CITY OF ZEPHYRHILLS, FLORIDA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2025

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CITY OF ZEPHYRHILLS, FLORIDA
OFFICIALS
SEPTEMBER 30, 2025

Elected Officials

Melonie Bahr Monson	Mayor
Charles E. Proctor	President – City Council
Steven F. Spina, Ph.D.	Vice President – Council Member
Kenneth M. Burgess, Jr.	Council Member
Lance Smith	Council Member
Jodi Wilkeson	Council Member

Appointed Officials

William C. Poe, Jr.	City Manager
Matthew Maggard	City Attorney

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills. Florida

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 17 of the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective for the fiscal year ended September 30, 2025. GASB 101 required liabilities to be recognized for leave attributable to services already rendered, that accumulates, and is more likely than not to be used or otherwise paid or settled. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Restatement due to Accounting Error

As discussed in Note 16 to the financial statements, the City restated beginning balances to correct accounting errors that occurred in a prior year. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Local Governmental Entity Audits,* Rules of the Auditor General of the State of Florida, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Operating Income (Loss) and Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 9, 2026

The City of Zephyrhills (the City) management discussion and analysis is designed to provide an objective and easy-to-read analysis of the City's financial activities for the year ended September 30, 2025. As with other sections of this financial report, the information contained within this narrative should be considered only as part of a greater whole. The reader should take time to read and evaluate all sections of this report, including the government-wide financial statements on page 19-21, fund financial statements on pages 22-30, footnotes on pages 30-72, and other Required Supplemental Information beginning on pages 73-82.

Efforts were made to include relative comparative prior year figures where amounts were known.

HIGHLIGHTS

Financial Highlights

- The City's total assets exceeded its total liabilities at the close of the most recent fiscal year by $188,570,574.
- The City's total net position increased by $28,330,277 (or 16.3%). The City's governmental net position increased by $8,313,521 (or 32.0%), mainly as a result of continued capital investment without taking on additional debt. The business-type net position increased by $3,607,745 (or 7.5%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $41,868,410, an increase of $5,652,903 in comparison with the prior year. Approximately 41.0% or $17,185,463 of this total is unrestricted and available for spending at the City's discretion based on the parameters of the fund.
- General Fund revenues increased by $2,357,104 (or 12.3%). General Fund expenditures, exclusive of capital expenditures, increased by $2,706,114 (or 17.4%). The Net Change in General Fund Balance was an increase of $ 4,862,337.
- At the end of the current fiscal year, fund balance for the General Fund was $22,226,853 (or 121.6%) of total General Fund operating expenditures excluding capital outlay and debt service.
- The business-type activities (the City's Proprietary Funds) operating revenues increased by $2,388,031 (or 13.2 %); operating expenses increased by $1,562,249 (or 9.6%); operating income/loss increased from an operating income of $ 1,831,365 in FY 2024 to $2,657,147 in FY 2025. The change in net position for the Proprietary Funds was an increase of $8,313,521 in FY 2025.
- The City's total long-term debt excluding other liabilities (namely compensated absences and Other Postemployment Benefits OPEB) decreased by $2,058,066. The City's total long-term debt for governmental activities decreased by $483,490, while long-term debt business-type activities decreased by $1,574,576.

City Highlights

City administration took a conservative approach to balancing the fiscal year 2025 budget. The City's gross taxable property value increased for the ninth consecutive year. Ad valorem taxes increased by $1,534,315 to $10,218,542 using the millage rate of 6.2500, an increase of 2.71% over the Rolled-Back Rate of 6.0848.

Large projects include the following:

Utility – Completed construction on Northside Phase 3 Kossik and Fort King, $2,431,769. Lift Station Rehabs to #26, #28, #31, #47, #50 and #54, $716,619. Continuing construction of the Effluent Pump Station, $1,917,222, Pasco County Reclaimed Interconnect Project, $964,345 and City Yard Complex Project, $381,458.

City Government – Completed construction on Hercules Park, $7,863,045 and Sarah Vande Berg Tennis Center Phase 2, $5,283,458. Continuing construction of the South Ave Extension-National Guard Project, $1,329,872 and the City Yard Complex Project, $765,522.

Sanitation – Continuing construction of the City Yard Complex Project, $127,153.

Airport – Completed construction on Runway 1-19 Extension, $5,259,935. Continuing construction of Taxiway F Development, $1,488,391, Taxiway E, $100,027 and Runway 1-19 Rehabilitation, $56,863

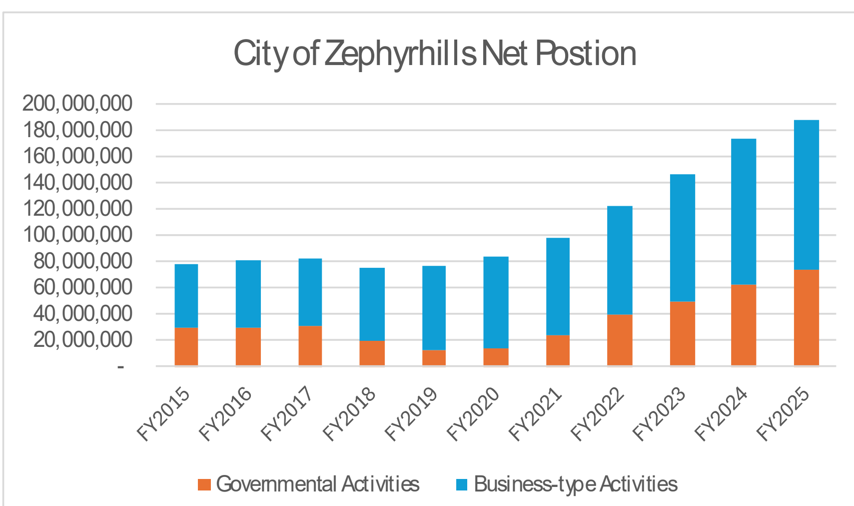
OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, in that all governmental and business-type activities are consolidated into columns which add up to a total for the primary government.

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



The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities reflect the City's basic services, including general government, police, fire, protective inspections, public works, community development and recreation. Property taxes, franchise fees, utility taxes, communication services taxes, gas taxes, and sales taxes, along with contributions from the City's utilities, finance the majority of these services. The business-type activities reflect private sector-type operations, including water, wastewater, sanitation and airport, where the fee for service typically covers all or most of the cost of operation, including depreciation.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements

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

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 22-25 of this report.

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Fund (Gas Taxes and Discretionary Sales Tax), the CRA Fund, and the Impact Fee Fund.

The City adopts an annual appropriated budget for all of its various funds. A budgetary comparison statement has been provided for the major governmental funds on pages 75-81.

Proprietary Funds:

The City of Zephyrhills maintains three proprietary funds – each an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility (water/wastewater) operations, for its Sanitation (i.e., solid waste collection) operation, and for its Airport operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for utility, sanitation and airport funds, all of which are considered to be major City funds.

The basic proprietary fund financial statements can be found on pages 26-30.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-74 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $188,570,574 at the close of the fiscal year ending September 30, 2025.

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

The following table reflects the condensed statement of net position compared to the prior fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current Assets	$ 46,012,715	$ 40,809,110	$ 31,205,169	$ 29,952,410	$ 77,217,884	$ 70,761,520
Noncurrent Assets and Deferred Outflows	74,384,035	55,955,745	113,050,766	101,383,726	187,434,801	157,339,471
Total Assets and Deferred Outflows	120,396,750	96,764,855	144,255,935	131,336,136	264,652,685	228,100,991
LIABILITIES						
Current Liabilities	3,654,842	2,773,440	8,497,090	5,110,859	12,151,932	7,884,299
Noncurrent Liabilities and Deferred Inflows	42,803,965	31,522,904	21,126,214	15,200,391	63,930,179	46,723,295
Total Liabilities and Deferred Inflows	46,458,807	34,296,344	29,623,304	20,311,250	76,082,111	54,607,594
NET POSITION						
Invested in Capital Assets, Net of Related Debt	58,837,315	48,314,864	96,209,580	87,981,541	155,046,895	136,296,405
Restricted - Debt Service, R/R, and Extension	19,745,624	22,038,723	9,445,489	11,620,425	29,191,113	33,659,148
Unrestricted	(4,644,996)	(7,885,076)	8,977,562	11,422,920	4,332,566	3,537,844
Total Net Position	$ 73,937,943	$ 62,468,511	$ 114,632,631	$ 111,024,886	$ 188,570,574	$ 173,493,397

At the end of the current fiscal year, the City of Zephyrhills is able to report positive balances for both city-wide and business-type all categories of net position. The governmental unrestricted net position was a negative $4,644,996, an improvement from a negative $7,885,076 in Fiscal Year 2024. The improvement was partially due to the increase in capital assets and cash balances. For more detailed information, see the statement of net position (pages 19 and 20).

