              | <b>5,890,937</b>        | <b>5,112,224</b>     | <b>4,138,134</b>         | <b>4,047,559</b>    | <b>10,029,071</b>    | <b>9,159,783</b>     |
| <b>CHANGE IN NET POSITION</b>      |                         |                      |                          |                     |                      |                      |
| <b>BEFORE TRANSFERS</b>            | <b>278,517</b>          | <b>2,361,017</b>     | <b>(58,258)</b>          | <b>163,880</b>      | <b>220,259</b>       | <b>2,524,897</b>     |
| Transfers                          | -                       | (42,683)             | -                        | 42,683              | -                    | -                    |
| <b>CHANGE IN NET POSITION</b>      | <b>278,517</b>          | <b>2,318,334</b>     | <b>(58,258)</b>          | <b>206,563</b>      | <b>220,259</b>       | <b>2,524,897</b>     |
| <b>NET POSITION – BEGINNING</b>    | <b>13,023,966</b>       | <b>10,705,632</b>    | <b>9,286,910</b>         | <b>9,080,347</b>    | <b>22,310,876</b>    | <b>19,785,979</b>    |
| <b>NET POSITION – ENDING</b>       | <b>\$ 13,302,483</b>    | <b>\$ 13,023,966</b> | <b>\$ 9,228,652</b>      | <b>\$ 9,286,910</b> | <b>\$ 22,531,135</b> | <b>\$ 22,310,876</b> |

For more detailed information on the amounts shown in Table 2, see the accompanying statement of activities.

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

**Governmental Activities**

The City's revenue for governmental activities decreased \$1,303,787, or 17.4%, compared to the prior year. There was a large decrease in revenues from capital grants and contributions, which was attributable to expending nonrecurring Community Development Block Grant ("CDBG") funding on various projects, most notably, a large street improvement project in the prior year. This was partially offset by increases in general revenues resulting from continued growth in the area.

**Business-Type Activities**

Revenues of the City's business-type activities showed a decrease of \$131,563, or 3.1%, which is primarily attributable to a decrease in active customers billed for services of the Communications Fund. Expenses increased by \$90,575, or 2.2%, which is primarily attributable to an increase in payroll and employee benefit costs.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$7,674,833, which is an increase of \$363,473 from last year's aggregate ending fund balance. This increase was attributable to discretionary sales surtax revenue exceeding the related expenditures and is consistent with the increase in restricted fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 45.8% of total expenditures in the General Fund, while total fund balance represents 127.3% of that same amount.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

On September 30, 2025, the City had \$12,694,790 invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of \$566,937, or 4.3%, from the prior fiscal year total. See Note 5 for additional information. The table on the following page shows a listing of capital assets for governmental and business-type activities by major category, net of depreciation, for the current and prior year.

Table 3  
CITY OF VALPARAISO, FLORIDA  
CAPITAL ASSETS  
(net of depreciation)  
AS OF SEPTEMBER 30, 2025 AND 2024

|                                   | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                                   | 2025                    | 2024                | 2025                     | 2024                | 2025                 | 2024                 |
| Land                              | \$ 735,209              | \$ 748,409          | \$ 90,603                | \$ 90,603           | \$ 825,812           | \$ 839,012           |
| Buildings and improvements        | 2,846,543               | 2,682,073           | 4,205,898                | 4,421,934           | 7,052,441            | 7,104,007            |
| Infrastructure                    | 2,776,378               | 2,970,005           | -                        | -                   | 2,776,378            | 2,970,005            |
| Machinery, equipment and vehicles | 1,132,649               | 1,322,092           | 907,510                  | 1,026,611           | 2,040,159            | 2,348,703            |
| <b>Total</b>                      | <b>\$ 7,490,779</b>     | <b>\$ 7,722,579</b> | <b>\$ 5,204,011</b>      | <b>\$ 5,539,148</b> | <b>\$ 12,694,790</b> | <b>\$ 13,261,727</b> |

**CITY OF VALPARAISO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

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**Debt**

On September 30, 2025, the City reported \$4,656,199 of long-term debt outstanding consisting of revenue notes and bonds. This represents a decrease of \$404,911 from the prior fiscal year. The City's long-term debt is summarized in the table below.

Table 4  
CITY OF VALPARAISO, FLORIDA  
LONG-TERM DEBT OUTSTANDING  
AS OF SEPTEMBER 30, 2025 AND 2024

|                                 | Governmental Activities |              | Business-Type Activities |              | Total        |              |
|---------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                                 | 2025                    | 2024         | 2025                     | 2024         | 2025         | 2024         |
| Revenue bonds and notes payable | \$ 2,639,689            | \$ 2,765,750 | \$ 2,016,510             | \$ 2,295,360 | \$ 4,656,199 | \$ 5,061,110 |

For additional information on long-term debt, see Note 8 in the accompanying financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Amounts available for appropriation in the fiscal year 2026 General Fund budget were \$6,257,990, which is a decrease of \$8,485 from the final amended fiscal year 2025 budget. The 2025 budget included costs for a fire protection contract with the City of Niceville that was later terminated during the fiscal year by the City. The 2026 budget replaces those contract costs with payroll and related employee benefit costs necessary to establish a standalone fire department.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report was prepared by the City. For questions about this report or additional financial information, contact the City Clerk's Office, 23 South John Sims Pkwy, Valparaiso, Florida 32580.

**CITY OF VALPARAISO, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2025**

|                                      | Primary Government   |                     |                      |
|--------------------------------------|----------------------|---------------------|----------------------|
|                                      | Governmental         | Business-Type       |                      |
|                                      | Activities           | Activities          | Total                |
| <b>ASSETS</b>                        |                      |                     |                      |
| Cash and cash equivalents            | \$ 3,427,284         | \$ 3,030,032        | \$ 6,457,316         |
| Investments                          | 674,117              | -                   | 674,117              |
| Receivables, net                     | 95,003               | 505,121             | 600,124              |
| Due from other governments           | 175,931              | -                   | 175,931              |
| Internal balances                    | 477,027              | (477,027)           | -                    |
| Inventory, at cost                   | -                    | 197,011             | 197,011              |
| Prepaid items                        | 230,122              | 24,588              | 254,710              |
| Restricted assets                    |                      |                     |                      |
| Cash and cash equivalents            | 3,037,348            | 1,435,824           | 4,473,172            |
| Net pension asset                    | 1,239,972            | -                   | 1,239,972            |
| Capital assets                       |                      |                     |                      |
| Non-depreciable                      | 735,209              | 90,603              | 825,812              |
| Depreciable, net                     | 6,755,570            | 5,113,408           | 11,868,978           |
| Other assets                         |                      |                     |                      |
| Investment in joint venture          | -                    | 1,907,719           | 1,907,719            |
| <b>TOTAL ASSETS</b>                  | <b>16,847,583</b>    | <b>11,827,279</b>   | <b>28,674,862</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b> | <b>172,392</b>       | <b>44,153</b>       | <b>216,545</b>       |
| <b>LIABILITIES</b>                   |                      |                     |                      |
| Accounts payable                     | 167,817              | 141,226             | 309,043              |
| Accrued liabilities                  | 92,804               | 24,074              | 116,878              |
| Accrued interest                     | 8,071                | 29,924              | 37,995               |
| Due to other governments             | 9,348                | -                   | 9,348                |
| Unearned revenues                    | -                    | 2,790               | 2,790                |
| Payable from restricted assets       |                      |                     |                      |
| Customer deposits                    | -                    | 158,983             | 158,983              |
| Accrued liabilities                  | 105,465              | -                   | 105,465              |
| Noncurrent liabilities               |                      |                     |                      |
| Due within one year                  |                      |                     |                      |
| Compensated absences                 | 102,202              | 44,045              | 146,247              |
| Revenue bonds and notes payable      | 127,641              | 245,802             | 373,443              |
| Due in more than one year            |                      |                     |                      |
| Compensated absences                 | 135,580              | 41,162              | 176,742              |
| Net pension liability                | 41,763               | 35,163              | 76,926               |
| Revenue bonds and notes payable      | 2,512,048            | 1,770,708           | 4,282,756            |
| <b>TOTAL LIABILITIES</b>             | <b>3,302,739</b>     | <b>2,493,877</b>    | <b>5,796,616</b>     |
| <b>DEFERRED INFLOW OF RESOURCES</b>  | <b>414,753</b>       | <b>148,903</b>      | <b>563,656</b>       |
| <b>NET POSITION</b>                  |                      |                     |                      |
| Net investment in capital assets     | 4,780,129            | 3,220,016           | 8,000,145            |
| Restricted                           |                      |                     |                      |
| Debt service                         | -                    | 546,532             | 546,532              |
| Capital projects                     | 230,087              | 730,309             | 960,396              |
| Pensions                             | 915,570              | -                   | 915,570              |
| Other purposes                       | 2,701,796            | -                   | 2,701,796            |
| Unrestricted                         | 4,674,901            | 4,731,795           | 9,406,696            |
| <b>TOTAL NET POSITION</b>            | <b>\$ 13,302,483</b> | <b>\$ 9,228,652</b> | <b>\$ 22,531,135</b> |

See notes to the financial statements.

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

| Function/program activities              | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------------|
|                                          | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                      |
|                                          |                      |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total                |
| Governmental activities                  |                      |                      |                                    |                                  |                                                   |                          |                      |
| General government                       | \$ 1,241,245         | \$ 401,367           | \$ 5,000                           | \$ -                             | \$ (834,878)                                      | \$ -                     | \$ (834,878)         |
| Public safety                            | 3,028,834            | 36,963               | -                                  | 28,223                           | (2,963,648)                                       | -                        | (2,963,648)          |
| Physical environment                     | 321,467              | 85,285               | -                                  | -                                | (236,182)                                         | -                        | (236,182)            |
| Transportation                           | 470,420              | 74,536               | -                                  | -                                | (395,884)                                         | -                        | (395,884)            |
| Culture and recreation                   | 747,066              | 9,489                | 68,085                             | -                                | (669,492)                                         | -                        | (669,492)            |
| Debt service interest                    | 81,905               | -                    | -                                  | -                                | (81,905)                                          | -                        | (81,905)             |
| Total governmental activities            | 5,890,937            | 607,640              | 73,085                             | 28,223                           | (5,181,989)                                       | -                        | (5,181,989)          |
| Business-type activities                 |                      |                      |                                    |                                  |                                                   |                          |                      |
| Utility                                  | 1,760,796            | 1,581,912            | -                                  | 100,980                          | -                                                 | (77,904)                 | (77,904)             |
| Communication                            | 1,355,874            | 1,217,593            | -                                  | -                                | -                                                 | (138,281)                | (138,281)            |
| Sanitation                               | 1,021,464            | 1,026,649            | -                                  | -                                | -                                                 | 5,185                    | 5,185                |
| Total business-type activities           | 4,138,134            | 3,826,154            | -                                  | 100,980                          | -                                                 | (211,000)                | (211,000)            |
| <b>Total primary government</b>          | <b>\$ 10,029,071</b> | <b>\$ 4,433,794</b>  | <b>\$ 73,085</b>                   | <b>\$ 129,203</b>                | <b>(5,181,989)</b>                                | <b>(211,000)</b>         | <b>(5,392,989)</b>   |
| General revenues                         |                      |                      |                                    |                                  |                                                   |                          |                      |
| Taxes                                    |                      |                      |                                    |                                  |                                                   |                          |                      |
| Property taxes                           |                      |                      |                                    |                                  | 2,285,301                                         | -                        | 2,285,301            |
| Utility service taxes                    |                      |                      |                                    |                                  | 476,416                                           | -                        | 476,416              |
| Sales and excise taxes                   |                      |                      |                                    |                                  | 1,536,631                                         | -                        | 1,536,631            |
| Franchise taxes                          |                      |                      |                                    |                                  | 463,703                                           | -                        | 463,703              |
| Intergovernmental, unrestricted          |                      |                      |                                    |                                  | 300,779                                           | -                        | 300,779              |
| Investment earnings                      |                      |                      |                                    |                                  | 285,066                                           | 125,967                  | 411,033              |
| Gain on sale of capital assets           |                      |                      |                                    |                                  | 87,800                                            | -                        | 87,800               |
| Miscellaneous                            |                      |                      |                                    |                                  | 24,810                                            | 26,775                   | 51,585               |
| Total general revenues                   |                      |                      |                                    |                                  | 5,460,506                                         | 152,742                  | 5,613,248            |
| <b>CHANGE IN NET POSITION</b>            |                      |                      |                                    |                                  | 278,517                                           | (58,258)                 | 220,259              |
| <b>NET POSITION AT BEGINNING OF YEAR</b> |                      |                      |                                    |                                  | 13,023,966                                        | 9,286,910                | 22,310,876           |
| <b>NET POSITION AT END OF YEAR</b>       |                      |                      |                                    |                                  | <b>\$ 13,302,483</b>                              | <b>\$ 9,228,652</b>      | <b>\$ 22,531,135</b> |

See notes to the financial statements.