Changes in Net Position

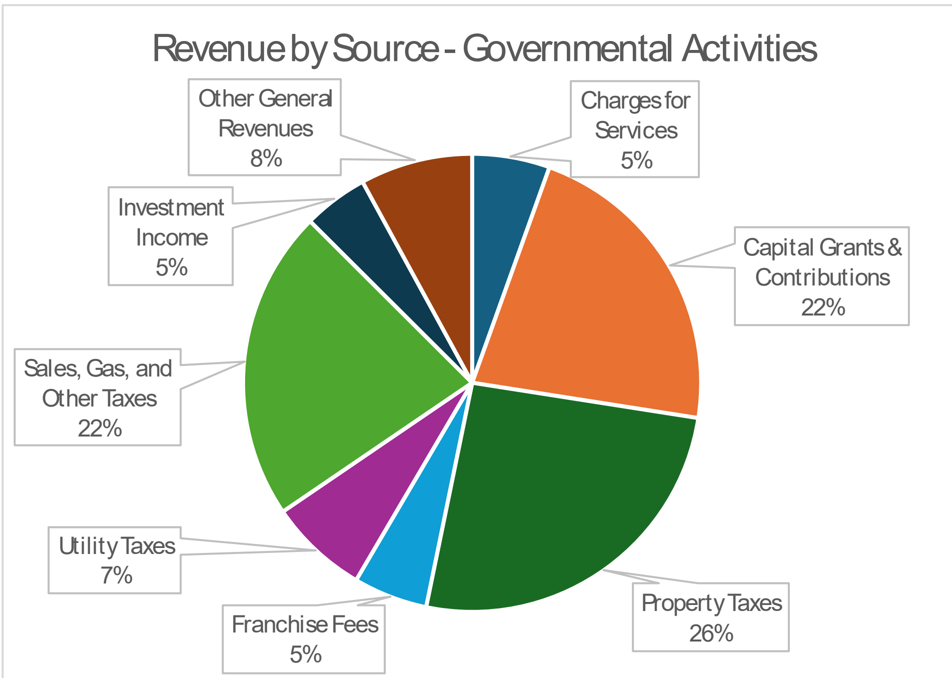
The table on the following page compares the revenues and expenses for the current and previous fiscal year. As the increased estimate of retiree health is allocated across the governmental departments, the City's Governmental activity net position increased $20,016,756 and business-type activity net position increased $8,313,521 as discussed below.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues:						
Charges for Services	$ 2,176,611	$ 3,528,477	$ 20,415,405	$ 19,468,281	$ 22,592,016	$ 22,996,758
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	8,719,904	781,999	4,738,064	10,066,651	13,457,968	10,848,650
General Revenues:						
Property Taxes	10,218,542	8,684,227	-	-	10,218,542	8,684,227
Franchise Fees	2,077,059	1,891,749	-	-	2,077,059	1,891,749
Utility Taxes	2,788,701	2,401,570	-	-	2,788,701	2,401,570
Sales, Gas, and Other Taxes	8,726,699	8,123,568	-	-	8,726,699	8,123,568
Investment Income	1,814,943	2,342,681	1,047,590	658,479	2,862,533	3,001,160
Other General Revenues	3,152,455	-	2,082,397	14,597	5,234,852	14,597
Total Revenues	39,674,914	27,754,271	28,283,456	30,208,008	67,958,370	57,962,279
EXPENDITURES						
Program Activities:						
Primary Government:						
Governmental Activities:						
General Government	4,726,765	3,891,762	-	-	4,726,765	3,891,762
Public Safety	8,436,375	4,890,286	-	-	8,436,375	4,890,286
Protective Inspections	1,032,956	578,445	-	-	1,032,956	578,445
Public Works	6,255,532	3,790,179	-	-	6,255,532	3,790,179
Culture and Recreation	559,321	377,765	-	-	559,321	377,765
Economic Environment	351,757	1,112,349	-	-	351,757	1,112,349
Interest Cost	269,512	117,639	-	-	269,512	117,639
Business-Type Activities:						
Utility	-	-	12,969,701	11,209,529	12,969,701	11,209,529
Sanitation	-	-	1,927,270	2,159,722	1,927,270	2,159,722
Airport	-	-	3,098,904	3,119,145	3,098,904	3,119,145
Total Expenditures	21,632,218	14,758,425	17,995,875	16,488,396	39,628,093	31,246,821
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	18,042,696	12,995,846	10,287,581	13,719,612	28,330,277	26,715,458
Transfers	1,974,060	-	(1,974,060)	-	-	-
INCREASE IN NET POSITION	20,016,756	12,995,846	8,313,521	13,719,612	28,330,277	26,715,458
Net Position - Beginning of Year	62,468,511	49,472,665	111,024,886	97,305,274	173,493,397	146,777,939
Restatement	(8,547,324)	-	(4,705,776)	-	(13,253,100)	-
Net Position - Beginning of Year, as Restated	53,921,187	49,472,665	106,319,110	97,305,274	160,240,297	146,777,939
NET POSITION - END OF YEAR	$ 73,937,943	$ 62,468,511	$ 114,632,631	$ 111,024,886	$ 188,570,574	$ 173,493,397

Governmental Activities

Table 2 above compares the revenues and expenses for the two activity types for the current and prior fiscal years. Net position for governmental activities increased because governmental revenues remain consistently strong while governmental expenditures fall short of budgeted projections.

As illustrated in the following chart, 26% of governmental activity revenue comes from property taxes, utility taxes, sales and other taxes.



Business-Type Activities

Table 2 on the previous page compares the revenues and expenses for the two activity types for the current and prior fiscal years. Combined net position for all business-type activities increased $3,607,745 – an increase in the Utility Fund of $12,862,105, an increase in the Sanitation Fund of $441,306 and an increase in the Airport Fund of $452,201. Key elements of these changes were:

- Water and sewer capacity fees for new connections continues to be strong. Moreover, water and sewer revenue continued to be strong despite a year that had historically high rainfall. There were some cost reductions transitioning from Munibilling, a third-party billing company to City staff.

- Airport continues to receive multi-million grant awards.

Normal Impacts

There are nine basic impacts on revenues and expenses as reflected below.

Revenues

Economic Condition – The economic conditions can reflect a declining, stable or growing economic environment and have a substantial impact on property, sales, gas and other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council approved rates – While certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (water, sewer, sanitation, permitting, and impact fees).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring) – Certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on a year-to-year basis.

Contribution from Utility, Sanitation, and Airport Funds – The City owns and operates the Water and Wastewater services, Sanitation services and municipal Airport and provides administrative and support services for these Proprietary Funds. In return, the City receives payment from them. Therefore, the ongoing competitiveness and vitality of these funds are important to the City.

Market Impacts on Investment Income – Due to varying maturities on the City's investments and the varying nature of the market in general, the City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs – Within the functional expense categories (General Government, Police, Fire, Public Works, Parks, etc.) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – Changes in service demand may cause the Council to increase/decrease authorized staffing.

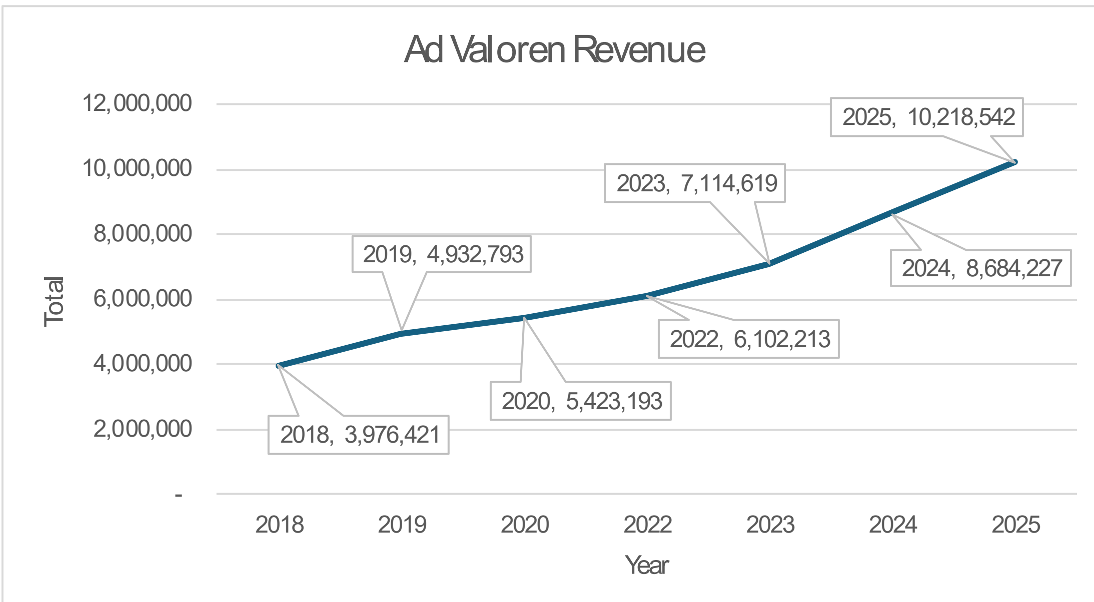
Salary Increases (cost of living and market adjustment) – The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts Revenues

Economic Condition

The City's ad valorem revenue has increased for the seventh straight year. Ad valorem taxes increased $1,534,315, 17.67% more than collected in fiscal year 2024. Franchise fees, utility taxes, local option sales tax revenue increased significantly and remained the single best source of governmental capital improvements; and state shared revenues slightly increased.



As in previous years, the City received grant revenue (from the federal and state governments) in fiscal year 2025.

Expenses

Operating costs increased by 6.49% in the Governmental Funds, the Utility Fund expenditures increased by 15.3%. Operating costs decreased by 0.6% in the Airport Fund and 5.3 % in the Sanitation Fund. Detailed reports on operating revenues and expenditures in the governmental funds and enterprise funds are reported elsewhere in this report.

Governmental Funds

As of the year end, the governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of $41,868,410 which is 8.1% more than the prior year combined fund balance of $38,744,464.

$17,185,463 constitutes an undesignated/ unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted, committed, or assigned to indicate that it is not available for new spending. Major reservations and designations include local option sales tax revenue, impact fees, community redevelopment, gas tax revenue, and cemetery perpetual care reserves.

Business-Type Funds

In total, the Proprietary Funds, (which include the City's Utility, Sanitation and Airport Fund), show net gain before capital contributions and transfers. The year-end net position is $114,632,631 which is $8,313,521 higher than the beginning of year net position. Each of these Proprietary Funds is to be viewed and analyzed as a separate and distinct business, thus the following commentary focuses first on the Utility Fund, then on the Sanitation Fund and finally on the Airport Fund.

- The Utility Fund has an operating income of $2,995,810 and, after nonoperating revenues and expenses and capital contributions, an increase in net position of $6,862,387. Operating revenues increased by 19.2%. Operating expenses increased by 15.3%.

- The Sanitation Fund has an operating income of $826,372and, after nonoperating revenues and expenses and capital contributions, an increase in net position of $535,744. Operating revenues increased 9.6% from the previous year and operating expenses decreased 5.3%.

- The Airport Fund had an operating loss of $1,165,035 and, after nonoperating revenues and expenses, capital contributions, and transfers, an increase in net position of $915,390. Most of this loss was the result of depreciation increases due to prior and current year capital asset additions, funded mostly by Federal and State grants. Operating revenues decreased by 16.7% and operating expenses decreased by 0.6%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had $172.05 million invested in a variety of capital assets, as reflected in the following table, which represents an increase (additions less retirements and depreciation) of $19.78 million (or 12.99%) from the previous year balances.

Capital Assets at Year-End (Expressed in Millions)
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 4.38	$ 4.30	$ 2.86	$ 2.86	$ 7.24	$ 7.16
Buildings and Improvements	22.66	22.47	46.20	46.03	68.86	68.50
Improvements Other than Buildings	9.33	9.07	-	-	9.33	9.07
Equipment	12.07	11.13	10.12	9.26	22.19	20.39
Infrastructure	43.42	28.87	105.04	102.09	148.46	130.96
Subscription Assets	2.20	2.25	-	-	2.20	2.25
Less: Accumulated Depreciation	(33.04)	(31.19)	(71.66)	(67.00)	(104.70)	(98.19)
Less: Accumulated Amortization	(0.58)	(0.23)	-	-	(0.58)	(0.23)
Subtotal	60.44	46.67	92.56	93.24	153.00	139.91
Construction in Progress	4.01	6.42	15.04	5.94	19.05	12.36
Total	$ 64.45	$ 53.09	$ 107.60	$ 99.18	$ 172.05	$ 152.27

The following table presents a summary of the change in capital assets, which is presented in detail on pages 48 and 49 of the notes.

Change in Capital Assets
(Expressed in Millions)

	Governmental Activities	Business-Type Activities	Primary Government
Net Capital Assets, Beginning Balance	$ 53.24	$ 100.03	$ 153.27
Additions	14.59	14.00	28.59
Retirements	(1.16)	(0.99)	(2.15)
Change in Depreciation	(2.22)	(4.66)	(6.88)
Net Capital Assets, Ending Balance	$ 64.45	$ 108.38	$ 172.83

Debt Outstanding

As of year-end, the City had $13.93 million in debt (notes, capital leases payable, etc. excluding compensated absences) outstanding compared to $15.99 last year, a 12.87% decrease.

Detailed information regarding the City's long term debt obligation can be found in Note 7, pages 51 and 52 of this report.

Outstanding Debt, at Year End
Excluding Other Liabilities (Compensated Absences, OPEB, Impact Fee Rebate)

	2025	2024
Governmental:		
Capital Improvements	$ 4,299,027	$ 4,782,517
Subtotal	4,299,027	4,782,517
Business Type:		
Bonds Payable - BB&T Series Equipment Finance Lease	725,915	1,436,120
Capital Improvement Notes	8,902,086	9,766,457
Subtotal	9,628,001	11,202,577
Total	$ 13,927,028	$ 15,985,094

ECONOMIC FACTORS

The state of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of allowable other taxes (sales, gasoline, utility services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and nonrecurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities (permitting, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees and charges for services (including development related impact fees) will have a bearing on the City's specific competitive ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential, industrial) to choose to be located in their jurisdiction.

The City places significant emphasis on encouraging economic development (particularly in the downtown redevelopment area) and maintaining property values through rigorous code enforcement.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report or need additional financial information, contact the City's Finance Department at City Hall, 5335 8th Street, Zephyrhills, FL 33542, telephone (813) 780-0000.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Pooled Cash, Cash Equivalents, and Investments	$ 38,552,213	$ 14,597,129	$ 53,149,342
Restricted Assets:			
Cash and Pooled Cash, Cash Equivalents, and Investments:			
Utility Connection Impact Fees	-	9,445,489	9,445,489
Utility Deposits	-	1,865,647	1,865,647
Receivables (Net of Allowance):			
Accounts - Billed and Unbilled	2,300,227	1,933,274	4,233,501
Due from Other Governments	5,117,169	2,602,870	7,720,039
Inventories	31,290	584,247	615,537
Lease Receivable - Short-Term	-	175,242	175,242
Prepaid Items	11,816	1,271	13,087
Total Current Assets	46,012,715	31,205,169	77,217,884
Noncurrent Assets:			
Lease Receivable - Long-Term	-	1,536,420	1,536,420
Capital Assets:			
Land and Improvements	4,377,769	2,864,000	7,241,769
Construction in Process	4,018,475	15,819,407	19,837,882
Building and Improvements	22,655,833	46,205,001	68,860,834
Improvements - Other than Building	9,333,975	-	9,333,975
Equipment	12,071,019	10,122,479	22,193,498
Infrastructure	43,423,436	105,044,444	148,467,880
Subscription Assets	2,199,193	-	2,199,193
Accumulated Depreciation	(33,622,917)	(71,666,822)	(105,289,739)
Total Noncurrent Assets	64,456,783	109,924,929	174,381,712
Total Assets	110,469,498	141,130,098	251,599,596
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - OPEB	6,821,307	2,475,881	9,297,188
Deferred Outflows of Resources - Pension	3,105,945	649,956	3,755,901
Total Deferred Outflows of Resources	9,927,252	3,125,837	13,053,089

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 1,757,115	$ 3,661,622	$ 5,418,737
Customer Deposits	-	1,915,535	1,915,535
Accrued Interest Payable	50,385	34,746	85,131
Unearned Revenue	627,482	-	627,482
Water Capacity Reservation		588,300	588,300
Current Portion of:			
Revenue Bonds and Notes Payable	494,823	2,157,332	2,652,155
Subscription Asset Payable - Short-Term	205,651	-	205,651
Compensated Absences	519,386	139,555	658,941
Total Current Liabilities	3,654,842	8,497,090	12,151,932
Noncurrent Liabilities:			
Net Pension Liability	10,137,398	2,305,736	12,443,134
Revenue Bonds and Notes Payable	3,804,204	7,470,669	11,274,873
Subscription Asset Payable - Long-Term	1,503,401	-	1,503,401
Compensated Absences	1,558,157	732,665	2,290,822
Net OPEB Liability	7,637,084	2,771,979	10,409,063
Total Noncurrent Liabilities	24,640,244	13,281,049	37,921,293
Total Liabilities	28,295,086	21,778,139	50,073,225
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Leases	-	1,559,056	1,559,056
Deferred Inflows of Resources - OPEB	15,790,992	5,731,545	21,522,537
Deferred Inflows of Resources - Pension	2,372,729	554,564	2,927,293
	18,163,721	7,845,165	26,008,886
NET POSITION			
Net Investment in Capital Assets	58,837,315	96,209,580	155,046,895
Restricted:			
Infrastructure	8,553,430	-	8,553,430
Community Reinvestment	3,016,378	-	3,016,378
Transportation - Fuel Tax	575,119	-	575,119
Impact Fees	7,600,697	-	7,600,697
Extensions - Utility Fund	-	9,445,489	9,445,489
Unrestricted	(4,644,996)	8,977,562	4,332,566
Total Net Position	$ 73,937,943	$ 114,632,631	$ 188,570,574

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ (4,726,765)	$ 34,270	$ -	$ 8,565,584	$ 3,873,089	$ -	$ 3,873,089
Police	(8,022,342)	193,965	-	154,320	(7,674,057)	-	(7,674,057)
Fire	(414,033)	-	-	-	(414,033)	-	(414,033)
Protective Inspections	(1,032,956)	994,039	-	-	(38,917)	-	(38,917)
Economic Environment	(351,757)	-	-	-	(351,757)	-	(351,757)
Public Works	(6,255,532)	948,230	-	-	(5,307,302)	-	(5,307,302)
Library	(559,321)	6,107	-	-	(553,214)	-	(553,214)
Interest and Fiscal Charges	(269,512)	-	-	-	(269,512)	-	(269,512)
Total Governmental Activities	(21,632,218)	2,176,611	-	8,719,904	(10,735,703)	-	(10,735,703)
Business-Type Activities:							
Water and Sewer	(12,969,701)	15,728,948	-	3,151,624	-	5,910,871	5,910,871
Sanitation	(1,927,270)	2,752,588	-	-	-	825,318	825,318
Airport	(3,098,904)	1,933,869	-	1,586,440	-	421,405	421,405
Total Business-Type Activities	(17,995,875)	20,415,405	-	4,738,064	-	7,157,594	7,157,594
Total	$ (39,628,093)	$ 22,592,016	$ -	$ 13,457,968	(10,735,703)	7,157,594	(3,578,109)
General Revenues:							
Taxes:							
Ad Valorem					10,218,542	-	10,218,542
Franchise Fees					2,077,059	-	2,077,059
Communications Services					1,055,762	-	1,055,762
Utility Taxes					2,788,701	-	2,788,701
Business Taxes					136,566	-	136,566
State Revenue Sharing					720,411	-	720,411
Half-Cent Sales Tax					1,607,711	-	1,607,711
Local Option Gas Tax					965,443	-	965,443
Local Option Sales Tax					4,086,833	-	4,086,833
Other Taxes					153,973	-	153,973
Investment Income					1,814,943	1,047,590	2,862,533
Miscellaneous					3,540,672	2,203,118	5,743,790
Transfers to/from other funds					1,974,060	(1,974,060)	-
Gain (Loss) on Asset Disposal					(388,217)	(120,721)	(508,938)
Total Revenue Revenues and Special Items					30,752,459	1,155,927	31,908,386
Change in Net Position					20,016,756	8,313,521	28,330,277
Net Position - Beginning of Year					62,468,511	111,024,886	173,493,397
Restatement					(8,547,324)	(4,705,776)	(13,253,100)
Net Position - Beginning of Year, as Restated					53,921,187	106,319,110	160,240,297
Net Position - End of Year					$ 73,937,943	$ 114,632,631	$ 188,570,574

See accompanying Notes to Financial Statements.

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

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
ASSETS					
Cash and Pooled Cash, Cash Equivalents, and Investments	$ 22,099,585	$ 5,586,502	$ 2,864,072	$ 8,002,054	$ 38,552,213
Receivables (Net of Allowance):					
Accounts Billed	2,300,227	-	-	-	2,300,227
Due from Other Governments	680,176	4,436,993	-	-	5,117,169
Inventories - at Cost	31,290	-	-	-	31,290
Prepaid Items	11,816	-	-	-	11,816
Total Assets	$ 25,123,094	$ 10,023,495	$ 2,864,072	$ 8,002,054	$ 46,012,715
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 440,267	$ 291,827	$ 18,560	$ 304,476	$ 1,055,130
Accrued Liabilities	696,266	-	5,719	-	701,985
Unearned Revenue	-	627,482	-	-	627,482
Total Liabilities	1,136,533	919,309	24,279	304,476	2,384,597
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,759,708	-	-	-	1,759,708
Total Deferred Inflows of Resources	1,759,708	-	-	-	1,759,708
FUND BALANCES					
Nonspendable:					
Inventories	31,290	-	-	-	31,290
Prepaid Items	11,816	-	-	-	11,816
Restricted for:					
Community Reinvestment	183,585	-	2,839,793	-	3,023,378
Impact Fee Programs	-	-	-	7,697,578	7,697,578
Infrastructure	-	8,529,067	-	-	8,529,067
Transportation - Fuel Tax	-	575,119	-	-	575,119
Assigned:					
Cemetery Perpetual Care	597,284	-	-	-	597,284
Recreation - ZNHH Reserve	4,007,645	-	-	-	4,007,645
Building Department Reserve	17,413	-	-	-	17,413
Other	192,357	-	-	-	192,357
Unassigned	17,185,463	-	-	-	17,185,463
Total Fund Balances	22,226,853	9,104,186	2,839,793	7,697,578	41,868,410
Total Liabilities and Fund Balances	$ 25,123,094	$ 10,023,495	$ 2,864,072	$ 8,002,054	$ 46,012,715

See accompanying Notes to Financial Statements.