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

|                                           | <b>General Fund</b> | <b>Streets Fund</b> | <b>Stormwater Fund</b> | <b>Total Governmental Funds</b> |
|-------------------------------------------|---------------------|---------------------|------------------------|---------------------------------|
| <b>ASSETS</b>                             |                     |                     |                        |                                 |
| Cash and cash equivalents                 | \$ 5,581,324        | \$ 613,398          | \$ 269,910             | \$ 6,464,632                    |
| Investments                               | 674,117             | -                   | -                      | 674,117                         |
| Accounts receivable, net                  | 23,540              | -                   | 4,898                  | 28,438                          |
| Leases receivable                         | 66,565              | -                   | -                      | 66,565                          |
| Due from other governments                | 147,518             | 28,413              | -                      | 175,931                         |
| Due from other funds, net                 | 511,405             | -                   | -                      | 511,405                         |
| Prepaid items                             | 230,122             | -                   | -                      | 230,122                         |
| <b>TOTAL ASSETS</b>                       | <b>\$ 7,234,591</b> | <b>\$ 641,811</b>   | <b>\$ 274,808</b>      | <b>\$ 8,151,210</b>             |
| <b>LIABILITIES</b>                        |                     |                     |                        |                                 |
| Accounts payable                          | \$ 155,696          | \$ 8,701            | \$ 3,420               | \$ 167,817                      |
| Accrued liabilities                       | 194,955             | 2,927               | 387                    | 198,269                         |
| Due to other governments                  | 9,348               | -                   | -                      | 9,348                           |
| Due to other funds                        | -                   | 29,887              | 4,491                  | 34,378                          |
| <b>TOTAL LIABILITIES</b>                  | <b>359,999</b>      | <b>41,515</b>       | <b>8,298</b>           | <b>409,812</b>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                     |                     |                        |                                 |
| Leases                                    | 66,565              | -                   | -                      | 66,565                          |
| <b>FUND BALANCE</b>                       |                     |                     |                        |                                 |
| Nonspendable                              | 230,122             | -                   | -                      | 230,122                         |
| Restricted                                | 2,903,619           | 28,264              | -                      | 2,931,883                       |
| Committed                                 | 13,543              | -                   | 266,510                | 280,053                         |
| Assigned                                  | 1,212,879           | 572,032             | -                      | 1,784,911                       |
| Unassigned                                | 2,447,864           | -                   | -                      | 2,447,864                       |
| <b>TOTAL FUND BALANCE</b>                 | <b>6,808,027</b>    | <b>600,296</b>      | <b>266,510</b>         | <b>7,674,833</b>                |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 7,234,591</b> | <b>\$ 641,811</b>   | <b>\$ 274,808</b>      | <b>\$ 8,151,210</b>             |

See notes to the financial statements.

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

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|                                                  |              |
|--------------------------------------------------|--------------|
| Fund balance, total governmental funds (page 12) | \$ 7,674,833 |
|--------------------------------------------------|--------------|

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

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

|                                     |                    |           |
|-------------------------------------|--------------------|-----------|
| Governmental non-depreciable assets | \$ 735,209         |           |
| Governmental depreciable assets     | 14,583,815         |           |
| Less accumulated depreciation       | <u>(7,828,245)</u> | 7,490,779 |

Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

|                   |           |
|-------------------|-----------|
| Net pension asset | 1,239,972 |
|-------------------|-----------|

Deferred inflows of resources and deferred outflows of resources related to pensions and other postemployment benefits are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.

|                                                         |                  |           |
|---------------------------------------------------------|------------------|-----------|
| Deferred outflows of resources related to pension plans | 172,392          |           |
| Deferred inflows of resources related to pension plans  | <u>(348,188)</u> | (175,796) |

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

|                                 |                 |             |
|---------------------------------|-----------------|-------------|
| Revenue bonds and notes payable | (2,639,689)     |             |
| Accrued interest                | (8,071)         |             |
| Compensated absences            | (237,782)       |             |
| Net pension liability           | <u>(41,763)</u> | (2,927,305) |

|                                                   |                             |
|---------------------------------------------------|-----------------------------|
| Net position of governmental activities (page 10) | <u><u>\$ 13,302,483</u></u> |
|---------------------------------------------------|-----------------------------|

See notes to the financial statements.

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

|                                                                  | <b>General Fund</b> | <b>Streets Fund</b> | <b>Stormwater Fund</b> | <b>Total Governmental Funds</b> |
|------------------------------------------------------------------|---------------------|---------------------|------------------------|---------------------------------|
| <b>REVENUES</b>                                                  |                     |                     |                        |                                 |
| Taxes                                                            | \$ 2,886,700        | \$ 256,321          | \$ -                   | \$ 3,143,021                    |
| Permits and fees                                                 | 583,456             | -                   | -                      | 583,456                         |
| Intergovernmental                                                | 1,507,054           | 130,093             | -                      | 1,637,147                       |
| Charges for services                                             | 250,495             | -                   | 52,457                 | 302,952                         |
| Fines and forfeitures                                            | 38,142              | -                   | -                      | 38,142                          |
| Miscellaneous                                                    | 359,834             | 12,779              | 4,323                  | 376,936                         |
| Total revenues                                                   | 5,625,681           | 399,193             | 56,780                 | 6,081,654                       |
| <b>EXPENDITURES</b>                                              |                     |                     |                        |                                 |
| Current                                                          |                     |                     |                        |                                 |
| General government                                               | 1,149,428           | -                   | -                      | 1,149,428                       |
| Public safety                                                    | 2,813,304           | -                   | -                      | 2,813,304                       |
| Physical environment                                             | 207,597             | -                   | 71,951                 | 279,548                         |
| Transportation                                                   | -                   | 293,055             | -                      | 293,055                         |
| Culture and recreation                                           | 591,274             | -                   | -                      | 591,274                         |
| Capital outlay                                                   | 451,757             | 31,805              | -                      | 483,562                         |
| Debt service                                                     |                     |                     |                        |                                 |
| Principal and interest                                           | 136,523             | 72,487              | -                      | 209,010                         |
| Total expenditures                                               | 5,349,883           | 397,347             | 71,951                 | 5,819,181                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | 275,798             | 1,846               | (15,171)               | 262,473                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |                     |                        |                                 |
| Sales of general capital assets                                  | 101,000             | -                   | -                      | 101,000                         |
| Transfers in                                                     | -                   | 113,733             | -                      | 113,733                         |
| Transfers out                                                    | (113,733)           | -                   | -                      | (113,733)                       |
| Total other financing sources (uses)                             | (12,733)            | 113,733             | -                      | 101,000                         |
| <b>NET CHANGE IN FUND BALANCE</b>                                | 263,065             | 115,579             | (15,171)               | 363,473                         |
| <b>FUND BALANCE AT BEGINNING OF YEAR,</b>                        | 6,544,962           | 484,717             | 281,681                | 7,311,360                       |
| <b>FUND BALANCE AT END OF YEAR</b>                               | <u>\$ 6,808,027</u> | <u>\$ 600,296</u>   | <u>\$ 266,510</u>      | <u>\$ 7,674,833</u>             |

See notes to the financial statements.

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

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|                                                           |    |         |
|-----------------------------------------------------------|----|---------|
| Net change in fund balance – governmental funds (page 14) | \$ | 363,473 |
|-----------------------------------------------------------|----|---------|

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

|                                           |                 |           |
|-------------------------------------------|-----------------|-----------|
| Expenditures for capital assets           | \$ 483,562      |           |
| Less current year depreciation            | (702,162)       |           |
| Disposals / adjustments of capital assets | <u>(13,200)</u> |           |
|                                           |                 | (231,800) |

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

|                                              |              |         |
|----------------------------------------------|--------------|---------|
| Principal payments on revenue bonds          | 71,824       |         |
| Principal payments on notes payable          | 52,910       |         |
| Bond premium amortization                    | 1,327        |         |
| Change in accrued interest on long-term debt | <u>1,044</u> |         |
|                                              |              | 127,105 |

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 net pension asset (liability)                                                                  | 38,693        |               |
| Change in deferred outflows of resources related to pensions                                             | (36,708)      |               |
| Change in deferred inflows of resources related to pensions                                              | 37,826        |               |
| Change in long-term compensated absences                                                                 | (30,433)      |               |
| Change in other postemployment benefits liability and related deferred outflows and inflows of resources | <u>10,361</u> |               |
|                                                                                                          |               | <u>19,739</u> |

|                                                             |    |                       |
|-------------------------------------------------------------|----|-----------------------|
| Change in net position of governmental activities (page 11) | \$ | <u><u>278,517</u></u> |
|-------------------------------------------------------------|----|-----------------------|

See notes to the financial statements.

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

|                                           | <u>Utility<br/>Fund</u> | <u>Communication<br/>Fund</u> | <u>Sanitation<br/>Fund</u> | <u>Total</u>     |
|-------------------------------------------|-------------------------|-------------------------------|----------------------------|------------------|
| <b>ASSETS</b>                             |                         |                               |                            |                  |
| Current assets                            |                         |                               |                            |                  |
| Cash and cash equivalents                 | \$ 2,084,007            | \$ 707,762                    | \$ 238,263                 | \$ 3,030,032     |
| Receivables, net                          | 330,125                 | 76,170                        | 98,826                     | 505,121          |
| Due from other funds                      | -                       | -                             | 100,949                    | 100,949          |
| Inventory, at cost                        | 173,931                 | 23,080                        | -                          | 197,011          |
| Prepaid items                             | 10,740                  | 13,848                        | -                          | 24,588           |
| Restricted assets                         |                         |                               |                            |                  |
| Cash and cash equivalents                 | <u>1,112,002</u>        | <u>323,822</u>                | <u>-</u>                   | <u>1,435,824</u> |
| Total current assets                      | 3,710,805               | 1,144,682                     | 438,038                    | 5,293,525        |
| Noncurrent assets                         |                         |                               |                            |                  |
| Capital assets                            |                         |                               |                            |                  |
| Non-depreciable                           | 40,287                  | 50,316                        | -                          | 90,603           |
| Depreciable, net                          | <u>4,604,116</u>        | <u>323,577</u>                | <u>185,715</u>             | <u>5,113,408</u> |
| Total capital assets                      | 4,644,403               | 373,893                       | 185,715                    | 5,204,011        |
| Other assets                              |                         |                               |                            |                  |
| Investment in joint venture               | <u>1,907,719</u>        | <u>-</u>                      | <u>-</u>                   | <u>1,907,719</u> |
| Total noncurrent assets                   | <u>6,552,122</u>        | <u>373,893</u>                | <u>185,715</u>             | <u>7,111,730</u> |
| <b>TOTAL ASSETS</b>                       | 10,262,927              | 1,518,575                     | 623,753                    | 12,405,255       |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES</b> | 35,880                  | 3,170                         | 5,103                      | 44,153           |

See notes to the financial statements.

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

|                                          | <b>Utility<br/>Fund</b> | <b>Communication<br/>Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Total</b>        |
|------------------------------------------|-------------------------|-------------------------------|----------------------------|---------------------|
| <b>LIABILITIES</b>                       |                         |                               |                            |                     |
| Current liabilities                      |                         |                               |                            |                     |
| Accounts payable                         | \$ 91,789               | \$ 18,782                     | \$ 30,655                  | \$ 141,226          |
| Accrued liabilities                      |                         |                               |                            |                     |
| Compensated absences                     | 13,506                  | 18,491                        | 12,048                     | 44,045              |
| Other                                    | 8,580                   | 6,188                         | 9,306                      | 24,074              |
| Due to other funds                       | 431,077                 | 146,899                       | -                          | 577,976             |
| Unearned revenues                        | 2,790                   | -                             | -                          | 2,790               |
| Payable from restricted assets           |                         |                               |                            |                     |
| Customer deposits                        | 158,983                 | -                             | -                          | 158,983             |
| Accrued interest                         | 27,694                  | 2,230                         | -                          | 29,924              |
| Revenue bonds and note payable           | 149,065                 | 96,737                        | -                          | 245,802             |
| Total current liabilities                | 883,484                 | 289,327                       | 52,009                     | 1,224,820           |
| Noncurrent liabilities                   |                         |                               |                            |                     |
| Compensated absences                     | 14,959                  | 14,596                        | 11,607                     | 41,162              |
| Net pension liability                    | 10,167                  | 9,579                         | 15,417                     | 35,163              |
| Revenue bonds and note payable, net      | 1,669,252               | 101,456                       | -                          | 1,770,708           |
| Total noncurrent liabilities             | 1,694,378               | 125,631                       | 27,024                     | 1,847,033           |
| <b>TOTAL LIABILITIES</b>                 | 2,577,862               | 414,958                       | 79,033                     | 3,071,853           |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b> | 134,666                 | 5,456                         | 8,781                      | 148,903             |
| <b>NET POSITION</b>                      |                         |                               |                            |                     |
| Net investment in capital assets         | 2,858,601               | 175,700                       | 185,715                    | 3,220,016           |
| Restricted                               |                         |                               |                            |                     |
| Debt service                             | 222,710                 | 323,822                       | -                          | 546,532             |
| System improvements                      | 730,309                 | -                             | -                          | 730,309             |
| Unrestricted                             | 3,774,659               | 601,809                       | 355,327                    | 4,731,795           |
| <b>TOTAL NET POSITION</b>                | <u>\$ 7,586,279</u>     | <u>\$ 1,101,331</u>           | <u>\$ 541,042</u>          | <u>\$ 9,228,652</u> |

See notes to the financial statements.

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

|                                                       | <b>Utility<br/>Fund</b> | <b>Communication<br/>Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Total</b>        |
|-------------------------------------------------------|-------------------------|-------------------------------|----------------------------|---------------------|
| <b>OPERATING REVENUES</b>                             |                         |                               |                            |                     |
| Charges for services                                  | \$ 1,581,912            | \$ 1,217,593                  | \$ 1,026,649               | \$ 3,826,154        |
| <b>OPERATING EXPENSES</b>                             |                         |                               |                            |                     |
| Personnel                                             | 440,822                 | 411,245                       | 535,829                    | 1,387,896           |
| Operating                                             | 856,195                 | 867,331                       | 428,806                    | 2,152,332           |
| Depreciation                                          | 392,551                 | 71,587                        | 56,777                     | 520,915             |
| Total operating expenses                              | 1,689,568               | 1,350,163                     | 1,021,412                  | 4,061,143           |
| <b>OPERATING INCOME (LOSS)</b>                        | (107,656)               | (132,570)                     | 5,237                      | (234,989)           |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>           |                         |                               |                            |                     |
| Interest expense                                      | (53,354)                | (4,459)                       | (52)                       | (57,865)            |
| Other debt service costs                              | (4,287)                 | (1,252)                       | -                          | (5,539)             |
| Lease income                                          | 26,533                  | -                             | -                          | 26,533              |
| Equity losses in joint venture                        | (13,587)                | -                             | -                          | (13,587)            |
| Interest income                                       | 87,722                  | 31,797                        | 6,448                      | 125,967             |
| Miscellaneous                                         | -                       | 242                           | -                          | 242                 |
| Total nonoperating<br>revenues (expenses)             | 43,027                  | 26,328                        | 6,396                      | 75,751              |
| <b>INCOME (LOSS) BEFORE CAPITAL<br/>CONTRIBUTIONS</b> | (64,629)                | (106,242)                     | 11,633                     | (159,238)           |
| <b>CAPITAL CONTRIBUTIONS</b>                          |                         |                               |                            |                     |
| Impact fees                                           | 100,980                 | -                             | -                          | 100,980             |
| <b>CHANGE IN NET POSITION</b>                         | 36,351                  | (106,242)                     | 11,633                     | (58,258)            |
| <b>NET POSITION AT BEGINNING OF YEAR</b>              | 7,549,928               | 1,207,573                     | 529,409                    | 9,286,910           |
| <b>NET POSITION AT END OF YEAR</b>                    | <u>\$ 7,586,279</u>     | <u>\$ 1,101,331</u>           | <u>\$ 541,042</u>          | <u>\$ 9,228,652</u> |

See notes to the financial statements.