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

Fund Balances - Total Governmental Funds		$ 41,868,410
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental Capital Assets	$ 98,079,700	
Less: Accumulated Depreciation	(33,622,917)	64,456,783
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Bonds Payable	(4,299,027)	
Accrued Interest	(50,385)	
SBITA Liability	(1,709,052)	
Unfunded Accrued Liability - OPEB	(7,637,084)	
Net Pension Liability	(10,137,398)	
Compensated Absences	(2,077,543)	(25,910,489)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds.		1,759,708
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - Pension Related	3,105,945	
Deferred Inflows of Resources - Pension Related	(2,372,729)	733,216
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - OPEB Related	6,821,307	
Deferred Inflows of Resources - OPEB Related	(15,790,992)	(8,969,685)
Net Position of Governmental Activities		$ 73,937,943

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
REVENUES					
Taxes	$ 12,861,785	$ -	$ 1,337,786	$ -	$ 14,199,571
Licenses and Permits	3,019,274	-	-	-	3,019,274
Intergovernmental Revenue	2,535,463	13,361,619	-	-	15,897,082
Charges for Services	193,751	-	-	-	193,751
Fines and Forfeitures	47,538	-	-	-	47,538
Miscellaneous Revenue	2,112,582	-	-	-	2,112,582
Interest Revenue	822,702	454,206	213,009	325,026	1,814,943
Special Assessments	-	-	-	967,522	967,522
Total Revenues	21,593,095	13,815,825	1,550,795	1,292,548	38,252,263
EXPENDITURES					
Current:					
General Government	4,682,415	70,542	-	-	4,752,957
Public Safety	9,405,513	-	-	10,500	9,416,013
Economic Environment	-	-	343,289	-	343,289
Public Works	3,705,942	-	-	782,905	4,488,847
Library	488,797	-	-	-	488,797
Capital Outlay	520,861	12,879,436	127,741	1,058,204	14,586,242
Debt Service:					
Principal Retirement	45,478	615,306	-	-	660,784
Interest and Fiscal Charges	10,132	208,995	-	-	219,127
Total Expenditures	18,859,138	13,774,279	471,030	1,851,609	34,956,056
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,733,957	41,546	1,079,765	(559,061)	3,296,207
OTHER FINANCING SOURCES (USES)					
SBITA	-	228,316	-	-	228,316
Insurance Recoveries	154,320	-	-	-	154,320
Transfers In	1,992,800	-	-	-	1,992,800
Transfers Out	(18,740)	-	-	-	(18,740)
Total Other Financing Sources (Uses)	2,128,380	228,316	-	-	2,356,696
CHANGE IN FUND BALANCES	4,862,337	269,862	1,079,765	(559,061)	5,652,903
Fund Balances - Beginning of Year	16,764,972	11,962,825	1,760,028	8,256,639	38,744,464
Restatement	599,544	(3,128,501)	-	-	(2,528,957)
Fund Balances - Beginning of Year, as Restated	17,364,516	8,834,324	1,760,028	8,256,639	36,215,507
FUND BALANCES - END OF YEAR	$ 22,226,853	$ 9,104,186	$ 2,839,793	$ 7,697,578	$ 41,868,410

See accompanying Notes to Financial Statements.

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

Net Change in Fund Balance - Total Government Funds		$ 5,652,903
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 are depreciated over their estimated useful lives.		
Expenditures for Capital Assets	$ 14,586,242	
Less: Net Disposals and Transfers	(481,159)	
Less: Current Year Depreciation/Amortization	(2,893,870)	11,211,213
Proceeds from debt issue are financing source in the governmental funds. They are not revenue in the Statement of Activities; issuing debt increases long-term liabilities in the Statement of Net Position.		(228,316)
Long-term liabilities are reported in the statement of net position but not in the governmental funds because they are not due and payable in the current period. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal Repayments- Bonds	483,490	
Principal Repayments- SBITAs	177,293	660,783
Some revenues reported in the statement of activities will not be collected for several months after the fiscal year and, therefore, are not reported as revenue in the governmental funds.		
Change in Unavailable Revenue - FEMA	256,242	
Change in Unavailable Revenue - Settlement	1,503,466	1,759,708
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 Accrued Interest	(50,385)	
Change in Net Pension Liability/ and Related Pension Amounts	1,142,984	
Change in Total OPEB Liability/ and Related OPEB Amounts	376,490	
Change in Compensated Absences	(508,624)	960,465
Change in Net Position of Governmental Activities		$ 20,016,756

See accompanying Notes to Financial Statements.

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

ASSETS	Utility Fund	Sanitation Fund	Airport Fund	Total
CURRENT ASSETS				
Cash and Pooled Cash, Cash Equivalents, and Investments	$ 11,001,102	$ 1,512,066	$ 2,083,961	$ 14,597,129
Accounts Receivable	2,096,450	360,124	44,613	2,501,187
Less: Allowance for Credit Losses	(518,269)	(49,644)	-	(567,913)
Lease Receivable - Short-Term	-	-	175,242	175,242
Other Prepaid Expense	1,271	-	-	1,271
Inventories of Supplies, at Cost	522,073	-	62,174	584,247
Due from Other Governments	1,127,742	-	1,475,128	2,602,870
Total Current Assets	14,230,369	1,822,546	3,841,118	19,894,033
NONCURRENT ASSETS				
Lease Receivable - Long-Term	-	-	1,536,420	1,536,420
Total Noncurrent Assets	-	-	1,536,420	1,536,420
RESTRICTED ASSETS				
Cash and Pooled Cash, Cash Equivalents, and Investments:				
Utility Connection Impact Fees	9,445,489	-	-	9,445,489
Utility Deposits	1,865,647	-	-	1,865,647
Total Restricted Assets	11,311,136	-	-	11,311,136
CAPITAL ASSETS				
Property, Plant, Equipment, and Infrastructure	127,598,319	6,104,041	46,352,971	180,055,331
Less: Accumulated Depreciation	(50,916,557)	(2,834,550)	(17,915,715)	(71,666,822)
Total Capital Assets	76,681,762	3,269,491	28,437,256	108,388,509
Total Assets	102,223,267	5,092,037	33,814,794	141,130,098
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB Outflows	1,616,902	555,810	303,169	2,475,881
Deferred Pension Outflows	458,705	134,084	57,167	649,956
Total Assets and Deferred Outflows of Resources	$ 104,298,874	$ 5,781,931	$ 34,175,130	$ 144,255,935

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2025

	Utility Fund	Sanitation Fund	Airport Fund	Total
LIABILITIES				
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS				
Accounts Payable and Accrued Expenses	$ 2,842,334	$ 52,879	$ 766,409	$ 3,661,622
Water Capacity Reservation	588,300	-	-	588,300
Current Portion of Compensated Absences Payable	62,716	37,457	39,382	139,555
Current Portion of Notes Payable	2,136,987	20,345	-	2,157,332
Total Current Liabilities Payable from Current Assets	5,630,337	110,681	805,791	6,546,809
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer Deposits	1,865,647	-	49,888	1,915,535
Accrued Interest	34,746	-	-	34,746
Total Current Liabilities Payable from Restricted Assets	1,900,393	-	49,888	1,950,281
Total Current Liabilities	7,530,730	110,681	855,679	8,497,090
LONG-TERM LIABILITIES				
Net OPEB Liability	1,810,272	622,281	339,426	2,771,979
Net Pension Liability	1,630,841	471,253	203,642	2,305,736
Compensated Absences Payable, Long-Term Portion	329,263	196,651	206,751	732,665
Bonds and Notes Payable, Long-Term Portion	7,470,669	-	-	7,470,669
Total Long-Term Liabilities	11,241,045	1,290,185	749,819	13,281,049
Total Liabilities	18,771,775	1,400,866	1,605,498	21,778,139
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of Resources - Leases	-	-	1,559,056	1,559,056
Deferred OPEB Inflows	3,743,050	1,286,673	701,822	5,731,545
Deferred Pension Inflows	392,508	113,015	49,041	554,564
Total Deferred Inflow of Resources	4,135,558	1,399,688	2,309,919	7,845,165
NET POSITION				
Net Investment in Capital Assets	65,229,452	3,249,146	27,730,982	96,209,580
Restricted:				
Extension - Utility Fund	9,445,489	-	-	9,445,489
Unrestricted	6,716,600	(267,769)	2,528,731	8,977,562
Total Net Assets	81,391,541	2,981,377	30,259,713	114,632,631
Total Liabilities and Net Position	$ 104,298,874	$ 5,781,931	$ 34,175,130	$ 144,255,935

See accompanying Notes to Financial Statements.

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

	Utility Fund	Sanitation Fund	Airport Fund	Total
OPERATING REVENUE				
Charges for Services	$ 15,728,948	$ 2,713,631	$ 1,879,806	$ 20,322,385
Misc Revenue	-	38,957	54,063	93,020
Total Operating Revenue	15,728,948	2,752,588	1,933,869	20,415,405
OPERATING EXPENSES				
Personnel Services	3,009,855	815,002	608,914	4,433,771
Professional Services	3,622,645	33,201	23,909	3,679,755
Operating Supplies	147,674	83,352	6,299	237,325
Property and Casualty Insurance	381,475	84,103	108,568	574,146
Repairs and Maintenance	455,622	257,125	54,706	767,453
Utilities	721,793	2,791	44,865	769,449
Depreciation	3,760,852	382,662	1,371,067	5,514,581
Other Operating Expenses	633,222	267,980	72,781	973,983
Costs of Goods Resold	-	-	807,795	807,795
Total Operating Expenses	12,733,138	1,926,216	3,098,904	17,758,258
OPERATING INCOME (LOSS)	2,995,810	826,372	(1,165,035)	2,657,147
NONOPERATING REVENUES (EXPENSES)				
Investment Income	812,662	69,909	165,019	1,047,590
Interest Expense/Bond Refinance	(236,563)	(1,054)	-	(237,617)
Insurance Proceeds	2,137,225	1,957	63,936	2,203,118
Gain (Loss) on Sale of Asset	(120,721)	-	-	(120,721)
Total Nonoperating Revenues (Expenses)	2,592,603	70,812	228,955	2,892,370
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	5,588,413	897,184	(936,080)	5,549,517
Transfers from Other Funds	-	-	285,030	285,030
Transfers to Other Funds	(1,877,650)	(361,440)	(20,000)	(2,259,090)
Capital Grants	3,151,624	-	1,586,440	4,738,064
CHANGE IN NET POSITION	6,862,387	535,744	915,390	8,313,521
Net Assets - Beginning of Year	77,196,940	3,804,293	30,023,653	111,024,886
Restatement	(2,667,786)	(1,358,660)	(679,330)	(4,705,776)
Fund Balances - Beginning of Year, as Restated	74,529,154	2,445,633	29,344,323	106,319,110
NET POSITION - END OF YEAR	$ 81,391,541	$ 2,981,377	$ 30,259,713	$ 114,632,631

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund	Sanitation Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 15,456,077	$ 2,756,184	$ 1,760,623	$ 19,972,884
Cash Paid to Suppliers for Goods and Services	(5,219,414)	(734,394)	(1,164,374)	(7,118,182)
Cash Paid to and for the Benefit of Employees	(2,808,061)	(806,204)	(515,251)	(4,129,516)
Net Cash Provided by Operating Activities	7,428,602	1,215,586	80,998	8,725,186
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers Due To/From Other Funds	(1,877,650)	(361,440)	245,171	(1,993,919)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(1,877,650)	(361,440)	245,171	(1,993,919)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash Received from Grant/Donations	2,644,412	-	234,175	2,878,587
Cash Paid for Capital Acquisitions	(9,414,381)	(1,335,616)	(1,274,071)	(12,024,068)
Principal Repayments	(1,985,174)	(19,320)	-	(2,004,494)
Cash Received from SFR Loan	429,918	-	-	429,918
Cash Received from Leasing Activities	-	-	82,924	82,924
Cash Paid for Interest	(236,563)	(1,054)	-	(237,617)
Cash Received from Assets Sold	30,400	-	-	30,400
Net Cash Used by Capital and Related Financing Activities	(8,531,388)	(1,355,990)	(956,972)	(10,844,350)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest	812,662	69,909	165,019	1,047,590
Insurance Recoveries	2,137,225	1,957	63,936	2,203,118
Net Cash Provided by Investing Activities	2,949,887	71,866	228,955	3,250,708
NET DECREASE IN CASH	(30,549)	(429,978)	(401,848)	(862,375)
Cash - Beginning of Year	22,342,787	1,942,044	2,485,809	26,770,640
CASH - END OF YEAR	$ 22,312,238	$ 1,512,066	$ 2,083,961	$ 25,908,265
NONCASH CAPITAL AND INVESTING ACTIVITIES				
Capital Additions Funded by Accounts Payable	$ 1,844,654	$ -	$ 706,274	$ 2,550,928
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Unrestricted Cash and Pooled Cash, Cash Equivalents, and Investments	11,001,102	1,512,066	2,083,961	14,597,129
Restricted Cash and Pooled Cash, Cash Equivalents, and Investments:				
Utility Impact Fees	9,445,489	-	-	9,445,489
Customer Deposits	1,865,647	-	-	1,865,647
Total	$ 22,312,238	$ 1,512,066	$ 2,083,961	$ 25,908,265

See accompanying Notes to Financial Statements.

CITY OF ZEPHYRHILLS, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund	Sanitation Fund	Airport Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 2,995,810	$ 826,372	$ (1,165,035)	$ 2,657,147
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	3,760,852	382,662	1,371,067	5,514,581
(Increase) Decrease in:				
Accounts Receivable, Net	(305,071)	3,596	(174,433)	(475,908)
Inventories	29,472	-	(14,428)	15,044
Prepaids	10,173	-	-	10,173
Increase (Decrease) in:				
Customer Deposits	32,200	-	1,187	33,387
Pension	127,029	(63,417)	(12,492)	51,120
OPEB	(51,949)	(5,516)	58,749	1,284
Accounts Payable - Suppliers	703,372	(5,842)	(31,023)	666,507
Other	-	-	-	-
Accrued Payroll and Compensated Absences	126,714	77,731	47,406	251,851
Total Adjustments	4,432,792	389,214	1,246,033	6,068,039
Net Cash Provided by Operating Activities	$ 7,428,602	$ 1,215,586	$ 80,998	$ 8,725,186

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Zephyrhills was incorporated pursuant to Florida Legislature Spec. Acts 1925, Chap. 11327, Sec. 1, as amended by Spec. Acts 1927, Chap. 13564, Sec. 1. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation, water and wastewater services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Defining the Financial Reporting Entity

In accordance with Governmental Accounting Standards Board Statement Number 14, the financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization or the possibility that the organization will impose or provide a financial burden or benefit to the primary government.

The Zephyrhills Community Redevelopment Agency was formed as a special district by Council Resolution number 437 adopted March 9, 1998. The resolution provided that the City Council itself is the governing body of the agency. The district was formed for the purpose of redevelopment of the specified area of land within the downtown area of the City of Zephyrhills. Although the CRA is legally separate, it meets the criteria for blending and is presented as a governmental fund of the primary government. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of the property within the redevelopment areas. Separate financial statements for the CRA may be obtained by writing the CRA, 5335 8th Street, Zephyrhills, FL 33542.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements

Government-Wide Statements

The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and long-term liabilities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Business-type activities include the utilities, sanitation, and airport services.

In the government-wide statement of net position, both the governmental and business-type activities (a) are presented on a consolidated basis by column and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (police, public works, community services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has electively added funds, as major funds, which either have debt outstanding or specific community focus. Nonmajor funds, if any, are combined in a column in the fund financial statements. All funds of the City are considered major funds.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

- The General Fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

- The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

- The CRA Fund is used to account for revenues and expenditures specifically derived from and applicable to the Community Redevelopment Agency Area within the City.

- The Impact Fee Fund is used to account for proceeds from police, fire, transportation and park impact fees that are restricted by ordinance for specific purposes.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net financial position, and cash flows. The City reports the following proprietary fund types: Utility Water and Sewer, Sanitation, and Airport.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services, and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied, provided they are also available. Intergovernmental revenues or grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year. It contains proposed expenditures and the means to finance them, including a proposed property tax millage rate.

Public hearings are conducted to obtain taxpayer comments on the proposed budget and property tax millage rate.

The budget and property tax millage rate are approved by the City Council in September.

Annual budgets are adopted for the following funds: General Fund, Special Revenue Fund, and Enterprise Funds.

The City Council must approve budget amendments that affect revenue accounts or appropriations in more than one department. Expenditures may not exceed legal appropriations at the department level. Appropriations lapse at year-end. All budget amounts presented in the accompanying financial statements and supplemental information have been adjusted for revisions as approved by City Council during the year.

Formal budgetary integration is employed as a management control device during the year for the Governmental Funds.

Budgets for the Governmental Funds are adopted on a basis consistent with generally accepted accounting principles.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity

The City utilizes a consolidated cash pool to account for cash, cash equivalents, and investments of all City funds other than those that are required by ordinance to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds.

The City considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents. The majority of the City's pooled investments have the general characteristics of demand deposits, in that additional funds may be deposited at any time and funds may be withdrawn at any time without prior notice or penalty. Therefore, all of the pooled investments, regardless of their maturities, are considered cash equivalents.

The City participates in the Florida Prime (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) operated by the Florida State Board of Administration. Florida Prime meets all of the necessary criteria to elect to measure all of the investments in Florida Prime at amortized cost, as a cash equivalent. (See also Note 2)

Investments

Investments are reported at fair value. Investments in mutual fund type securities are valued at the net asset value of the fund based on the underlying assets held in the funds. The fair value of an investment is the amount that could reasonably be expected to be received for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Receivables

Utility (water and sewer and sanitation fund) operating revenues are generally recognized on the basis of cycle billings rendered monthly or quarterly. The City records estimated revenues for services delivered during the current fiscal year that will be billed during the next fiscal year.

Inventories

Inventories are stated at cost using the first-in, first-out method. Inventories in the governmental funds are accounted for by the consumption method, wherein inventories are charged as expenditures when used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2025, are recorded as prepaid items.

Taxes Receivable

Other tax receivables include franchise and utility taxes that are received monthly.

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pasco County Property Appraiser and Pasco County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for the fiscal year ended September 30, 2025, was 6.25.

The tax levy of the City is established by the City Council prior to October 1 of each year. The Pasco County Property Appraiser incorporates the millage into the total tax levy, which includes the tax requirements of the City, municipalities, independent districts, and the Pasco County School Board.

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

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Pasco County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on real property bear interest at 18% pe/r year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificate may be made by the certificate holder after a period of two years. Unsold certificates are held by Pasco County.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Capital Assets

Capital assets acquired or constructed in excess of $750 are capitalized at historical cost. Donated assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable assets are as follows:

Sewer System	50 Years
Water System	50 Years
Public Domain Infrastructure	20 to 40 Years
Buildings	10 to 50 Years
Equipment	5 to 10 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with tax-exempt debt. There was no interest capitalized during the year ended September 30, 2025. Interest cost is not capitalized on projects financed by government grants, third-party donations or on assets in the governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Compensated Absences

Annual vacation accruals vary based on the years of service. The maximum number of annual leave hours that an employee may accrue is 320 hours.

Medical leave accumulates at the rate of 8 hours for each month worked with no maximum accumulation. Payment for unused medical leave will be made at termination of employment based on years of service.

Employees with 25 or more years of service that elect to resign, retire, and/or enter into the DROP Program, and provide the City with a 12 month written notice, may carry over all accrued annual leave up to the maximum allowed by the Florida Retirement System (currently 500 hours). This is retroactive to July 1, 2001.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Other Postemployment Benefits (OPEB)

In the statement of net position, liabilities are recognized for the City’s total OPEB liability as determined by an actuarial review of the healthcare coverage purchased by retirees to continue participation in the City’s health plan. OPEB expense is recognized immediately for changes in the OPEB liability resulting from current year service cost, interest on the total OPEB liability, and changes of benefit terms or actuarial assumptions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components – invested in capital assets (net of related debt), restricted, and unrestricted.

1. **Net Investment in Capital Assets**

   This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

2. **Restricted**

   This component consists of net position that has constraints placed on them either externally by third parties (creditors, grantors, and contributors) or by law through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.

3. **Unrestricted**

   This component consists of net position that does not meet the definition of invested in capital assets, net of related debt and restricted. Designations of net position made by the City's management are included in this component because these types of constraints are internal, and management can remove or modify them.

Fund Balances

In the fund financial statements, fund balance for governmental funds (General Fund, Special Revenue Fund, CRA Fund, and Impact Fee Fund) is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Under GASB 54 requirements, fund balance is reported as five possible components – nonspendable, restricted, committed, assigned, and unassigned.

1. **Nonspendable**

   This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Fund Balances (Continued)

2. **Restricted**

   This component includes amounts reported as restricted when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

3. **Committed**

   This component includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Such amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

4. **Assigned**

   This component is used to report the government's intent to use the amount for a specific purpose but are neither restricted, nor committed.

5. **Unassigned**

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

In governmental funds, bond discounts and issuance costs are recognized in the current period. In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method of accounting, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred outflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Pensions

In the government-wide statement of net position, liabilities are recognized for the City's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 deferred outflows of resources reported in the City's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports 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 deferred inflows of resources reported in the City's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the City's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. 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 benefitting 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 presentation where applicable.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS

At September 30, 2025, the bank balances of the City's deposits totaled $3,642,465.