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

|                                                                     | <b>Utility<br/>Fund</b> | <b>Communication<br/>Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Total</b>        |
|---------------------------------------------------------------------|-------------------------|-------------------------------|----------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                         |                               |                            |                     |
| Receipts from customers and users                                   | \$ 1,579,330            | \$ 1,214,687                  | \$ 1,004,019               | \$ 3,798,036        |
| Payments to suppliers                                               | (846,941)               | (855,045)                     | (415,158)                  | (2,117,144)         |
| Payments to employees                                               | (436,925)               | (409,308)                     | (530,090)                  | (1,376,323)         |
| Miscellaneous income                                                | 26,533                  | 242                           | -                          | 26,775              |
| Net cash provided by (used in) operating activities                 | 321,997                 | (49,424)                      | 58,771                     | 331,344             |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING<br/>ACTIVITIES</b>         |                         |                               |                            |                     |
| Interfund activity                                                  | 124,486                 | 74,038                        | 60,940                     | 259,464             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b> |                         |                               |                            |                     |
| Proceeds from impact fees                                           | 100,980                 | -                             | -                          | 100,980             |
| Acquisition of capital assets                                       | (112,090)               | (73,688)                      | -                          | (185,778)           |
| Principal paid on revenue bonds and notes                           | (143,301)               | (94,378)                      | -                          | (237,679)           |
| Principal paid on financing contracts                               | -                       | -                             | (38,531)                   | (38,531)            |
| Interest                                                            | (56,072)                | (5,402)                       | (621)                      | (62,095)            |
| Other debt service costs                                            | (4,287)                 | (1,252)                       | -                          | (5,539)             |
| Net cash used in capital and related financing<br>activities        | (214,770)               | (174,720)                     | (39,152)                   | (428,642)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                         |                               |                            |                     |
| Interest income                                                     | 87,722                  | 31,797                        | 6,448                      | 125,967             |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>     | 319,435                 | (118,309)                     | 87,007                     | 288,133             |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING<br/>OF YEAR</b>           | 2,876,574               | 1,149,893                     | 151,256                    | 4,177,723           |
| <b>CASH AND CASH EQUIVALENTS AT END OF<br/>YEAR</b>                 | <u>\$ 3,196,009</u>     | <u>\$ 1,031,584</u>           | <u>\$ 238,263</u>          | <u>\$ 4,465,856</u> |
| <b>CASH AND CASH EQUIVALENTS AT END OF<br/>YEAR CONSISTS OF</b>     |                         |                               |                            |                     |
| Cash and cash equivalents                                           | \$ 2,084,007            | \$ 707,762                    | \$ 238,263                 | \$ 3,030,032        |
| Restricted assets - cash and cash equivalents                       | 1,112,002               | 323,822                       | -                          | 1,435,824           |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>                              | <u>\$ 3,196,009</u>     | <u>\$ 1,031,584</u>           | <u>\$ 238,263</u>          | <u>\$ 4,465,856</u> |

See notes to the financial statements.

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

|                                                                                                                 | <b>Utility<br/>Fund</b> | <b>Communication<br/>Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Total</b>       |
|-----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------|----------------------------|--------------------|
| <b>RECONCILIATION OF OPERATING INCOME<br/>(LOSS) TO NET CASH PROVIDED BY (USED IN)<br/>OPERATING ACTIVITIES</b> |                         |                               |                            |                    |
| Operating income (loss)                                                                                         | \$ (107,656)            | \$ (132,570)                  | \$ 5,237                   | \$ (234,989)       |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by (used in) operating<br>activities:  |                         |                               |                            |                    |
| Depreciation                                                                                                    | 392,551                 | 71,587                        | 56,777                     | 520,915            |
| Miscellaneous revenue                                                                                           | -                       | 242                           | -                          | 242                |
| Lease revenue                                                                                                   | 26,533                  | -                             | -                          | 26,533             |
| Bad debt                                                                                                        | 361                     | 3,840                         | 824                        | 5,025              |
| Decrease (increase) in assets:                                                                                  |                         |                               |                            |                    |
| Accounts receivable, net                                                                                        | (8,617)                 | (6,746)                       | (23,454)                   | (38,817)           |
| Inventory                                                                                                       | (50,629)                | 18,645                        | -                          | (31,984)           |
| Prepaid items                                                                                                   | (151)                   | (11,810)                      | -                          | (11,961)           |
| Increase (decrease) in liabilities:                                                                             |                         |                               |                            |                    |
| Accounts payable and accrued expenses                                                                           | 60,034                  | 5,451                         | 13,648                     | 79,133             |
| Customer deposits                                                                                               | 2,884                   | -                             | -                          | 2,884              |
| Compensated absences                                                                                            | 6,574                   | 4,462                         | 9,799                      | 20,835             |
| Unearned revenues                                                                                               | 2,790                   | -                             | -                          | 2,790              |
| Net pension liability                                                                                           | (916)                   | (864)                         | (1,389)                    | (3,169)            |
| Change in deferred outflows/inflows of resources                                                                | (1,761)                 | (1,661)                       | (2,671)                    | (6,093)            |
| Net cash provided by (used in) operating activities                                                             | <u>\$ 321,997</u>       | <u>\$ (49,424)</u>            | <u>\$ 58,771</u>           | <u>\$ 331,344</u>  |
| <b>SCHEDULE OF NONCASH INVESTING<br/>AND FINANCING ACTIVITIES</b>                                               |                         |                               |                            |                    |
| Equity losses from joint venture                                                                                | <u>\$ (13,587)</u>      | <u>\$ -</u>                   | <u>\$ -</u>                | <u>\$ (13,587)</u> |

See notes to the financial statements.

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

|                                 | <b><u>Pension<br/>Trust Fund</u></b> |
|---------------------------------|--------------------------------------|
| <b>ASSETS</b>                   |                                      |
| Cash and cash equivalents       | \$ 40,882                            |
| Investments, at fair value      |                                      |
| Fixed income mutual funds       | 1,573,967                            |
| Equity mutual funds             | 3,495,435                            |
| Employer receivable             | <u>9,348</u>                         |
| <b>TOTAL ASSETS</b>             | <u>5,119,632</u>                     |
| <b>LIABILITIES</b>              | <u>-</u>                             |
| <b>NET POSITION</b>             |                                      |
| Restricted for pension benefits | <u><u>\$ 5,119,632</u></u>           |

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|                                         | <b><u>Pension<br/>Trust Fund</u></b> |
|-----------------------------------------|--------------------------------------|
| <b>ADDITIONS</b>                        |                                      |
| Contributions                           |                                      |
| Employer                                | \$ 68,653                            |
| Plan members                            | 17,845                               |
| State of Florida                        | <u>93,516</u>                        |
| Total contributions                     | 180,014                              |
| Investment income                       | 391,983                              |
| Less investment expense                 | <u>(10,286)</u>                      |
| Net investment income                   | <u>381,697</u>                       |
| <b>TOTAL ADDITIONS</b>                  | <u>561,711</u>                       |
| <b>DEDUCTIONS</b>                       |                                      |
| Pension benefit payments                | 97,570                               |
| Professional services                   | 8,125                                |
| Administrative expense                  | <u>4,824</u>                         |
| <b>TOTAL DEDUCTIONS</b>                 | <u>110,519</u>                       |
| <b>CHANGE IN FIDUCIARY NET POSITION</b> | 451,192                              |
| <b>NET POSITION</b>                     |                                      |
| Beginning of year                       | <u>4,668,440</u>                     |
| End of year                             | <u><u>\$ 5,119,632</u></u>           |

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY**

**Description of the City**

The City of Valparaiso, Florida (the City) was incorporated in 1921 under the provisions of the Laws of Florida, Chapter 9101 (1921). The City operates under a Commission-Mayor form of government and provides the following services: public safety (law enforcement and fire control), streets, utilities, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental and financial reporting principles.

**The Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include, or exclude, a potential component unit in the reporting entity was made by applying the criteria set forth by GASB. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

As of September 30, 2025, the City had one component unit, which has been presented in the financial statements of the primary government using the blended presentation method and is presented as an enterprise fund with a fiscal year that ends on September 30. The City of Valparaiso Cable Authority (the Authority) was formed in 2007 by Ordinance No. 564 as a dependent special district, to provide a cable communications system for customers within the City of Valparaiso, Florida. All the City's commission members serve as the Authority's Board of Directors. Therefore, the Authority's governing body is the same as the governing body of the City. The Authority functions as a department of the City. City management has operational and fiscal responsibility for the Authority's activities. The City does not issue a separate financial statement for this component unit.

Related organizations are those legally separate entities for which the City is responsible for appointing the board members or Trustees and for which the City is not otherwise financially accountable. These organizations are not included in the primary governments' financial statements as they are not considered to be part of the financial reporting entity. There were no entities meeting these criteria.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements, including the statement of net position and statement of activities, present information about the City as a whole. These statements include the non-fiduciary financial activity of the primary government.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

The effects of interfund activity have been eliminated from the government-wide financial statements.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund financial statements are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables on September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30th.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

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The following is the current property tax calendar:

|                 |              |
|-----------------|--------------|
| Lien Date       | January 1st  |
| Levy Date       | November 1st |
| Due Date        | November 1st |
| Delinquent Date | April 1st    |

One percent discounts are granted for each month taxes are paid prior to March 1st.

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

**Basis of Presentation**

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

***Governmental***

Governmental funds include the following major funds:

*General Fund* – the City’s primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Streets Fund* – a special revenue fund primarily used to account for state revenues restricted for the use and expenditures of transportation.

*Stormwater Fund* – used to account for revenues and expenditures related to stormwater management and drainage.

***Enterprise***

Enterprise funds are accounted for using the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds include the following major funds:

*Utility Fund* – used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents and the operations associated with sewer collection, treatment and disposal services to area residents.

*Sanitation Fund* – used to account for the operations associated with sanitation collection and disposal services for the residents of the City.

*Communication Fund* – used to account for the operating activities of the City’s cable television, internet, telephone, and security services.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales of water, sewer, and communication services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Fiduciary***

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

*Pension Trust Fund* – custodial in nature and does not present results of City operations. Pension Trust Funds have the economic resources measurement focus and are accounted for using the accrual basis of accounting. The Pension Trust Fund accounts for the assets of the City's Police Officers' and Firefighters' Retirement Trust Fund.

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

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term highly liquid investments purchased within three months of maturity.

The City maintains its deposits with banks that are *Qualified Public Depositories* under Florida law. All deposits are insured by federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes (the Florida Public Depository Security Act).

***Investments***

The City does not have a written investment policy but has adopted the provisions of Section 218.415, Florida Statutes, which permits the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest bearing time deposits or savings accounts in *Qualified Public Depositories*, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.

The City believes that by adhering to the deposits and investments policy described on the previous page, credit risk and custodial credit risk will be negligible. The City does not have a policy related to interest rate risk.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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The police and firefighters' pension trust fund allows for investments in corporate stocks and bonds subject to certain limitations. The police and firefighters' pension plan investments consist primarily of mutual funds, which are reported at fair value. The City invests all of its surplus funds for the primary government and the Pension Trust Fund with the Florida Municipal Investment Trust (FMIvT). The FMIvT is administered by the Florida League of Cities and was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The FMIvT is a local government investment pool (LGIP) and is therefore considered an external investment pool for GASB reporting purposes. The City's investment is in the FMIvT portfolio, not the individual securities held within the portfolio. A copy of the FMIvT financial statements can be obtained online from the Florida League of Cities website ([www.floridaleagueofcities.com](http://www.floridaleagueofcities.com)).

***Receivables and Payables***

***Internal Balances***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "internal balances."

Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

***Governmental Fund Receivables***

All receivables in governmental funds are shown net of an allowance for uncollectible amounts. On September 30, 2025, gross accounts receivable totaled \$33,182, with an allowance of doubtful accounts of \$4,744.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

***Enterprise Fund Receivables***

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. On September 30, 2025, gross accounts receivable totaled \$405,432, with an allowance for doubtful accounts of \$29,185.

***Inventories and Prepaid Items***

Inventories in proprietary funds consist of expendable supplies held for consumption. They are reported at the lower of cost or net realizable value. When cost is not determinable, the City's uses approximate cost based upon current invoice prices. Maintenance and operation supplies are expensed when purchased rather than when consumed.

Payments to vendors that benefit future reporting periods are recorded as prepaid items. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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***Restricted Assets***

Certain resources in the following funds are restricted for specific purposes:

*General Fund* – A police forfeiture fund was established to receive monies and proceeds from sale of confiscated property. Expenditures are made from this fund in accordance with state statutes. A library fund was established to receive donations from private sources to be used for the operating activities of the library. The City collects impact fees for fire protection and development. These funds are restricted for acquisition, expansion, or capital improvement projects for fire protection necessitated by new development in accordance with the City's Code of Ordinances. Discretionary sales tax revenues are restricted for the specific purposes approved by taxpayers in the November 2018 referendum.

*Enterprise Funds* – Water and sewer meter deposits received from customers of the water and sewer system are placed in a meter deposit account in the Utility Fund. The money is restricted to use as payment for the final customer bill or returned to the customer upon settlement of final bill.

Certain resources set aside for capital improvements are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "project" account is used to segregate bond proceeds for capital improvements in the Utility Fund.

***Leases***

The City is a lessor under various lease agreements and reports the leases in accordance with GASB Statement No. 87, *Leases*. For contracts meeting the definition of a lease, the City recognizes a lease receivable equal to the present value of expected lease payments over the lease term and a deferred inflow of resources equal to the lease receivable plus any cash or other consideration received upfront that pertains to a future period.

***Capital Assets***

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as buildings and improvements with an initial cost of more than \$10,000 or machinery and equipment with an initial cost of more than \$2,500 and a useful life in excess of one year. Such assets meeting these criteria are capitalized at historical cost, if purchased, while others are charged to expense. Donated assets are stated at estimated acquisition value on the date donated.

The City's infrastructure asset records include only those infrastructure assets categorized during the past ten years. An estimation of infrastructure costs before this period has not been made. The City elected not to retroactively report major infrastructure assets before this time under GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

Capital assets are depreciated using the straight-line method generally over the following estimated useful lives:

| Assets                            | Useful Life |
|-----------------------------------|-------------|
| Buildings                         | 40-50 years |
| Improvements other than buildings | 15-25 years |
| Infrastructure                    | 20-50 years |
| Vehicles                          | 5-10 years  |
| Office equipment                  | 5-10 years  |
| Machinery and equipment           | 5-15 years  |
| CATV system                       | 5-15 years  |
| Water and sewer systems           | 20-50 years |

***Deferred Inflows/Outflows of Resources***

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources of pension-related items, as well as a deferred loss on advance refunding of debt recorded in the Utility Fund.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of 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 reports deferred inflows of resources of pension-related items, as well as unavailable amounts due on lease contracts. See Note 7 for additional information on the City's deferred outflows and inflows of resources.

***Compensated Absences***

The City records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is more likely than not to be used, paid, or otherwise settled with the City. The compensated absences liability is measured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The City uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

***Long-Term Obligations***

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the fund and in the government-wide statement of net position. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the plans.

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For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. See Notes 9 and 10 for defined timeframes on the Florida Retirement System/Health Insurance Subsidy and Public Safety Pension Plan, respectively.

***Classification of Fund Balances***

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

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (an Ordinance) of the government's highest level of decision-making authority (City Commission). Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- *Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Intent is expressed by (a) the City Commission, or (b) a body (for example: a budget or finance committee) or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes. The City Commission is the body with authority to assign amounts. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- *Unassigned* – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

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

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**Net Position**

Net position in the government-wide and proprietary funds financial statements are classified as net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The City considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

**Capital Contributions**

Capital contributions in the proprietary funds financial statements arise from grants or outside contributions of resources, such as impact fees, restricted to capital acquisition and construction.

**Estimates**

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

**Reclassifications**

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

**Change in Accounting Principle**

Effective October 1, 2024, the City adopted the provisions of GASB Statement No. 101, *Compensated Absences* (GASBS 101). This pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

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As part of the implementation process, the City has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, such as the City's employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASBS 101 was retroactively implemented and had no effect on fund balance or net position previously presented.

**Subsequent Events**

Subsequent events were evaluated from September 30, 2025, through June 30, 2026, which is the date the financial statements were available to be issued.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects

**3. CASH AND INVESTMENTS**

**Deposits**

*Custodial Credit Risk* – It is the City's policy to maintain its deposits only with *Qualified Public Depositories* as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a *Qualified Public Depository*, excess losses over insurance and collateral will be recovered through assessments to all participants of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured or collateralized.

At year end, the value of the City's deposits was \$11,030,439, all of which was held by *Qualified Public Depositories* under Chapter 280, Florida Statutes.

**Fair Value of Investments**

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

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- Level 3 – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The following table presents the investments carried at fair value on September 30, 2025:

| <b>Investment Type</b>                   | <b>Fair Value</b>   | <b>Level 1</b> | <b>Level 2</b>      | <b>Level 3</b>      |
|------------------------------------------|---------------------|----------------|---------------------|---------------------|
| Florida Municipal Investment Trust       |                     |                |                     |                     |
| High quality bond funds                  | \$ 931,293          | \$ -           | \$ 931,293          | \$ -                |
| High yield bond funds                    | 80,585              | -              | -                   | 80,585              |
| Core plus fixed income funds             | 756,322             | -              | -                   | 756,322             |
| Large cap equity funds                   | 1,772,787           | -              | 1,772,787           | -                   |
| Small to mid cap equity funds            | 1,114,042           | -              | 1,114,042           | -                   |
| International equity funds               | 419,043             | -              | 419,043             | -                   |
| Real estate funds                        | 669,447             | -              | -                   | 669,447             |
| Total investments measured at fair value | <u>\$ 5,743,519</u> | <u>\$ -</u>    | <u>\$ 4,237,165</u> | <u>\$ 1,506,354</u> |

### **Investments**

As of September 30, 2025, the City's investments consist of those held in the General Fund as well as the pension trust funds. The types of investments that can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements, as described in Note 1 to the financial statements.

### *Credit Risk*

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The City is required to disclose the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. State law limits investments in money market funds and mutual bond funds to funds with the highest credit quality rating from nationally recognized statistical rating organizations (i.e., Fitch, S&P).

As of September 30, 2025, the City's investments were rated as follows:

| <b>Credit Risk for Investment Pool</b>         |                     |
|------------------------------------------------|---------------------|
| <b>Fixed Income Funds</b>                      | <b>Fitch Rating</b> |
| FMIvT Broad Market HQ Bond Fund                | AAf / S4            |
| FMIvT Intermediate HQ Bond Fund                | AAAf / S3           |
| FMIvT Expanded High Yield Bond Fund            | Not Rated           |
| FMIvT Core Plus Fixed Income Fund              | Not Rated           |
| <b>Equity Portfolios</b>                       | <b>Fitch Rating</b> |
| FMIvT Large Cap Diversified Equity Fund        | Not Rated           |
| FMIvT Diversified Small-to-Mid-Cap Equity Fund | Not Rated           |
| FMIvT International Blended Equity Fund        | Not Rated           |
| FMIvT Core Real Estate Fund                    | Not Rated           |

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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***Custodial Credit Risk***

Custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investment in money market funds, open-end mutual funds, and external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The City is required to disclose if investments are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the City's name. The City's investment in FMLvT is with the investment pool, not the securities that make up the pool; therefore, no disclosure is required. The City may make redemptions of its investments in the FMLvT twice a month with five business days of notice.

***Concentration of Credit Risk***

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

***Interest Rate Risk***

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

GASB requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation mode. The City's investment policy is limited to complying with statutory regulations. The state statutes have not addressed interest rate risk and therefore, the City has not adopted an investment policy on that point. It is the City's intention for its investments to provide sufficient liquidity to pay obligations as they become due. The City's WAM and duration for its investment in the FMLvT were as follows:

| <b>Fixed Income Funds</b>           | <b>Interest Rate Risk Information</b> |            |
|-------------------------------------|---------------------------------------|------------|
|                                     | <b>Duration (Effective)</b>           | <b>WAM</b> |
| FMLvT Intermediate HQ Bond Fund     | 4.10 years                            | 4.80 years |
| FMLvT Broad Market HQ Bond Fund     | 5.56 years                            | 7.10 years |
| FMLvT Expanded High Yield Bond Fund | 3.09 years                            | 5.38 years |
| FMLvT Core Plus Fixed Income Fund   | 5.52 years                            | 5.76 years |

**CITY OF VALPARAISO, FLORIDA  
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**4. RECEIVABLES**

Receivables on September 30, 2025, were as follows:

|                                      | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                  |                   | <b>Total</b>      |
|--------------------------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
|                                      | <b>General</b>                 | <b>Stormwater</b> | <b>Utility</b>                  | <b>Comms</b>     | <b>Sanitation</b> |                   |
| Accounts                             | \$ 28,096                      | \$ 5,086          | \$ 206,586                      | \$ 96,331        | \$ 102,515        | \$ 438,614        |
| Less allowance for doubtful accounts | (4,556)                        | (188)             | (5,335)                         | (20,161)         | (3,689)           | (33,929)          |
| Leases                               | 66,565                         | -                 | 128,874                         | -                | -                 | 195,439           |
|                                      | <u>\$ 90,105</u>               | <u>\$ 4,898</u>   | <u>\$ 330,125</u>               | <u>\$ 76,170</u> | <u>\$ 98,826</u>  | <u>\$ 600,124</u> |

**Leases Receivable**

The City leases real property to various unrelated parties for use as telecommunications towers. The City is a lessor under two real property leases.

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The remaining lease terms range from one to seven years, and the discount rate used to calculate the present value of the lease payments was 4.25%, which is the City's estimated incremental borrowing rate for real property. The total amount of inflows of resources recognized and reflected in the financial statements are shown on the next page:

|                                     | <b>General</b>   | <b>Utilities</b> | <b>Total</b>     |
|-------------------------------------|------------------|------------------|------------------|
| Principal                           | \$ 23,083        | \$ 26,533        | \$ 49,616        |
| Interest                            | 3,270            | 5,977            | 9,247            |
| Total inflows of resources – leases | <u>\$ 26,353</u> | <u>\$ 32,510</u> | <u>\$ 58,863</u> |

**Due from Other Governments**

As of September 30, 2025, the City's receivables due from other governments for the governmental activities were \$175,931. Amounts due from other governments for governmental activities consisted primarily of reimbursements from the State of Florida for qualifying grant expenditures incurred during the fiscal year as well as taxes and shared revenues due from the State.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**5. CAPITAL ASSETS**

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

|                                             | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>Decreases/<br/>Transfers</b> | <b>Ending<br/>Balance</b> |
|---------------------------------------------|------------------------------|---------------------|---------------------------------|---------------------------|
| <b>Governmental activities</b>              |                              |                     |                                 |                           |
| Capital assets not being depreciated        |                              |                     |                                 |                           |
| Land                                        | \$ 748,409                   | \$ -                | \$ (13,200)                     | \$ 735,209                |
| Capital assets being depreciated            |                              |                     |                                 |                           |
| Buildings and improvements                  | 4,640,597                    | 316,580             | -                               | 4,957,177                 |
| Infrastructure                              | 6,070,859                    | 79,764              | -                               | 6,150,623                 |
| Machinery, equipment and vehicles           | 3,388,797                    | 87,218              | -                               | 3,476,015                 |
| Total capital assets being depreciated      | 14,100,253                   | 483,562             | -                               | 14,583,815                |
| Less accumulated depreciation               |                              |                     |                                 |                           |
| Buildings and improvements                  | (1,958,524)                  | (152,110)           | -                               | (2,110,634)               |
| Infrastructure                              | (3,100,854)                  | (273,391)           | -                               | (3,374,245)               |
| Machinery, equipment and vehicles           | (2,066,705)                  | (276,661)           | -                               | (2,343,366)               |
| Total accumulated depreciation              | (7,126,083)                  | (702,162)           | -                               | (7,828,245)               |
| Total capital assets being depreciated, net | 6,974,170                    | (218,600)           | -                               | 6,755,570                 |
| <b>Governmental activities, net</b>         | <b>\$ 7,722,579</b>          | <b>\$ (218,600)</b> | <b>\$ (13,200)</b>              | <b>\$ 7,490,779</b>       |
| <b>Business-type activities</b>             |                              |                     |                                 |                           |
| Capital assets not being depreciated        |                              |                     |                                 |                           |
| Land                                        | \$ 90,603                    | \$ -                | \$ -                            | \$ 90,603                 |
| Capital assets being depreciated            |                              |                     |                                 |                           |
| Buildings and improvements                  | 10,633,249                   | 92,828              | -                               | 10,726,077                |
| Machinery, equipment and vehicles           | 5,031,764                    | 92,950              | (2,132)                         | 5,122,582                 |
| Total capital assets being depreciated      | 15,665,013                   | 185,778             | (2,132)                         | 15,848,659                |
| Less accumulated depreciation               |                              |                     |                                 |                           |
| Buildings and improvements                  | (6,211,315)                  | (308,864)           | -                               | (6,520,179)               |
| Machinery, equipment and vehicles           | (4,005,153)                  | (212,051)           | 2,132                           | (4,215,072)               |
| Total accumulated depreciation              | (10,216,468)                 | (520,915)           | 2,132                           | (10,735,251)              |
| Total capital assets being depreciated, net | 5,448,545                    | (335,137)           | -                               | 5,113,408                 |
| <b>Business-type activities, net</b>        | <b>\$ 5,539,148</b>          | <b>\$ (335,137)</b> | <b>\$ -</b>                     | <b>\$ 5,204,011</b>       |

**CITY OF VALPARAISO, FLORIDA  
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Depreciation expense was charged to functions of the primary government as follows:

**Governmental activities**

|                                                      |                   |
|------------------------------------------------------|-------------------|
| General government                                   | \$ 100,436        |
| Public safety                                        | 227,850           |
| Physical environment                                 | 43,249            |
| Transportation                                       | 184,828           |
| Culture and recreation                               | 145,799           |
|                                                      | <u>145,799</u>    |
| Total depreciation expense – governmental activities | <u>\$ 702,162</u> |

**Business-type activities**

|                                                       |                   |
|-------------------------------------------------------|-------------------|
| Utility                                               | \$ 392,551        |
| Communication                                         | 71,587            |
| Sanitation                                            | 56,777            |
|                                                       | <u>56,777</u>     |
| Total depreciation expense – business-type activities | <u>\$ 520,915</u> |

## **6. JOINT VENTURE**

A regional sanitary sewer system designed to provide service to residents of Valparaiso, Niceville, and Okaloosa County was completed and placed in service during 1982. During 2012, Okaloosa County transferred its ownership to the City of Niceville, as described in the subsequent paragraph. The project was funded 75% by U.S. Environmental Protection Agency (EPA) grants and 25% by the local government applicants. The in-service cost of the property, plant and equipment paid for through the initial combined funding of the participants and the EPA was recorded pro-rata on the accounting records of the individual participants.

The City's initial portion of property, plant and equipment were accounted for in its Utility Fund; however, all subsequent additions related to the regional sanitary sewer system obtained by the City are recorded to the investment in joint venture.

In 2012, the City of Niceville, Florida (Niceville) and Okaloosa County, Florida (the County) executed an amendment to the operational agreement which resulted in the transfer of the County's share of wastewater treatment capacity at the plant to Niceville. As a result of the transfer of capacity, the County is no longer a member of the Board and Niceville and Valparaiso are now 80% and 20% owners, respectively. In 2012, the Board of Directors approved the change of the Board's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board to Niceville-Valparaiso Regional Sewer Board, Inc. In 2012, Niceville and the City entered into a memorandum of understanding. As part of this understanding, Niceville agreed that the cost for treatment of non-flow proportional related expenses of the City would remain the same as if the County's wastewater was still being treated at the Board's facility. Niceville assumes responsibility for these additional costs until such time as Niceville's annual flow is equal to the sum of its flow and the County's flow for the immediately preceding 12 months (subsequent to the County diverting its flow from the Board's facility).