The following is a reconciliation of deposits and investments to amounts shown on the statement of net position as of September 30, 2025:

Deposits	$	3,749,608
Cash on Hand		950
Investments		60,709,920
Total	$	64,460,478
Statement of Net Position:		
Cash and Cash Equivalents	$	53,149,342
Restricted Cash and Cash Equivalents		11,311,136
Total	$	64,460,478

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash and Investments under each fund's caption.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Equity in pooled cash and investments by fund are:

Fund	Deposit Type	Amount
General Fund	Unrestricted	$ 22,099,585
Special Revenue Fund	Unrestricted	5,586,502
CRA Fund	Unrestricted	2,864,072
Impact Fee Fund	Unrestricted	8,002,054
Utility Fund	Unrestricted	11,001,102
Utility Fund	Restricted	11,311,136
Sanitation Fund	Unrestricted	1,512,066
Airport Fund	Unrestricted	2,083,961
Total Pooled Cash and Investments		$ 64,460,478

Cash and Investments include amounts in demand deposits (including sweep account features), United States Treasury Notes, bank certificates of deposit, repurchase agreements and deposits with the State Board of Administration of Florida's Prime Fund.

Fiscal management policies designed to comply with Florida statutes authorize the government to invest in:

A. The Florida Prime Fund (SBA) and the Florida Municipal Investment Trust.

B. Negotiable direct obligations or obligations where the principal and interest are unconditionally guaranteed by the United States Government.

C. Nonnegotiable interest-bearing time certificates of deposit or savings accounts in banks and savings associations under the laws of this state and/or in national banks or savings associations organized under the law of the United States and doing business and situated in this state, provided that any such deposits are secured by the Florida Security of Public Deposits Act Chapter 280, Florida Statutes, and provided that the bank or savings association is not listed with any recognized credit watch information service.

D. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies provided such obligations are backed by the full faith and credit of the United States Government.

E. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities), which are nonfull faith and credit agencies limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank or its district banks (FHLB)
- Federal National Mortgage Association (FNMA)-FNMA guaranteed pass-through obligations
- Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal Home Loan Mortgage Corporation participation certificates
- Student Loan Marketing Association (Sallie-Mae)
- Tennessee Valley Authority (TVA)

F. Repurchase agreements comprised of only those investments as authorized in Section B, C, and D above.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

All deposit accounts of the City are placed in banks that qualify as a public depository, as required by law (Florida Security for Public Deposits Act, Chapter 280, Florida Statutes). Chapter 280 of the Florida Statues provides that qualified public depositories must maintain eligible collateral having a market value equal to 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the 12 months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name, nor specify which collateral is held for the City's benefit.

The Public Deposit Security Trust Fund, as created under the laws of the state of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described. Florida Statutes and the City's investment policy authorize the City to use interest bearing time deposit, savings accounts, and money market accounts in qualified public depositories. All deposits are entirely insured or collateralized pursuant to Florida's public deposits program.

Investments in Local Government Investment Pools

The City invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the state of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2025, Florida PRIME contained certain floating and adjustable-rate securities which were indexed based on the prime rate and/or one- and three-month London Interbank Offered Rates (LIBOR) rates. These investments represented 18.20% of the Florida PRIME's portfolio at September 30, 2025.

Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost, which approximates fair value.

The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2025 was 47 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2025 was 73 days. Investments in Florida PRIME must carry an "AAAm" rating from Standard and Poor's. On September 30, 2025, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments in Local Government Investment Pools (Continued)

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

The City’s investment pool also includes the Florida Surplus Asset Fund Trust (Florida SAFE Investment Pool) is a common law trust organized in 2007 under the laws of the state of Florida. The trust is administered by Prudent Man Advisors, Inc. and an elected five-member Board of Trustees that oversees all actions and decides on general policies. The trust includes a liquid money market-like investment called the “FL SAFE Fund” and one or more Term Series portfolios that have a fixed duration. Participants in the trust may invest in the Fund and any Term Series portfolios and in a value-added program called the “Fixed Income Investment Program,” through which the participants may purchase investments for their own portfolio. The Fund is accounted as a Stable Net Position Value investment pool.

As of September 30, 2025, FL SAFE investment pool weighted average maturity in days was 38 days. Florida SAFE meets all of the necessary criteria to elect to measure all of the investments in Florida SAFE at amortized cost, which approximates fair value.

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City coordinates its investment maturities to closely match cash flow needs and has generally restricted the maximum investment term to less than five years from the purchase date. As of September 30, 2025, Investments and related level of risk were as follows:

Deposit/Investment Type	Fair Value	Investment Maturity (In Years) Less than 1 Year	5+ Year
Florida Prime - Account 1	$ 1,642,584	$ 1,642,584	$ -
Florida Prime - Account 2	29,997,705	29,997,705	-
FL SAFE	29,069,631	29,069,631	-
Total	$ 60,709,920	$ 60,709,920	$ -

Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City diversifies its investments by security type and institution and limits holdings in any type of investment with any one issuer. The City's investment policy minimizes credit risk by limiting the maximum percentage that may be invested in any one entity or instrument at any one time.

Presented below is the actual rating as of September 30, 2025 for each type of investment in securities.

Investment Type	S&P/Moody's Rating	Fair Value
SBA Florida PRIME	AAAm	$ 31,640,289
PMA Florida SAFE	AAAm	29,069,631
Total		$ 60,709,920

The City follows the guidelines of Florida Statute 218.415, which allows certain types of investments. The City's investment policy allows investment in government-sponsored agencies such as investment pools, tax-exempt municipal bonds, direct obligations, and bonds guaranteed by the U.S. government, with a minimum AA rating by Standard and Poor's.

NOTE 2 CASH AND POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Assets are to be diversified to control the risk of loss resulting from concentration of assets in a specific maturity, issue, instruments, deals, or bank through which the investments are bought and sold.

No investments in any one issuer exceeds 5% of the total investments.

Foreign Currency Risk

The City is not exposed to any foreign currency risk.

NOTE 3 RECEIVABLES

The receivables and related allowances for uncollectibles at September 30, 2025 were as follows:

	Governmental Activities	Business-Type Activities			
	General	Utility	Solid Waste	Airport	Total
Utility and Franchise Taxes	$ 475,469	$ -	$ -	$ -	$ 475,469
Customer Charges	43,246	1,915,934	360,124	44,613	2,363,917
Settlement	1,780,730	-	-	-	1,780,730
Miscellaneous	782	180,516	-	-	181,298
Gross Receivables	2,300,227	2,096,450	360,124	44,613	4,801,414
Allowance for Doubtful Accounts	-	(518,269)	(49,644)	-	(567,913)
Total	$ 2,300,227	$ 1,578,181	$ 310,480	$ 44,613	$ 4,233,501

Settlement Receivable

During the fiscal year ended September 30, 2025, the City was awarded proceeds in connection with a legal settlement. The settlement represents compensation for costs associated with remediation and monitoring activities, and amounts were recognized in accordance with applicable GASB guidance. Funds received are restricted for use in accordance with the settlement terms, and support the City’s ongoing efforts to maintain compliance with federal and state regulatory requirements.

NOTE 4 UNEARNED REVENUE

The City reports unearned revenue for resources received in advance of the period in which the related services are provided or exchange transaction obligations are satisfied. At September 30, 2025, unearned revenue in the special revenue fund totaled $627,482 consisting of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funds remaining that had been received but not yet expended for eligible purposes.

NOTE 5 CAPITAL ASSETS

Governmental activities' capital asset activity for the fiscal year ending September 30, 2025, was as follows:

	*Balance Beginning 10/1/2024	Additions	Deletions	Transfers In/ Transfers Out	Ending Balance 9/30/2025
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land and Improvements	$ 4,296,979	$ 80,790	$ -	$ -	$ 4,377,769
Construction in Progress*	6,571,947	3,608,655	-	(6,162,127)	4,018,475
Total Capital Assets Not Being Depreciated	10,868,926	3,689,445	-	(6,162,127)	8,396,244
Capital Assets Being Depreciated / Amortized:					
Buildings and Improvements	22,471,439	163,402	-	20,992	22,655,833
Improvements Other than Buildings	9,077,087	3,360	(90,343)	343,871	9,333,975
Equipment	11,133,472	1,698,851	(796,148)	34,844	12,071,019
Infrastructure	28,866,507	8,802,868	-	5,754,061	43,423,436
Subscription Assets	2,247,363	228,316	(276,486)	-	2,199,193
Total Capital Assets Being Depreciated	73,795,868	10,896,797	(1,162,977)	6,153,768	89,683,456
Less Accumulated Depreciation / Amortization for:					
Buildings and Improvements	6,990,733	807,111	(18,848)	-	7,778,996
Improvements Other than Buildings	4,446,137	215,780	(254,442)	-	4,407,475
Equipment	5,122,139	714,635	(398,310)	(18,577)	5,419,887
Infrastructure	14,407,581	1,027,194	-	-	15,434,775
Subscription Asset	452,634	129,150	-	-	581,784
Total Accumulated Depreciation	31,419,224	2,893,870	(671,600)	(18,577)	33,622,917
Governmental Activities Capital Assets, Net	$ 53,245,570	$ 11,692,372	$ (491,377)	$ 10,218	$ 64,456,783

*Beginning Balance Restated, See Note 15

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the governmental activities as follows:

General Government:	
Administration	$ 7,585
Other General Government	305,377
Total General Government	312,962
Public Safety:	
Fire Department	-
Police Department	648,869
Protective Inspection	20,093
Total Public Safety	668,962
Public Works:	
Streets	1,248,005
Equipment Maintenance	24,159
Parks and Facility Management	550,400
Total Public Works	1,822,564
Culture and Recreation:	
Library	89,382
Total Culture and Recreation	89,382
Total	$ 2,893,870

Business-type activities' capital asset activity for the fiscal year ending September 30, 2025, was as follows:

	*Balance Beginning 10/1/2024	Additions	Deletions	Transfers In/ Transfers Out	Ending Balance 9/30/2025
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Land and Improvements	$ 2,864,000	$ -	$ -	$ -	$ 2,864,000
Construction in Progress	5,937,839	11,148,828	-	(1,267,260)	15,819,407
Total Capital Assets Not Being Depreciated	8,801,839	11,148,828	-	(1,267,260)	18,683,407
Capital Assets Being Depreciated:					
Buildings and Improvements	46,029,769	175,232	-	-	46,205,001
Equipment	9,260,970	1,670,752	(990,633)	181,390	10,122,479
Infrastructure*	102,945,389	1,004,826	-	1,094,229	105,044,444
Total Capital Assets Being Depreciated	158,236,128	2,850,810	(990,633)	1,275,619	161,371,924
Less Accumulated Depreciation for:					
Buildings and Improvements	16,380,414	1,409,303	-	-	17,789,717
Equipment	4,201,266	811,120	(869,587)	18,577	4,161,376
Infrastructure	46,421,571	3,294,158			49,715,729
Total Accumulated Depreciation	67,003,251	5,514,581	(869,587)	18,577	71,666,822
Business-Type Activities Capital Assets, Net	$ 100,034,716	$ 8,485,057	$ (121,046)	$ (10,218)	$ 108,388,509

NOTE 6 LEASES

The City is a lessor for noncancellable leases of buildings, parking spaces and land. The City recognizes a lease receivable and a deferred inflow of resources for these leases in the financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Lease payments to be received under reasonably certain extension options are also included in the measurement of the lease receivable. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue over the term of the lease. Key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and the lease receipts.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments to be received under the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The City leases certain airport facilities, land, hangars, and related property to various tenants under noncancelable lease agreements with varying terms extending through fiscal year 2049. In accordance with GASB Statement No. 87, the City recognizes lease receivables and related deferred inflows of resources for applicable lease arrangements. Lease revenue is recognized in a systematic and rational manner over the lease terms, and interest revenue is recognized on the outstanding lease receivables. Certain agreements may include variable payments, renewal options, or termination provisions; however, amounts related to variable payments and optional periods are excluded from the measurement of the lease receivable unless the payments are fixed in substance or the applicable options are reasonably certain of being exercised.