The net operating results of the system are accounted for as a joint venture under the equity method. The City's investment in the joint venture decreased \$13,587 for the year ended September 30, 2025. The City's portion of the equity in the joint venture was \$1,907,719 on September 30, 2025.

**CITY OF VALPARAISO, FLORIDA**  
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The system is managed and operated by a separate governing body (Niceville-Valparaiso Regional Sewer Board, Inc.) consisting of four members: two appointed by each of the two participants. The Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc. is accounted for, in total, on the books and financial statements of the Board.

The following is a condensed summary of the assets, liabilities and equity, and operating results of the Board's fiscal year ended June 30, 2025. The Regional Sewer Board's audited financial statements can be obtained from the City Clerk's office.

**Summary of Assets, Liabilities and Net Position**

**June 30, 2025**

|                                                 |                            |
|-------------------------------------------------|----------------------------|
| <b>Assets</b>                                   |                            |
| Current assets                                  | \$ 3,098,485               |
| Capital assets, net of accumulated depreciation | <u>6,778,493</u>           |
| Total assets                                    | <u><u>\$ 9,876,978</u></u> |
| <b>Liabilities and net position</b>             |                            |
| Liabilities                                     | \$ 338,384                 |
| Net position                                    | <u>9,538,594</u>           |
| Total liabilities and net position              | <u><u>\$ 9,876,978</u></u> |

**Summary of Operating Results**

**For the Year Ended June 30, 2025**

|                                       |                           |
|---------------------------------------|---------------------------|
| Sewer operating revenues              | \$ 2,390,844              |
| Operating expenses                    | <u>2,460,965</u>          |
| Operating loss                        | (70,121)                  |
| Nonoperating revenues (expenses), net | <u>2,185</u>              |
| Change in net position                | <u><u>\$ (67,936)</u></u> |

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

As of September 30, 2025, the City's deferred outflows of resources and deferred inflows of resources were comprised of the following:

**Governmental Activities**

|                                                                                             | <u>General<br/>Fund</u> | <u>Governmental<br/>Activities</u> |
|---------------------------------------------------------------------------------------------|-------------------------|------------------------------------|
| <i>Deferred outflows of resources</i>                                                       |                         |                                    |
| City pension plan contributions subsequent to the measurement date                          | \$ -                    | \$ 1,779                           |
| Changes in actuarial assumptions related to net pension liabilities<br>(and asset)          | -                       | 21,676                             |
| Differences between expected and actual experience on pension plan<br>actuarial assumptions | -                       | 144,256                            |
| Changes in proportionate share of net pension liability                                     | -                       | 4,681                              |
| Total deferred outflows of resources                                                        | <u>\$ -</u>             | <u>\$ 172,392</u>                  |
| <i>Deferred inflows of resources</i>                                                        |                         |                                    |
| Changes in actuarial assumptions related to net pension liabilities<br>(and asset)          | \$ -                    | \$ 4,168                           |
| Differences between expected and actual experience on pension plan<br>actuarial assumptions | -                       | 119,383                            |
| Differences between expected and actual returns on pension plan<br>investments              | -                       | 208,548                            |
| Changes in proportionate share of net pension liability                                     | -                       | 16,089                             |
| Leases                                                                                      | 66,565                  | 66,565                             |
| Total deferred inflows of resources                                                         | <u>\$ 66,565</u>        | <u>\$ 414,753</u>                  |

**Business-Type Activities**

|                                                                                             | <u>Utility<br/>Fund</u> | <u>Comms<br/>Fund</u> | <u>Sanitation<br/>Fund</u> | <u>Totals</u>    |
|---------------------------------------------------------------------------------------------|-------------------------|-----------------------|----------------------------|------------------|
| <i>Deferred outflows of resources</i>                                                       |                         |                       |                            |                  |
| City pension plan contributions subsequent to the<br>measurement date                       | \$ 433                  | \$ 408                | \$ 657                     | \$ 1,498         |
| Changes in actuarial assumptions related to net<br>pension liabilities (and asset)          | 936                     | 882                   | 1,419                      | 3,237            |
| Differences between expected and actual experience<br>on pension plan actuarial assumptions | 856                     | 807                   | 1,298                      | 2,961            |
| Changes in proportionate share of net pension liability                                     | 1,140                   | 1,073                 | 1,729                      | 3,942            |
| Deferred loss on advance refunding of long-term debt                                        | 32,515                  | -                     | -                          | 32,515           |
| Total deferred outflows of resources                                                        | <u>\$ 35,880</u>        | <u>\$ 3,170</u>       | <u>\$ 5,103</u>            | <u>\$ 44,153</u> |

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**Business-Type Activities**

|                                                                                          | <b>Utility<br/>Fund</b> | <b>Comms<br/>Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Totals</b>     |
|------------------------------------------------------------------------------------------|-------------------------|-----------------------|----------------------------|-------------------|
| <i>Deferred inflows of resources</i>                                                     |                         |                       |                            |                   |
| Changes in actuarial assumptions related to net pension liabilities (and asset)          | \$ 552                  | \$ 520                | \$ 837                     | \$ 1,909          |
| Differences between expected and actual experience on pension plan actuarial assumptions | 4                       | 3                     | 5                          | 12                |
| Differences between expected and actual returns on pension plan investments              | 1,319                   | 1,242                 | 1,999                      | 4,560             |
| Changes in proportionate share of net pension liability                                  | 3,917                   | 3,691                 | 5,940                      | 13,548            |
| Leases                                                                                   | 128,874                 | -                     | -                          | 128,874           |
| Total deferred inflows of resources                                                      | <u>\$ 134,666</u>       | <u>\$ 5,456</u>       | <u>\$ 8,781</u>            | <u>\$ 148,903</u> |

**8. LONG-TERM DEBT**

**Changes in Long-Term Debt Liabilities**

Long-term debt activity for the year ended September 30, 2025, is summarized as follows:

|                                       | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental activities</b>        |                              |                  |                     |                           |                                |
| <i>Direct borrowings</i>              |                              |                  |                     |                           |                                |
| FMLC Revenue Bonds, Series 2016       | \$ 155,262                   | \$ -             | \$ (50,085)         | \$ 105,177                | \$ 51,337                      |
| FMLC Revenue Bonds, Series 2017B      | 392,977                      | -                | (21,739)            | 371,238                   | 21,739                         |
| Bond premium                          | 18,580                       | -                | (1,327)             | 17,253                    | -                              |
| Note payable – office building        | 2,198,931                    | -                | (52,910)            | 2,146,021                 | 54,565                         |
| Compensated absences <sup>(1)</sup>   | 207,349                      | 30,433           | -                   | 237,782                   | 102,202                        |
| <b>Total governmental activities</b>  | <u>\$ 2,973,099</u>          | <u>\$ 30,433</u> | <u>\$ (126,061)</u> | <u>\$ 2,877,471</u>       | <u>\$ 229,843</u>              |
| <b>Business-type activities</b>       |                              |                  |                     |                           |                                |
| <i>Direct borrowings</i>              |                              |                  |                     |                           |                                |
| FMLC Revenue Bonds, Series 2016       | \$ 464,736                   | \$ -             | \$ (149,915)        | \$ 314,821                | \$ 153,663                     |
| FMLC Revenue Bonds, Series 2017B      | 782,023                      | -                | (43,261)            | 738,762                   | 43,261                         |
| Bond premium                          | 36,971                       | -                | (2,641)             | 34,331                    | -                              |
| Financing contract – boom loader      | 38,531                       | -                | (38,531)            | -                         | -                              |
| <i>Other debt</i>                     |                              |                  |                     |                           |                                |
| Refunding Revenue Note, Series 2020   | 973,099                      | -                | (44,503)            | 928,596                   | 48,878                         |
| Compensated absences <sup>(1)</sup>   | 64,372                       | 20,835           | -                   | 85,207                    | 44,045                         |
| <b>Total business-type activities</b> | <u>\$ 2,359,732</u>          | <u>\$ 20,835</u> | <u>\$ (278,851)</u> | <u>\$ 2,101,717</u>       | <u>\$ 289,847</u>              |

<sup>(1)</sup> Additions and reductions are reported on a net basis for compensated absences.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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**Description of Long-Term Debt Outstanding**

*Governmental Activities – Direct Borrowings*

\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through October 2026; interest at 2.00% to 4.00%. Issue is prorated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non-ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a Valparaiso Cable Authority distribution plant and updating technology fiber to the plant.

\$1,495,000 Florida Municipal Loan Council Revenue Bonds, Series 2017B, due in annual installments of \$50,000 to \$105,000 through October 2037; interest at 3.00% to 5.00%. Issue is prorated between General Fund, Streets Fund, and Utility Fund. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the bonds. Proceeds from this bond were used for repaving projects and park improvements in the governmental funds.

For both direct borrowing issuances discussed above, the lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (nonpayment). These issuances do not contain any subjective acceleration clauses.

\$2,314,373 seller-financed note payable, due in monthly installments of \$10,000 through September 2051 with one final payment of \$4,746 due in October 2051, bearing interest at 2.90%, collateralized by a commercial office building. This building was reported as a financing contract in the prior year financial statements until formal transfer of ownership occurred in June 2023 in the form of a seller-financed promissory note. The note is secured by the City's non-ad valorem revenues. In the event of default (nonpayment), the lender may file suit against the City to enforce its legal rights. The contract does not contain any subjective acceleration clauses.

*Business-Type Activities – Direct Borrowings*

\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through October 2026; interest at 2.00% to 4.00%. Issue is prorated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non-ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a Valparaiso Cable Authority distribution plant and updating technology fiber to the plant.

\$1,495,000 Florida Municipal Loan Council Revenue Bonds, Series 2017B, due in annual installments of \$50,000 to \$105,000 through October 2037; interest at 3.00% to 5.00%. Issue is prorated between General Fund, Streets Fund, and Utility Fund. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the bonds. Proceeds from this bond were used to upgrade water meters and to relocate existing utilities along Tom's Bayou Bridge.

For the direct borrowing issuances discussed above, the lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (nonpayment). These issuances do not contain any subjective acceleration clauses.

\$150,500 financing contract payable, due in annual installments of \$39,152 through November 2024, bearing interest at 1.61%, collateralized by a grapple boom loader. The financing contract was paid off in full during the fiscal year ended September 30, 2025.

**CITY OF VALPARAISO, FLORIDA**  
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***Business-Type Activities – Other Debt***

\$1,097,103 Refunding Revenue Note, Series 2020, due in annual installments of \$34,347 to \$69,453 through October 2040; interest at 2.73%. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the note. Proceeds from this note were used to fully refund the Series 2010C Revenue Bonds. The original proceeds were used for the construction and renovation of the Niceville-Valparaiso Regional Sewer Board, Inc. (portion of costs allocated to the City as a member) and other capital improvements to the City's sewer system. The lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (nonpayment). This note does not contain any subjective acceleration clauses.

The City is required to comply with certain debt covenants under bond agreements. As of September 30, 2025, the City is not aware of any material noncompliance.

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2025, was as follows:

**Governmental Activities**

| <b>Year Ending September 30</b> | <b>Notes Payable</b> |                   |                     | <b>Revenue Bonds</b> |                  |                   |
|---------------------------------|----------------------|-------------------|---------------------|----------------------|------------------|-------------------|
|                                 | <b>Principal</b>     | <b>Interest</b>   | <b>Total</b>        | <b>Principal</b>     | <b>Interest</b>  | <b>Total</b>      |
| 2026                            | \$ 54,565            | \$ 65,435         | \$ 120,000          | \$ 73,076            | \$ 15,020        | \$ 88,096         |
| 2027                            | 56,272               | 63,728            | 120,000             | 77,251               | 12,709           | 89,960            |
| 2028                            | 58,033               | 61,967            | 120,000             | 25,084               | 10,890           | 35,974            |
| 2029                            | 59,849               | 60,151            | 120,000             | 25,084               | 9,636            | 34,720            |
| 2030                            | 61,722               | 58,278            | 120,000             | 26,756               | 8,607            | 35,363            |
| 2031-2035                       | 338,812              | 261,188           | 600,000             | 148,829              | 29,761           | 178,590           |
| 2036-2040                       | 395,240              | 204,760           | 600,000             | 100,335              | 5,366            | 105,701           |
| 2041-2045                       | 461,066              | 138,934           | 600,000             | -                    | -                | -                 |
| 2046-2050                       | 537,852              | 62,148            | 600,000             | -                    | -                | -                 |
| 2051-2052                       | 122,610              | 2,137             | 124,747             | -                    | -                | -                 |
| <b>Total</b>                    | <b>\$ 2,146,021</b>  | <b>\$ 978,726</b> | <b>\$ 3,124,747</b> | <b>\$ 476,415</b>    | <b>\$ 91,989</b> | <b>\$ 568,404</b> |

**Business-Type Activities**

| <b>Year Ending September 30</b> | <b>Revenue Bonds and Notes</b> |                   |                     |
|---------------------------------|--------------------------------|-------------------|---------------------|
|                                 | <b>Principal</b>               | <b>Interest</b>   | <b>Total</b>        |
| 2026                            | \$ 245,801                     | \$ 56,369         | \$ 302,170          |
| 2027                            | 255,891                        | 49,257            | 305,148             |
| 2028                            | 97,303                         | 43,727            | 141,030             |
| 2029                            | 101,527                        | 39,880            | 141,407             |
| 2030                            | 103,963                        | 36,437            | 140,400             |
| 2031-2035                       | 579,284                        | 133,351           | 712,635             |
| 2036-2040                       | 528,957                        | 43,013            | 571,970             |
| 2041-2045                       | 69,453                         | 948               | 70,401              |
| <b>Total</b>                    | <b>\$ 1,982,179</b>            | <b>\$ 402,982</b> | <b>\$ 2,385,161</b> |

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

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## **9. FLORIDA RETIREMENT SYSTEM**

Certain City employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (pension plan) and the Retiree Health Insurance Subsidy (HIS Plan). Effective January 1, 1996, the pension plan was closed to new entrants.

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

The State of Florida issues a publicly available annual comprehensive financial report (ACFR) for the year ended June 30, 2025. The ACFR and the actuarial valuation reports referenced herein are available online at: [FRS.MyFlorida.com](https://www.frs.myflorida.com); or by contacting the Florida Division of Retirement, Department of Management Services, Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000.

### **Pension Plan**

#### *Plan Description*

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

#### *Benefits Provided*

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit.

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

Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

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

**CITY OF VALPARAISO, FLORIDA  
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As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the pension plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

*Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for each of the prior three years are as follows:

|                         | <b>2025</b> | <b>2024</b> | <b>2023</b> |
|-------------------------|-------------|-------------|-------------|
| Regular Class           | 14.03%      | 13.63%      | 13.57%      |
| Senior Management Class | 33.24%      | 34.52%      | 34.52%      |
| DROP                    | 22.02%      | 21.13%      | 21.13%      |

These employer contribution rates include 2.00% for HIS Plan subsidies after July 1, 2023. The City's contributions, including employee contributions, to the pension plan totaled \$11,683, \$10,518, and \$6,936 for the fiscal years ended September 30, 2025, 2024 and 2023, respectively.

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

On September 30, 2025, the City reported a liability of \$59,662 for its proportionate share of the pension plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the FRS relative to the contributions of all participating members. On June 30, 2025, the City's proportionate share was 0.000192241%.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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For the fiscal year ended September 30, 2025, the City recognized pension-related income of \$2,920. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                        | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net difference between expected and actual experience                                                                  | \$ 6,373                                      | \$ -                                         |
| Changes of assumptions                                                                                                 | 6,928                                         | -                                            |
| Net difference between projected and actual earnings on pension plan investments                                       | -                                             | 9,961                                        |
| Changes in proportion and differences between City pension plan contributions and proportionate share of contributions | 8,331                                         | 15,104                                       |
| City pension plan contributions subsequent to the measurement date                                                     | 2,979                                         | -                                            |
|                                                                                                                        | <u>\$ 24,611</u>                              | <u>\$ 25,065</u>                             |

A component of deferred outflows of resources related to the pension plan of \$2,979, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other components reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

| <b>Fiscal Year Ending September 30:</b> | <b>Amount</b>     |
|-----------------------------------------|-------------------|
| 2026                                    | \$ 2,099          |
| 2027                                    | (4,264)           |
| 2028                                    | (655)             |
| 2029                                    | (613)             |
|                                         | <u>\$ (3,433)</u> |

**Actuarial Assumptions**

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                    |
|---------------------------|--------------------------------------------------------------------|
| Inflation                 | 2.40%                                                              |
| Salary increases          | 3.50%, average, including inflation                                |
| Investment rate of return | 6.70%, net of pension plan investment expense, including inflation |

Mortality rates were based on the PUB-2010 table, projected generationally with Scale MP-2021.

The actuarial assumptions used in the July 1, 2025, valuation were based on the results of a 2024 actuarial experience study for the period July 1, 2018, through June 30, 2023.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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The long-term expected rate of return on pension plan investments was not based on historical returns, but instead, is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>       | <b>Target Allocation<sup>(1)</sup></b> | <b>Annual Arithmetic Return</b> | <b>Compound Annual (Geometric) Return</b> | <b>Standard Deviation</b> |
|--------------------------|----------------------------------------|---------------------------------|-------------------------------------------|---------------------------|
| Cash                     | 1.00%                                  | 3.20%                           | 3.20%                                     | 1.10%                     |
| Fixed income             | 29.00%                                 | 5.50%                           | 5.40%                                     | 4.00%                     |
| Global equity            | 45.00%                                 | 8.50%                           | 6.90%                                     | 18.30%                    |
| Real estate (property)   | 12.00%                                 | 8.40%                           | 7.10%                                     | 16.80%                    |
| Private equity           | 11.00%                                 | 12.40%                          | 8.80%                                     | 28.40%                    |
| Strategic investments    | 2.00%                                  | 6.50%                           | 6.10%                                     | 8.70%                     |
| Total                    | 100.00%                                |                                 |                                           |                           |
| Assumed inflation – mean |                                        |                                 | 2.40%                                     | 1.50%                     |

<sup>(1)</sup> As outlined in the Pension Plan's investment policy

**Discount Rate**

The discount rate used to measure the total pension liability was 6.70%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

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

|                                                         | <b>1% Decrease (5.70%)</b> | <b>Current Discount Rate (6.70%)</b> | <b>1% Increase (7.70%)</b> |
|---------------------------------------------------------|----------------------------|--------------------------------------|----------------------------|
| City's proportionate share of the net pension liability | \$ 117,086                 | \$ 59,662                            | \$ 11,519                  |

**Pension Plan Fiduciary Net Position**

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

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**HIS Plan**

*Plan Description*

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

*Benefits Provided*

For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$40 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions*

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the plan was 2.00%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$1,212, \$1,135, and \$1,147 for the fiscal years ended September 30, 2025, 2024 and 2023, respectively.

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

On September 30, 2025, the City reported a liability of \$17,264 for its proportionate share of the HIS Plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the HIS plan relative to the contributions of all participating members. On June 30, 2025, the City's proportionate share was 0.000134689%.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024.

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For the fiscal year ended September 30, 2025, the City recognized pension-related income of \$4,448. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                        | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net difference between expected and actual experience                                                                  | \$ 103                                        | \$ 27                                        |
| Changes of assumptions                                                                                                 | 153                                           | 4,176                                        |
| Net difference between projected and actual earnings on pension plan investments                                       | -                                             | 14                                           |
| Changes in proportion and differences between City pension plan contributions and proportionate share of contributions | 292                                           | 14,533                                       |
| City pension plan contributions subsequent to the measurement date                                                     | 298                                           | -                                            |
|                                                                                                                        | <u>\$ 846</u>                                 | <u>\$ 18,750</u>                             |

A component of deferred outflows of resources related to the HIS Plan of \$298, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2026. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

| <b>Fiscal Year Ending September 30:</b> | <b>Amount</b>      |
|-----------------------------------------|--------------------|
| 2026                                    | \$ (5,926)         |
| 2027                                    | (5,317)            |
| 2028                                    | (3,759)            |
| 2029                                    | (2,352)            |
| 2030                                    | (848)              |
|                                         | <u>\$ (18,202)</u> |

**Actuarial Assumptions**

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                     |
|---------------------------|-------------------------------------|
| Inflation                 | 2.40%                               |
| Salary increases          | 3.50%, average, including inflation |
| Investment rate of return | 5.20%                               |

Mortality rates were based on the PUB-2010 table, projected generationally with Scale MP-2021.

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2024, valuation were based on certain results of the most recent experience study for the FRS Pension Plan.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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***Discount Rate***

The discount rate used to measure the total pension liability was 5.20%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

|                                                         | <b>1%<br/>Decrease<br/>(4.20%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(5.20%)</b> | <b>1% Increase<br/>(6.20%)</b> |
|---------------------------------------------------------|------------------------------------|--------------------------------------------------|--------------------------------|
| City's proportionate share of the net pension liability | \$ 19,468                          | \$ 17,264                                        | \$ 15,415                      |

***Pension Plan Fiduciary Net Position***

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

**10. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN**

**Plan Description**

***Plan Administration***

The Police Officers and Firefighters Retirement Plan (the Public Safety Pension Plan) is a single-employer defined benefit plan, established under Chapters 185 and 175, Florida Statutes, which covers all police officers and firefighters hired on or after January 1, 1996. The City Commission has the authority to establish and amend benefit provisions to this plan.

As of October 1, 2024, employee membership data related to the Public Safety Pension Plan was as follows:

|                                                                     |    |
|---------------------------------------------------------------------|----|
| Inactive plan members or beneficiaries currently receiving benefits | 5  |
| Inactive plan members entitled to but not yet receiving benefits    | 9  |
| Active plan members                                                 | 14 |
|                                                                     | 28 |

***Benefits Provided***

The Public Safety Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Employees who retire with 6 years of service and are age 55 or who retire with 25 years of service and are age 52 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of average final compensation (average of the highest five years of compensation out of the last 10 years of employment) multiplied by credited service.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

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Employees with ten years of service may retire at or after age 50 and receive reduced retirement benefits. The normal form of benefit is a ten-year certain and life annuity.

***Funding Policy***

The Public Safety Pension Plan is funded by employer contributions at actuarially determined rates, which are expressed as a percentage of annual covered payroll, that are sufficient to accumulate sufficient assets to pay benefits when due. The employees of the plan contribute at a rate of 2.00% of pensionable earnings. For 2025, the City contributed \$66,204 to the plan, and the State of Florida contributed \$93,516. The employees' contributions to the plan for the current year totaled \$17,845. The contributions are deposited with the Florida Municipal Pension Trust Fund where they are invested in mutual funds. Administration costs of the Public Safety Pension Plan are financed by investment earnings.

**Net Pension Liability**

The employer's reporting date is September 30, 2025. The measurement date for calculating the net pension liability was September 30, 2025. The actuarial valuation date was October 1, 2024.

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of October 1, 2024, updated to September 30, 2025, using the following actuarial assumptions:

|                           |       |
|---------------------------|-------|
| Inflation                 | 2.62% |
| Salary increases          | 4.50% |
| Discount rate             | 7.00% |
| Investment rate of return | 7.00% |

Mortality rates are obtained from the PUB-2010 Headcount-Weighted Mortality Table for public safety employees, with full generational improvements in mortality using Scale MP-2018. Based upon other studies of municipal police officers and firefighters, the City feels that this assumption sufficiently accommodates future mortality improvements.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------|--------------------------|-----------------------------------------------|
| Core bonds            | 15.00%                   | 1.60%                                         |
| Core plus             | 15.00%                   | 2.10%                                         |
| U.S. large cap equity | 25.00%                   | 4.60%                                         |
| U.S. small cap equity | 14.00%                   | 5.50%                                         |
| Non-U.S. equity       | 21.00%                   | 6.70%                                         |
| Core real estate      | 10.00%                   | 5.00%                                         |
| Total                 | 100.00%                  | 4.38%                                         |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Public Safety Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability (Asset)**

|                                                               | <b>Increase (Decrease)</b>     |                                    |                                      |
|---------------------------------------------------------------|--------------------------------|------------------------------------|--------------------------------------|
|                                                               | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Net Pension Liability (Asset)</b> |
|                                                               | <b>(a)</b>                     | <b>(b)</b>                         | <b>(a) – (b)</b>                     |
| Balances at September 30, 2024                                | \$ 3,465,845                   | \$ 4,670,888                       | \$ (1,205,043)                       |
| Changes:                                                      |                                |                                    |                                      |
| Service cost                                                  | 262,592                        | -                                  | 262,592                              |
| Interest                                                      | 256,540                        | 328,915                            | (72,375)                             |
| Investment income                                             | -                              | 63,069                             | (63,069)                             |
| Demographic experience                                        | (7,747)                        | -                                  | (7,747)                              |
| Contributions – employer                                      | -                              | 159,720                            | (159,720)                            |
| Contributions – employee                                      | -                              | 17,845                             | (17,845)                             |
| Benefit payments, including refunds of employee contributions | (97,570)                       | (97,570)                           | -                                    |
| Administrative expenses                                       | -                              | (23,235)                           | 23,235                               |
| Net changes during year                                       | 413,815                        | 448,744                            | (34,929)                             |
| Balances at September 30, 2025                                | \$ 3,879,660                   | \$ 5,119,632                       | \$ (1,239,972)                       |

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

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

The following represents the City's net pension liability calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower and one percentage point higher than the current rate:

|                          | <b>1% Decrease</b> | <b>Current Discount</b> | <b>1% Increase</b> |
|--------------------------|--------------------|-------------------------|--------------------|
|                          | <b>6.00%</b>       | <b>Rate</b>             | <b>8.00%</b>       |
|                          | <b>7.00%</b>       |                         |                    |
| City's net pension asset | \$ 662,503         | \$ 1,239,972            | \$ 1,712,273       |

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

For the year ended September 30, 2025, the City recognized pension expense of \$130,910 related to the Public Safety Pension Plan. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension on the Public Safety Pension Plan from the following sources:

|                                                                               | <b>Deferred</b>    | <b>Deferred</b>   |
|-------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                               | <b>Outflows of</b> | <b>Inflows of</b> |
|                                                                               | <b>Resources</b>   | <b>Resources</b>  |
| Differences between projected and actual earnings on pension plan investments | \$ -               | \$ 203,133        |
| Differences between actual and expected experience                            | 140,741            | 119,368           |
| Changes of assumptions                                                        | 17,832             | 1,901             |
| Total                                                                         | <u>\$ 158,573</u>  | <u>\$ 324,402</u> |

Components reported as deferred outflows of resources and deferred inflows of resources related to the Public Safety Pension Plan will be recognized in pension expense as follows:

Year ended September 30:

|            |                   |
|------------|-------------------|
| 2026       | \$ (24,202)       |
| 2027       | 123,528           |
| 2028       | 108,916           |
| 2029       | (8,988)           |
| 2030       | (20,757)          |
| Thereafter | (12,668)          |
|            | <u>\$ 165,829</u> |

**Pension Plan Fiduciary Net Position**

The plan issues a stand-alone financial report each year, which contains information about the plan's fiduciary net position. The plan's fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting. This reported is available to the public at the plan's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

## **11. SUPPLEMENTAL RETIREMENT PLANS**

### **Defined Contribution Retirement Plan**

In 2004, the City adopted the Florida Municipal Pension Trust Fund's Section 401(a) defined contribution retirement plan (the "Plan"). The Plan is administered by the Florida Municipal Pension Trust Fund. The Plan's eligibility provisions are the same as the defined benefit pension plan, except that the minimum age requirement was removed. The Plan provides retirement benefits to substantially all City employees. All benefits vest after ten years of credited service. To be eligible for the Plan, employees must have completed ninety (90) days of service. Contributions to the Plan are discretionary but are currently funded by the City at 9.00% of each eligible employee's compensation. For the year ended September 30, 2025, the City's contributions to the Plan totaled \$167,226. The City Commission has the authority to establish and amend the provisions of the Plan.

### **Deferred Compensation Plan**

In 1996, the City adopted the Florida Municipal Pension Trust Fund's Deferred Compensation Plan (the "Plan") under Internal Revenue Code Section 457(b). The Plan allows substantially all City employees to make pretax contributions, in accordance with the Plan. The City does not make contributions to the Plan. The City's fiduciary responsibility is to administer the Plan properly and to assure the investment alternatives made available are reasonable. Contributions made by Plan members during the year ended September 30, 2025, were \$113,857.