The City recorded an initial lease receivable of $2,145,109 during fiscal year 2023. The ending lease receivable balance at September 30, 2025 was $1,711,662. During the year ended September 30, 2025, the City recognized $215,995 and $61,447 in lease revenue and interest revenue, respectively, pursuant to these contracts.

NOTE 6 LEASES (CONTINUED)

Total future minimum lease payments to be received under lease agreements are as follows:

	Business-Type Activities		
Year Ending September 30,	Principal	Interest	Total
2026	$ 175,242	$ 54,920	$ 230,162
2027	168,387	49,050	217,437
2028	164,990	43,272	208,262
2029	168,307	37,470	205,777
2030	168,930	31,543	200,473
2031 - 2035	474,871	96,617	571,488
2036 - 2040	277,342	34,543	311,885
2041 - 2045	83,720	11,695	95,415
2046 - 2050	29,873	965	30,838
Total Lease Receivable	$ 1,711,662	$ 360,075	$ 2,071,737

NOTE 7 LONG TERM LIABILITIES

Long-term liability activity for the governmental activities for the year ended September 30, 2025 consisted of the following:

	Balance Beginning 10/1/2024	Increases	Decreases	Ending Balance 9/30/2025	Amounts Due Within One Year
Governmental Activities:					
Notes and Leases Payable:					
Bond Payable, JP Morgan Chase Bank, N.A. (City Hall Project)	$ 4,782,517	$ -	$ (483,490)	$ 4,299,027	$ 494,823
Total Notes and Leases Payable	4,782,517	-	(483,490)	4,299,027	494,823
Other Liabilities:					
SBITAs	1,658,029	228,316	(177,293)	1,709,052	205,651
Compensated Absences*	1,595,895	481,648	-	2,077,543	519,386
	3,253,924	709,964	(177,293)	3,786,595	725,037
Total Long-Term Liabilities Governmental Activities	$ 8,036,441	$ 709,964	$ (660,783)	$ 8,085,622	$ 1,219,860

*Compensated Absences is reported as a net change

Long-term liabilities of the governmental activities, which include compensated absences, are generally liquidated by the General Fund.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the business-type activities for the year ended September 30, 2025 consisted of the following:

	Balance Beginning 10/1/2024	Increases	Decreases	Ending Balance 9/30/2025	Amounts Due Within One Year
Business-Type Activities:					
Bonds Payable, BB&T Series	$ 1,436,120	$ -	$ (710,205)	$ 725,915	$ 725,915
Total Bonds Payable	1,436,120	-	(710,205)	725,915	725,915
EPA Loan to Utility Fund (SRF)	9,766,457	429,918	(1,294,289)	8,902,086	1,431,417
Total Bonds and Notes Payable	11,202,577	429,918	(2,004,494)	9,628,001	2,157,332
Other Liabilities:					
Compensated Absences*	738,534	133,686	-	872,220	139,555
Total Long-Term Liabilities Business-Type Activities	$ 11,941,111	$ 563,604	$ (2,004,494)	$ 10,500,221	$ 2,296,887

*Compensated Absences is reported as a net change

NOTE 8 SUBSCRIPTION LIABILITIES

At the commencement of a SBITA, the City initially measures the subscription liability amount by the present value of subscription payments expected to be made during the subscription term with future payments discounted by the interest rate of the SBITA (If the interest rate is not defined by the SBITA vendor, the City uses its own incremental borrowing rate). The liability is reduced as payments are made. The subscription asset is measured as the sum of the initial subscription liability amount, payments made prior to the commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term. The amortization of the asset is recognized as an outflow of resources over the subscription term.

The subscription term includes the noncancellable period of the subscription. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the agreement term if it is reasonably certain that the subscription will be extended. The City monitors changes in circumstances that would require a remeasurement of its Subscription Based Information Technology Arrangements and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

NOTE 8 SUBSCRIPTION LIABILITIES (CONTINUED)

The expected principal and interest payments to maturity are summarized in the table below.

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2026	$ 205,651	$ 102,249	$ 307,900
2027	223,606	87,213	310,819
2028	175,688	73,822	249,510
2029	187,929	61,581	249,510
2030	201,037	48,473	249,510
2031 - 2035	715,141	57,418	772,559
Total	$ 1,709,052	$ 430,756	$ 2,139,808

NOTE 9 LONG-TERM DEBT

Infrastructure Sales Surtax Revenue Bond

City of Zephyrhills, Florida has an Infrastructure Sales Surtax Revenue Bond (Series 217 Bond) obligation to JP Morgan Chase Bank, N.A. (City Hall Project) bearing interest at 2.344%. The Bond is payable in one principal payment per year and two interest payments per year, with total annual payments of $589 thousand. Interest is payable on April 1 and October 1 each year. Closing date of the Series 217 Bond was October 25, 2017. The Bond is payable from Non-Ad Valorem revenues which must be budgeted and appropriated each year. The full faith and credit of the City is not pledged to the payment of the Bond. The Bond cannot be prepaid prior to October 25, 2022.

Principal and interest payments for the years following September 30, 2025, are as follows:

Year Ending September 30,	Principal	Interest
2026	$ 494,823	$ 94,970
2027	506,422	83,235
2028	518,292	71,226
2029	530,441	58,934
2030	542,875	46,355
2031-2035	1,706,174	60,607
Total	$ 4,299,027	$ 415,327

NOTE 9 LONG-TERM DEBT (CONTINUED)

Clean Water State Revolving Fund Loan Agreement

In connection with necessary expansion of the wastewater treatment plant, the City approved funding of said improvement by use of a loan from the state revolving loan fund and EPA. The total commitment available to the City is $19,749,018, including construction period capitalized interest.

The loan provides for interest at the rate of 2.12%. The construction was substantially completed as of September 30, 2008, and the plant is in operation.

In the year ending September 30, 2021, the City received an additional loan for waste water treatment plant improvements in the amount of $6,188,840 of which they took disbursements in the amount of $5,882,370 in prior years and $429,918 in the current year. The loan provides for 0% interest.

All Utility Fund revenues, including connection fees, have been pledged as collateral for the loans.

The following repayment schedule is based on funds draw down as of September 30, 2025.

Year Ending September 30,	Principal	Interest Rate	Interest Amount	Total EPA Loan Service Requirement
2026	$ 1,431,417	0% - 2.12%	$ 65,301	$ 1,496,718
2027	1,434,387	0% - 2.12%	41,987	1,476,374
2028	1,458,199	0% - 2.12%	18,175	1,476,374
2029	317,113	0.00%	-	317,113
2030	317,113	0.00%	-	317,113
2031	317,113	0.00%	-	317,113
2032	317,113	0.00%	-	317,113
2033	317,113	0.00%	-	317,113
2034	317,113	0.00%	-	317,113
2035	317,113	0.00%	-	317,113
2036	317,113	0.00%	-	317,113
2037	317,113	0.00%	-	317,113
2038	317,113	0.00%	-	317,113
2039	317,113	0.00%	-	317,113
2040	317,113	0.00%	-	317,113
2041 - 2045	772,727	0.00%	-	772,727
Total	$ 8,902,086		$ 125,463	$ 9,027,549

The City of Zephyrhills borrowed money from the US Department of Environmental Protection Agency. The loans were passed through the Florida Department of Environmental Protection, Clean Water State Revolving Fund. The funds were also associated with the American Recovery and Reinvestment Act. The proceeds were used to upgrade and expand the existing Wastewater Treatment Plant.

NOTE 9 LONG-TERM DEBT (CONTINUED)

During fiscal year 2016, the City issued $6,591,078 for long-term financing of equipment upgrades and related costs for the Utility and Sanitation funds. The debt is in the form of a lease-purchase agreement and is reported as Bonds Payable, BB&T Series Equipment Finance lease. The following is a schedule of maturities under this agreement:

Year Ending September 30,	Principal	Interest Rate	Interest Amount	Total BB&T Loan Service Requirement
2026	$ 725,915	2.20%	$ 11,995	$ 737,910
Total	$ 725,915		$ 11,995	$ 737,910

Total annual business activities debt service requirements – excluding compensated absences:

Year Ending September 30,	Principal	Interest	Total
2026	$ 2,157,332	$ 77,296	$ 2,234,628
2027	1,434,387	41,987	1,476,374
2028	1,458,199	18,175	1,476,374
2029	317,113	-	317,113
2030	317,113	-	317,113
2031 - 2035	1,585,565	-	1,585,565
2036 - 2040	1,585,565	-	1,585,565
2041-2045	772,727	-	772,727
Total	$ 9,628,001	$ 137,458	$ 9,765,459

The City is in compliance with all significant debt requirements.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiemployer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Background (Continued)

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, *Florida Statutes*; Chapter 112, Part IV, *Florida Statutes*; Chapter 238, *Florida Statutes*; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiemployer defined benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiemployer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected City Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to four years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Plan Description (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

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

The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of	Percent Value
Regular Class Members Initially Enrolled Before July 1,	
Retirement up to age 62 or up to 30 years of service	1.60 %
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class Members Initially Enrolled on or After July	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30,	2.00
Service on and After October 1, 1974	3.00

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% 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 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The employer contribution rates by job class for the periods from October 1, 2024, through June 30, 2025, and from July 1, 2025, through September 30, 2025, respectively, were as follows: Regular employees 13.63% and 14.03%; Special Risk employees 32.79% and 35.19%; City Elected Officials 58.68% and 54.57%; Senior Management Services 34.52% and 33.24%; and DROP participants 21.13% and 22.02%. The City's contributions to the FRS Plan were $1,908,606 for the year ended September 30, 2025.