## **12. INTERFUND BALANCES AND TRANSFERS**

The following is a summary of interfund balances reported in the fund financial statements:

| Due to Fund        | Due from Fund      |              |                 |                  |                    | Total      |
|--------------------|--------------------|--------------|-----------------|------------------|--------------------|------------|
|                    | Governmental Funds |              |                 | Enterprise Funds |                    |            |
|                    | General Fund       | Streets Fund | Stormwater Fund | Utility Fund     | Communication Fund |            |
| Governmental funds |                    |              |                 |                  |                    |            |
| General Fund       | \$ -               | \$ 29,887    | \$ 4,491        | \$ 431,077       | \$ 146,899         | \$ 612,354 |
| Enterprise funds   |                    |              |                 |                  |                    |            |
| Sanitation Fund    | 100,949            | -            | -               | -                | -                  | 100,949    |
| Total              | \$ 100,949         | \$ 29,887    | \$ 4,491        | \$ 431,077       | \$ 146,899         | \$ 713,303 |

Interfund balances due to the General Fund represent expenses paid by the General Fund on behalf of the underlying funds. The interfund balances due from the General Fund represent revenues collected for the benefit of those funds that have not been transferred from the General Fund.

During the year ended September 30, 2025, the General Fund transferred \$113,733 to the Streets Fund to pay for expenditures related to eligible uses of discretionary sales tax proceeds which are restricted by taxpayer referendum.

**CITY OF VALPARAISO, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**13. GOVERNMENTAL FUND BALANCES**

As of September 30, 2025, the City's governmental fund balances were classified as follows:

|                           | <b>General<br/>Fund</b> | <b>Streets Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------|-------------------------|---------------------|----------------------------|-----------------------------------------|
| Nonspendable              |                         |                     |                            |                                         |
| Prepaid items             | \$ 230,122              | \$ -                | \$ -                       | \$ 230,122                              |
| Restricted for            |                         |                     |                            |                                         |
| Discretionary sales taxes | 2,649,471               | -                   | -                          | 2,649,471                               |
| Capital expansion – fire  | 230,087                 | -                   | -                          | 230,087                                 |
| Library                   | 14,431                  | -                   | -                          | 14,431                                  |
| Law enforcement           | 9,630                   | -                   | -                          | 9,630                                   |
| Transportation            | -                       | 28,264              | -                          | 28,264                                  |
| Total restricted          | 2,903,619               | 28,264              | -                          | 2,931,883                               |
| Committed                 |                         |                     |                            |                                         |
| Senior center             | 13,543                  | -                   | -                          | 13,543                                  |
| Stormwater system         | -                       | -                   | 266,510                    | 266,510                                 |
| Total committed           | 13,543                  | -                   | 266,510                    | 280,053                                 |
| Assigned for              |                         |                     |                            |                                         |
| Parks and recreation      | 403,339                 | -                   | -                          | 403,339                                 |
| Library                   | 7,502                   | -                   | -                          | 7,502                                   |
| Cemetery                  | 271,283                 | -                   | -                          | 271,283                                 |
| Transportation            | -                       | 572,032             | -                          | 572,032                                 |
| FY26 appropriations       | 530,755                 | -                   | -                          | 530,755                                 |
| Total assigned            | 1,212,879               | 572,032             | -                          | 1,784,911                               |
| Unassigned                | 2,447,864               | -                   | -                          | 2,447,864                               |
| <b>Total Fund Balance</b> | <b>\$ 6,808,027</b>     | <b>\$ 600,296</b>   | <b>\$ 266,510</b>          | <b>\$ 7,674,833</b>                     |

**14. 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. The City carries commercial insurance for all other risks of loss, including fidelity bond, accidental death and dismemberment and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

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**15. COMMITMENTS AND CONTINGENCIES**

**Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The liability, if any, for reimbursement which may arise as the result of these audits is not believed to be material.

**Litigation**

The City is a party to various claims and assessments arising from its actions in the course of carrying out its public services. The City carries general liability coverage and management believes its coverage is sufficient to cover all significant losses arising from the unsuccessful outcome of any pending and/or threatened litigation.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VALPARAISO, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL (UNAUDITED)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|                                                                      | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance<br/>with Final<br/>Budget –<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------------|
|                                                                      | <b>Original</b>         | <b>Final</b> |               |                                                                         |
| <b>REVENUES</b>                                                      |                         |              |               |                                                                         |
| Taxes                                                                | \$ 2,824,400            | \$ 2,824,400 | \$ 2,886,700  | \$ 62,300                                                               |
| Permits and fees                                                     | 502,500                 | 502,500      | 583,456       | 80,956                                                                  |
| Intergovernmental                                                    | 1,526,165               | 1,526,165    | 1,507,054     | (19,111)                                                                |
| Charges for services                                                 | 331,950                 | 331,950      | 250,495       | (81,455)                                                                |
| Fines and forfeitures                                                | 12,600                  | 12,600       | 38,142        | 25,542                                                                  |
| Miscellaneous                                                        | 178,100                 | 178,100      | 359,834       | 181,734                                                                 |
| Total revenues                                                       | 5,375,715               | 5,375,715    | 5,625,681     | 249,966                                                                 |
| <b>EXPENDITURES</b>                                                  |                         |              |               |                                                                         |
| Current                                                              |                         |              |               |                                                                         |
| General government                                                   | 1,357,670               | 1,357,670    | 1,149,428     | 208,242                                                                 |
| Public safety                                                        | 2,997,295               | 2,997,295    | 2,813,304     | 183,991                                                                 |
| Physical environment                                                 | 100,830                 | 100,830      | 207,597       | (106,767)                                                               |
| Culture and recreation                                               | 715,865                 | 715,865      | 591,274       | 124,591                                                                 |
| Capital outlay                                                       | 870,500                 | 870,500      | 451,757       | 418,743                                                                 |
| Debt service                                                         |                         |              |               |                                                                         |
| Principal and interest                                               | 207,345                 | 207,345      | 136,523       | 70,822                                                                  |
| Total expenditures                                                   | 6,249,505               | 6,249,505    | 5,349,883     | 899,622                                                                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (873,790)               | (873,790)    | 275,798       | 1,149,588                                                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                         |              |               |                                                                         |
| Sales of general capital assets                                      | -                       | -            | 101,000       | 101,000                                                                 |
| Transfers out                                                        | -                       | -            | (113,733)     | (113,733)                                                               |
| Total other financing sources (uses)                                 | -                       | -            | (12,733)      | (12,733)                                                                |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | (873,790)               | (873,790)    | 263,065       | 1,136,855                                                               |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                              | 873,790                 | 873,790      | 6,544,962     | 5,671,172                                                               |
| <b>FUND BALANCE - END OF YEAR</b>                                    | \$ -                    | \$ -         | \$ 6,808,027  | \$ 6,808,027                                                            |

See notes to the budgetary comparison schedules.

**CITY OF VALPARAISO, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL (UNAUDITED)**  
**STREETS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|                                                                      | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance<br/>with Final<br/>Budget –<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------------|
|                                                                      | <b>Original</b>         | <b>Final</b> |               |                                                                         |
| <b>REVENUES</b>                                                      |                         |              |               |                                                                         |
| Taxes                                                                | \$ 269,100              | \$ 269,100   | \$ 256,321    | \$ (12,779)                                                             |
| Intergovernmental                                                    | 122,180                 | 122,180      | 130,093       | 7,913                                                                   |
| Miscellaneous                                                        | 2,000                   | 2,000        | 12,779        | 10,779                                                                  |
| Total revenues                                                       | 393,280                 | 393,280      | 399,193       | 5,913                                                                   |
| <b>EXPENDITURES</b>                                                  |                         |              |               |                                                                         |
| Current                                                              |                         |              |               |                                                                         |
| Transportation                                                       | 407,080                 | 407,080      | 293,055       | 114,025                                                                 |
| Capital outlay                                                       | -                       | -            | 31,805        | (31,805)                                                                |
| Debt service                                                         |                         |              |               |                                                                         |
| Principal and interest                                               | -                       | -            | 72,487        | (72,487)                                                                |
| Total expenditures                                                   | 407,080                 | 407,080      | 397,347       | 9,733                                                                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (13,800)                | (13,800)     | 1,846         | 15,646                                                                  |
| <b>OTHER FINANCING SOURCES</b>                                       |                         |              |               |                                                                         |
| Transfers in                                                         | -                       | -            | 113,733       | 113,733                                                                 |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | (13,800)                | (13,800)     | 115,579       | 129,379                                                                 |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                              | 13,800                  | 13,800       | 484,717       | 470,917                                                                 |
| <b>FUND BALANCE - END OF YEAR</b>                                    | \$ -                    | \$ -         | \$ 600,296    | \$ 600,296                                                              |

See notes to the budgetary comparison schedules.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL (UNAUDITED)  
STORMWATER FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|                                         | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance<br/>with Final<br/>Budget –<br/>Positive<br/>(Negative)</b> |
|-----------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------------|
|                                         | <b>Original</b>         | <b>Final</b> |               |                                                                         |
| <b>REVENUES</b>                         |                         |              |               |                                                                         |
| Charges for services                    | \$ 51,000               | \$ 51,000    | \$ 52,457     | \$ 1,457                                                                |
| Miscellaneous                           | 2,000                   | 2,000        | 4,323         | 2,323                                                                   |
| Total revenues                          | 53,000                  | 53,000       | 56,780        | 3,780                                                                   |
| <b>EXPENDITURES</b>                     |                         |              |               |                                                                         |
| Current                                 |                         |              |               |                                                                         |
| Physical environment                    | 75,245                  | 75,245       | 71,951        | 3,294                                                                   |
| <b>NET CHANGE IN FUND BALANCE</b>       | (22,245)                | (22,245)     | (15,171)      | 7,074                                                                   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b> | 22,245                  | 22,245       | 281,681       | 259,436                                                                 |
| <b>FUND BALANCE - END OF YEAR</b>       | \$ -                    | \$ -         | \$ 266,510    | \$ 266,510                                                              |

See notes to the budgetary comparison schedules.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE BUDGETARY COMPARISON SCHEDULES (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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Annual appropriated budgets are adopted for the General Fund, Streets Fund, Stormwater Fund, and the proprietary funds. The annual budgets for the General Fund, Streets Fund, and Stormwater Fund are adopted using the modified accrual basis of accounting, which is in accordance with generally accepted accounting principles (GAAP) for governmental fund types. Every appropriation, except an appropriation for a multi-year capital project, lapses at the end of the year to the extent it has not been expended or encumbered.

Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds on or before October 1 of each year as required by state statute. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements.

Budgets are amended through a resolution passed by a majority vote of the City Commission at a publicized meeting. The total revenue(s) and/or expenditure(s) must exceed \$5,000 before the amendment will be considered. All budget amounts presented as required supplementary information have been adjusted for legally authorized amendments.

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Expenditures are not to exceed appropriations at the fund level, which is the City's basis of budgetary control.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)  
FLORIDA RETIREMENT SYSTEM  
LAST TEN YEARS**

|                                                                                                   | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         |
|---------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability                                                    | 0.000192241% | 0.000165238% | 0.000157577% | 0.000181587% | 0.000324310% | 0.000362415% | 0.000392533% | 0.000372639% | 0.000352555% | 0.000317841% |
| City's proportionate share of the net pension liability                                           | \$ 59,662    | \$ 63,922    | \$ 62,789    | \$ 67,565    | \$ 24,498    | \$ 157,076   | \$ 135,183   | \$ 112,241   | \$ 104,284   | \$ 80,255    |
| City's covered payroll                                                                            | \$ 60,200    | \$ 56,250    | \$ 74,398    | \$ 85,181    | \$ 115,361   | \$ 129,157   | \$ 134,277   | \$ 125,422   | \$ 115,301   | \$ 122,530   |
| City's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 99.11%       | 113.64%      | 84.40%       | 79.32%       | 21.24%       | 121.62%      | 100.67%      | 89.49%       | 90.45%       | 65.50%       |
| Plan fiduciary net position as a percentage of the<br>total pension liability                     | 87.26%       | 83.70%       | 82.38%       | 82.89%       | 96.40%       | 78.85%       | 82.61%       | 84.26%       | 83.89%       | 84.88%       |

NOTES:

- The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

**CITY OF VALPARAISO, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)**  
**HEALTH INSURANCE SUBSIDY**  
**LAST TEN YEARS**

|                                                                                                   | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         |
|---------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability                                                    | 0.000134689% | 0.000132907% | 0.000187738% | 0.000233614% | 0.000325802% | 0.000372103% | 0.000401405% | 0.000383910% | 0.000361564% | 0.000396859% |
| City's proportionate share of the net pension liability                                           | \$ 17,264    | \$ 19,937    | \$ 29,815    | \$ 24,743    | \$ 39,964    | \$ 45,433    | \$ 44,913    | \$ 40,633    | \$ 38,660    | \$ 46,252    |
| City's covered payroll                                                                            | \$ 60,200    | \$ 56,250    | \$ 74,398    | \$ 85,181    | \$ 115,361   | \$ 129,157   | \$ 134,277   | \$ 125,422   | \$ 115,301   | \$ 122,530   |
| City's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 28.68%       | 35.44%       | 40.08%       | 29.05%       | 34.64%       | 35.18%       | 33.45%       | 32.40%       | 33.53%       | 37.75%       |
| Plan fiduciary net position as a percentage of the<br>total pension liability                     | 6.36%        | 4.80%        | 4.12%        | 4.81%        | 3.56%        | 3.00%        | 2.63%        | 2.15%        | 1.64%        | 0.97%        |

**NOTES:**

- The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
FLORIDA RETIREMENT SYSTEM  
LAST TEN YEARS**

|                                                                         | <u>2025</u>     | <u>2024</u>     | <u>2023</u>    | <u>2022</u>    | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>    |
|-------------------------------------------------------------------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Contractually required contribution                                     | \$ 11,683       | \$ 10,518       | \$ 6,936       | \$ 8,117       | \$ 10,755       | \$ 12,553       | \$ 12,259       | \$ 10,967       | \$ 10,722       | \$ 7,056       |
| Contributions in relation to the contractually<br>required contribution | <u>(11,683)</u> | <u>(10,518)</u> | <u>(6,936)</u> | <u>(8,117)</u> | <u>(10,755)</u> | <u>(12,553)</u> | <u>(12,259)</u> | <u>(10,967)</u> | <u>(10,722)</u> | <u>(7,056)</u> |
| Contribution deficiency (excess)                                        | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>    |
| City's covered payroll                                                  | \$ 60,600       | \$ 56,750       | \$ 66,229      | \$ 86,566      | \$ 105,241      | \$ 128,133      | \$ 134,217      | \$ 127,349      | \$ 128,113      | \$ 109,277     |
| Contributions as a percentage of covered-employee payroll               | 19.28%          | 18.53%          | 10.47%         | 9.38%          | 10.22%          | 9.80%           | 9.13%           | 8.61%           | 8.37%           | 6.46%          |

NOTES:

- The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
HEALTH INSURANCE SUBSIDY  
LAST TEN YEARS**

|                                                                         | <u>2025</u>    | <u>2024</u>    | <u>2023</u>    | <u>2022</u>    | <u>2021</u>    | <u>2020</u>    | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    |
|-------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                     | \$ 1,211       | \$ 1,135       | \$ 1,147       | \$ 1,437       | \$ 1,747       | \$ 2,127       | \$ 2,228       | \$ 2,114       | \$ 2,127       | \$ 1,814       |
| Contributions in relation to the contractually<br>required contribution | <u>(1,211)</u> | <u>(1,135)</u> | <u>(1,147)</u> | <u>(1,437)</u> | <u>(1,747)</u> | <u>(2,127)</u> | <u>(2,228)</u> | <u>(2,114)</u> | <u>(2,127)</u> | <u>(1,814)</u> |
| Contribution deficiency (excess)                                        | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| City's covered payroll                                                  | \$ 60,600      | \$ 56,750      | \$ 66,229      | \$ 86,566      | \$ 105,241     | \$ 128,133     | \$ 134,217     | \$ 127,349     | \$ 128,113     | \$ 109,277     |
| Contributions as a percentage of covered-employee payroll               | 2.00%          | 2.00%          | 1.73%          | 1.66%          | 1.66%          | 1.66%          | 1.66%          | 1.66%          | 1.66%          | 1.66%          |

NOTES:

- The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS (UNAUDITED)  
PUBLIC SAFETY PENSION PLAN  
LAST TEN YEARS**

| Measurement Date                                                                          | 2025                  | 2024                  | 2023                | 2022                | 2021                  | 2020                | 2019                | 2018                | 2017                | 2016                |
|-------------------------------------------------------------------------------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>                                                            |                       |                       |                     |                     |                       |                     |                     |                     |                     |                     |
| Service cost                                                                              | \$ 262,592            | \$ 245,330            | \$ 188,381          | \$ 124,695          | \$ 136,198            | \$ 124,018          | \$ 141,025          | \$ 140,605          | \$ 134,635          | \$ 123,530          |
| Interest                                                                                  | 256,540               | 219,082               | 193,183             | 179,506             | 166,819               | 160,272             | 146,089             | 137,846             | 117,428             | 100,326             |
| Experience differences                                                                    | (7,747)               | 149,425               | 27,544              | (84,757)            | 25,265                | (147,982)           | 523                 | (127,361)           | (24,617)            | 42,204              |
| Changes of assumptions                                                                    | -                     | -                     | -                   | -                   | (75,001)              | -                   | -                   | -                   | 90,444              | -                   |
| Benefit payments, including refunds of employee contributions                             | (97,570)              | (92,817)              | (91,381)            | (82,272)            | (59,578)              | (52,468)            | (62,891)            | (30,466)            | (30,016)            | (30,039)            |
| <b>Net change in total pension liability</b>                                              | <b>413,815</b>        | <b>521,020</b>        | <b>317,727</b>      | <b>137,172</b>      | <b>193,703</b>        | <b>83,840</b>       | <b>224,746</b>      | <b>120,624</b>      | <b>287,874</b>      | <b>236,021</b>      |
| <b>Total pension liability – beginning</b>                                                | <b>3,465,845</b>      | <b>2,944,825</b>      | <b>2,627,098</b>    | <b>2,489,926</b>    | <b>2,296,223</b>      | <b>2,212,383</b>    | <b>1,987,637</b>    | <b>1,867,013</b>    | <b>1,579,139</b>    | <b>1,343,118</b>    |
| <b>Total pension liability – ending (a)</b>                                               | <b>\$ 3,879,660</b>   | <b>\$ 3,465,845</b>   | <b>\$ 2,944,825</b> | <b>\$ 2,627,098</b> | <b>\$ 2,489,926</b>   | <b>\$ 2,296,223</b> | <b>\$ 2,212,383</b> | <b>\$ 1,987,637</b> | <b>\$ 1,867,013</b> | <b>\$ 1,579,139</b> |
| <b>Plan Fiduciary Net Position</b>                                                        |                       |                       |                     |                     |                       |                     |                     |                     |                     |                     |
| Contributions – employer                                                                  | \$ 159,720            | \$ 150,692            | \$ 166,857          | \$ 114,659          | \$ 108,555            | \$ 106,773          | \$ 97,787           | \$ 84,921           | \$ 99,862           | \$ 166,749          |
| Contributions – employee                                                                  | 17,845                | 16,391                | 16,283              | 11,051              | 11,486                | 10,392              | 9,980               | 11,218              | 10,283              | 10,430              |
| Interest                                                                                  | 328,915               | 271,716               | 246,327             | 279,109             | 231,990               | 214,506             | 200,835             | 184,080             | 158,634             | 140,129             |
| Net investment income                                                                     | 63,069                | 488,866               | 48,905              | (801,012)           | 402,312               | (15,332)            | (48,826)            | 10,972              | 142,461             | 19,983              |
| Benefit payments, including refunds of employee contributions                             | (97,570)              | (92,817)              | (91,381)            | (82,272)            | (59,578)              | (52,468)            | (62,891)            | (30,466)            | (30,016)            | (30,039)            |
| Administrative expenses                                                                   | (23,235)              | (17,928)              | (13,531)            | (13,663)            | (12,883)              | (11,178)            | (11,467)            | (10,838)            | (10,394)            | (9,521)             |
| <b>Net change in plan fiduciary net position</b>                                          | <b>448,744</b>        | <b>816,920</b>        | <b>373,460</b>      | <b>(492,128)</b>    | <b>681,882</b>        | <b>252,693</b>      | <b>185,418</b>      | <b>249,887</b>      | <b>370,830</b>      | <b>297,731</b>      |
| <b>Plan fiduciary net position – beginning</b>                                            | <b>4,670,888</b>      | <b>3,853,968</b>      | <b>3,480,508</b>    | <b>3,972,636</b>    | <b>3,290,754</b>      | <b>3,038,061</b>    | <b>2,852,643</b>    | <b>2,602,756</b>    | <b>2,231,926</b>    | <b>1,934,195</b>    |
| <b>Plan fiduciary net position – ending (b)</b>                                           | <b>\$ 5,119,632</b>   | <b>\$ 4,670,888</b>   | <b>\$ 3,853,968</b> | <b>\$ 3,480,508</b> | <b>\$ 3,972,636</b>   | <b>\$ 3,290,754</b> | <b>\$ 3,038,061</b> | <b>\$ 2,852,643</b> | <b>\$ 2,602,756</b> | <b>\$ 2,231,926</b> |
| <b>Net pension liability (asset) – ending (a) – (b)</b>                                   | <b>\$ (1,239,972)</b> | <b>\$ (1,205,043)</b> | <b>\$ (909,143)</b> | <b>\$ (853,410)</b> | <b>\$ (1,482,710)</b> | <b>\$ (994,531)</b> | <b>\$ (825,678)</b> | <b>\$ (865,006)</b> | <b>\$ (735,743)</b> | <b>\$ (652,787)</b> |
| <b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b> | <b>131.96%</b>        | <b>134.77%</b>        | <b>130.87%</b>      | <b>132.48%</b>      | <b>159.55%</b>        | <b>143.31%</b>      | <b>137.32%</b>      | <b>143.52%</b>      | <b>139.41%</b>      | <b>141.34%</b>      |
| <b>Covered payroll</b>                                                                    | <b>\$ 761,191</b>     | <b>\$ 704,455</b>     | <b>\$ 566,810</b>   | <b>\$ 444,976</b>   | <b>\$ 429,503</b>     | <b>\$ 376,973</b>   | <b>\$ 431,944</b>   | <b>\$ 430,057</b>   | <b>\$ 417,258</b>   | <b>\$ 405,994</b>   |
| <b>Net pension liability (asset) as a percentage of covered payroll</b>                   | <b>-162.90%</b>       | <b>-171.06%</b>       | <b>-160.40%</b>     | <b>-191.79%</b>     | <b>-345.22%</b>       | <b>-263.82%</b>     | <b>-191.15%</b>     | <b>-201.14%</b>     | <b>-176.33%</b>     | <b>-160.79%</b>     |

NOTES:

- For the 2024 measurement date, the City began using the PUB-2010 based mortality tables using Scale MP-2018, as mandated by State law.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
PUBLIC SAFETY PENSION PLAN  
LAST TEN YEARS**

|                                                                          | <u>2025</u>             | <u>2024</u>             | <u>2023</u>             | <u>2022</u>                | <u>2021</u>               | <u>2020</u>               | <u>2019</u>               | <u>2018</u>             | <u>2017</u>          | <u>2016</u>               |
|--------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|----------------------------|---------------------------|---------------------------|---------------------------|-------------------------|----------------------|---------------------------|
| Actuarially determined contribution                                      | \$ 208,356              | \$ 236,526              | \$ 202,241              | \$ -                       | \$ 82,823                 | \$ 82,455                 | \$ 86,629                 | \$ 110,221              | \$ 100,519           | \$ 94,181                 |
| Contributions in relation to the<br>actuarially determined contributions | <u>159,720</u>          | <u>150,692</u>          | <u>166,857</u>          | <u>114,659</u>             | <u>108,555</u>            | <u>106,773</u>            | <u>97,787</u>             | <u>84,921</u>           | <u>99,862</u>        | <u>166,749</u>            |
| <b>Contribution deficiency (excess)</b>                                  | <u><u>\$ 48,636</u></u> | <u><u>\$ 85,834</u></u> | <u><u>\$ 35,384</u></u> | <u><u>\$ (114,659)</u></u> | <u><u>\$ (25,732)</u></u> | <u><u>\$ (24,318)</u></u> | <u><u>\$ (11,158)</u></u> | <u><u>\$ 25,300</u></u> | <u><u>\$ 657</u></u> | <u><u>\$ (72,568)</u></u> |
| <br><b>Covered payroll</b>                                               | <br>\$ 761,191          | <br>\$ 704,455          | <br>\$ 566,810          | <br>\$ 444,976             | <br>\$ 429,503            | <br>\$ 376,973            | <br>\$ 431,944            | <br>\$ 430,057          | <br>\$ 417,258       | <br>\$ 405,994            |
| <b>Contributions as a percentage<br/>of covered payroll</b>              | 20.98%                  | 21.39%                  | 29.44%                  | 25.77%                     | 25.27%                    | 28.32%                    | 22.64%                    | 19.75%                  | 23.93%               | 45.25%                    |

See notes to the schedule of contributions.

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
PUBLIC SAFETY PENSION PLAN**

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**Valuation Date:** October 1, 2024

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method: Aggregate Cost Method

**Financing of unfunded**

actuarial accrued liabilities: Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.

Discount rate: 7.00% per year

Wage inflation rate: 2.62% per year

Salary increases: 4.50% per year

Mortality: For non-retired participants, PUB-2010 Headcount-Weighted Employee Mortality Table for public safety employees, with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year  
  
For retirees, PUB-2010 Headcount-Weighted Retiree Mortality Tables with sex distinct rates with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year

Retirement: Retirement is assumed to occur at normal retirement age

Non-investment expenses: 2.25% of covered payroll

Future contributions: Contributions from the employer and employees are assumed to be made as legally required

**CITY OF VALPARAISO, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)  
LAST TEN YEARS**

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| <b>Year Ended:</b>                | <u><b>9/30/2025</b></u> | <u><b>9/30/2024</b></u> | <u><b>9/30/2023</b></u> | <u><b>9/30/2022</b></u> | <u><b>9/30/2021</b></u> | <u><b>9/30/2020</b></u> | <u><b>9/30/2019</b></u> | <u><b>9/30/2018</b></u> | <u><b>9/30/2017</b></u> | <u><b>9/30/2016</b></u> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Public Safety Pension Plan</b> |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Annual Money-Weighted Rate of     |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Return Net of Investment Expense  | 1.11%                   | 7.97%                   | 1.19%                   | -1.60%                  | 2.30%                   | 0.91%                   | 0.72%                   | 1.08%                   | 2.51%                   | 1.21%                   |

## COMPLIANCE SECTION

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

To the Honorable Mayor and  
Members of the City Commission

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

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Fort Walton Beach, Florida  
June 30, 2026

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE  
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE  
AUDITOR GENERAL**

To the Honorable Mayor and  
Members of the City Commission

We have examined the City of Valparaiso, Florida's (the City's) compliance with the following requirements for the year ended September 30, 2025:

- Section 218.415, Florida Statutes, in regard to investments.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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

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

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



Fort Walton Beach, Florida  
June 30, 2026

## MANAGEMENT LETTER

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

### Report on the Financial Statements

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

### Auditors' Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 these reports, which are dated June 30, 2026, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions were taken to address findings and recommendations made in the preceding annual financial report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City and the Valparaiso Cable Authority has been disclosed in Note 1 to the financial statements.

### Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we identified no recommendations to improve financial management other than those discussed in the schedule of findings and responses.

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

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

#### **Special District Component Units**

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

#### **Specific Information**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6., *Rules of the Auditor General*, the Valparaiso Cable Authority (the VCA) reported:

- a) The total number of VCA employees compensated in the last pay period of the VCA's fiscal year as 5.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the VCA's fiscal year as 1.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$278,525.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$50,812.
- e) No construction projects with a total cost of at least \$65,000 approved by the VCA that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f) No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported.

The specific information reported in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Additional Matters**

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

**Purpose of this Letter**

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

We greatly appreciate the assistance and cooperation extended to us during our audit.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Fort Walton Beach, Florida  
June 30, 2026