Pension Costs

At September 30, 2025, the City reported a liability of $9,537,349 for its proportionate share of the FRS Plan's net pension liability. 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. The City's proportion of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2025, the City's proportion was 0.030730874%, which was an increase of 0.002531515% from its proportion measured as of June 30, 2024.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs (Continued)

For the year ended September 30, 2025, the City recognized pension expense of $664,433 for its proportionate share of the FRS Plan's pension expense. In addition, the City reported its proportionate share of the FRS Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 1,018,691	$ -
Changes in Actuarial Assumptions	1,107,536	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,592,360
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	846,077	505,309
City Contributions Subsequent to the Measurement Date	460,420	-
Total	$ 3,432,724	$ 2,097,669

An amount of $460,420 reported as deferred outflows of resources related to pensions resulting from City contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ending September 30,	Amount
2026	$ 1,340,012
2027	(97,587)
2028	(179,316)
2029	(188,474)
2030	-
Thereafter	-

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:

FRS Actuarial Assumptions:

Inflation	2.40 % per year
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	6.70%, Net of Pension Plan Investment Expense

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the PUB-2010 base table which varies by member category and sex, projected generationally with Scale MP-2021. The actuarial assumptions used in the July 1, 2025, valuation for the June 30, 2025, measurement date were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0 %	3.2 %	3.2 %	1.1 %
Fixed Income	29.0	5.5	5.4	4.0
Global Equity	45.0	8.5	6.9	18.3
Real Estate (Property)	12.0	8.4	7.1	16.8
Private Equity	11.0	12.4	8.8	28.4
Strategic Investments	2.0	6.5	6.1	8.7
Total	100.0 %			
Assumed Inflation - Mean			2.40 %	1.50 %

(1) As outlined in the Pension Plan's investment policy.

Discount Rate

The discount rate used to measure the total pension liability was 6.70% for the FRS Plan, which was no change from the rate as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of 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 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.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 5.70%	Discount Rate 6.70%	1% Increase 7.70%
City's Proportionate Share of the Pension Plan Net Pension Liability (Asset)	$ 18,716,936	$ 9,537,349	$ 1,841,350

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at http://www.dms.myflorida.com.

Health Insurance Subsidy Program (HIS)

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiemployer 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

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 $45 and a maximum HIS payment of $225 per month, pursuant to Section 112.363, *Florida Statutes*. To be eligible to receive a HIS Plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS)

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 June 30, 2025, the contribution rate was 2.00% of payroll pursuant to Section 112.363, *Florida Statues*. 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were $207,886 for the year ended September 30, 2025.

Pension Costs

At September 30, 2025, the City reported a liability of $2,905,785 for its proportionate share of the HIS Plan's net pension liability. 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, and update procedures were used to determine liabilities as of July 1, 2025. The City's proportion of the net pension liability was based on the City's contributions received during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all participating employers. At June 30, 2025, the City's proportion was 0.022670552%, which is an increase of 0.001620035% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2025, the City recognized pension expense of $40,225 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 17,346	$ 4,609
Changes in Actuarial Assumptions	25,719	702,835
Net Difference Between Projected and Actual Earnings on HIS Program Investments	-	2,419
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	231,594	119,761
City Contributions Subsequent to the Measurement Date	48,518	-
Total	$ 323,177	$ 829,624

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

Pension Costs (Continued)

An amount of $48,518 reported as deferred outflows of resources related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ending September 30,	Amount
2026	$ (159,755)
2027	(166,505)
2028	(111,934)
2029	(76,005)
2030	(40,766)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation for the June 30, 2025, measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% Per Year
Salary Increases	3.50%, Average, Including Inflation
Municipal Bond Rate	5.20%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021. The actuarial assumptions used in the July 1, 2024, valuation for the June 30, 2025, measurement date were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 5.20% for the HIS Plan, which was a 1.27% increase from the 3.93% rate as of June 30, 2024. 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.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS AND PENSION (CONTINUED)

Health Insurance Subsidy Program (HIS) (Continued)

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 4.20%	Discount Rate 5.20%	1% Increase 6.20%
City's Proportionate Share of the HIS Plan Net Pension Liability	$ 3,276,741	$ 2,905,785	$ 2,594,672

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at http://www.dms.myflorida.com.

NOTE 11 DEFERRED COMPENSATION PLAN

The City has created a deferred compensation plan which is available to all employees in accordance with Internal Revenue Code 457. The plan is administered by independent plan administrators through applicable service agreements. Various options are available for all City employees.

Certain provisions of the Small Business Job Protection Act of 1996 affect Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets remain assets of the sponsoring government. The Act now requires that amounts deferred under Section 457 be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

The City provides, through annual City Council appropriation, health insurance for approximately thirty-four retired employees and their families. The postemployment benefits are accounted for in the general fund on a pay-as-you-go basis. The cost for the year ended September 30, 2025, was $224,610. In addition, the City provides health insurance coverage to terminated employees in accordance with the COBRA law. These benefits are provided at no cost to the City, since former employees reimburse the City.

Based on GASB Statement 75, which sets forth the guidelines for the treatment of Other Postemployment Benefits (OPEB), the City has had an actuarial calculation completed to determine the future funding requirements of these benefits. The actuary's 2024 valuation (calculated as of September 30, 2024) involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. These assumptions include future employment, mortality, future payroll and health care cost trends. The calculation used the entry age normal cost method including normal pension-related actuarial assumptions, health care inflation for Pre-Medicare cost of 7.75% and a Post-Medicare cost of 6.75%, plus a salary increase assumption of 3.5% and inflation rate assumption of 2.5%. The calculation amortizes the Unfunded Actuarial Accrued Liability (UAAL) over 30 years.

The City of Zephyrhills contributes up to 50% of the active health insurance premium for retirees with at least ten years of service, and who were participating in the City's group insurance plan at the time of retirement. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents, at a cost to the retirees that is no greater than the cost at which coverage is available for active employees. The City currently has no plans to fund the Unfunded Actuarial Accrued Liability (UAAL).

OPEB Plan participants must reimburse the City for the City's average blended cost. Contributions requirements of the City are established and may be amended through action of the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

At September 30, 2025, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	34
Active Employees	169
Total	203

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the City's total OPEB liability was September 30, 2025. The measurement period for OPEB cost was October 1, 2024 to September 30, 2025. The components of the City's net OPEB liability are as follows:

Total OPEB Liability	$ 10,409,063
OPEB Plan Fiduciary Net Position	-
City's Net OPEB Liability	$ 10,409,063
OPEB Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0%

The components of the changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at September 30, 2024	$ 11,215,677
Changes for the Year:	
Service Cost	742,268
Interest	450,267
Difference Between Expected and Actual Experience	
Change of Assumptions and Other Inputs	(1,719,320)
Benefit Payments	(279,829)
Net Changes	(806,614)
Balances at September 30, 2025	$ 10,409,063

Schedule of deferred inflows/outflows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 15,667,436
Changes in Assumptions/Inputs	9,297,188	5,855,101
Total	$ 9,297,188	$ 21,522,537

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability and Changes in Total OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources:

Year Ending September 30,	Amount
2026	$ (967,925)
2027	(967,925)
2028	(967,925)
2029	(967,925)
2030	(911,731)
Thereafter	(7,441,918)

Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate

The total OPEB liability reported at September 30, 2025 was based on an actuarial valuation dated September 30, 2024, using the following actuarial assumptions:

Inflation	2.5% per annum
Discount Rate	4.9% per annum
Salary Increases	3.5% per annum
Mortality Rates	PUB-2010, using Scale MP-2021
Healthcare Trend Rate	Trend starting at 7.75% with 0.31% decrease per year for ten years and 0.010% after to final rate of 4.0%

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 8,806,000	$ 10,409,000	$ 12,459,000

Discount Rate and OPEB Liability Sensitivity to Discount Rate

The discount rate used to measure the total OPEB liability reported as of September 30, 2025 was 4.90%, an increase from the prior year rate of 3.81%. The discount rate is based on the Bond Buyer 20-Year Bond General Obligation Index as of the measurement date.

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

	1% Decrease 3.90%	Current Trend Rate 4.90%	1% Increase 5.90%
Total OPEB Liability	$ 12,100,000	$ 10,409,000	$ 9,047,000

NOTE 13 RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to workers, and natural disasters. The City has chosen to manage these risks through purchases of commercial insurance and participation in the Public Risk Management (PRM) pool. The pool is a protected self-insurance program which has both specific excess insurance for large losses and aggregate excess insurance or stop loss insurance in the event the loss fund is used up because of frequency of losses.

The City has maintained levels of insurance coverage during the current year.

NOTE 14 CONTINGENCIES AND COMMITMENTS

Grant Programs

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

Litigation

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 14 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Large Contractual Commitments

The City has contractual commitments at September 30, 2025, for the following:

Project:	Contract Total	Expended to Date	Commitment
Governmental Activities:			
South Ave Extension	$ 2,497,531	$ 1,438,704	$ 1,058,827
City Yard Complex	1,953,324	899,564	1,053,760
Council Dias Upgrade	134,942	123,873	11,069
City Wide Signs	51,000	49,188	1,812
Zephyr Park Design	1,031,945	365,418	666,527
Intersection Improvements - Daughtery/Green	119,402	69,666	49,736
Intersection Improvements - US 301 & Geiger Rd	128,211	104,945	23,266
Intersection Improvements - Eiland/Fort King Hwy	125,242	109,567	15,675
Intersection Improvements - US 301 & Pretty Pond	169,787	123,262	46,525
Intersection Improvements - North Ave & 8th Street	101,013	62,112	38,901
Intersection Improvements - US 301/Daughtery/Copeland	224,800	162,473	62,327
5th Ave Feasibility Design Plan	110,509	3,438	107,071
6th Avenue Sidewalk	49,900	25,680	24,220
Clock Tower Plaza Rehabilitation	22,450	10,450	12,000
Stormwater Pump Station Rehab - Meadowood	406,486	329,253	77,233
New Playground Equip - Train Depot Park	837,095	11,877	825,218
Dairy Road Extension	40,567	28,834	11,733
Sidewalk 3rd Ave/Veteran's Park/Tangerine	8,800	8,800	-
Total Governmental Activities	$ 8,013,004	$ 3,927,104	$ 4,085,900
Business-Type Activities			
Alston to Ticker Water Line Extension	$ 76,651	$ 63,141	$ 13,510
UB Space Assessment	5,000	5,000	-
Cityworks and Tyler ERP Integration	114,412	13,334	101,078
(10) Generators for Lift Stations	1,149,178	13,185	1,135,993
Abbott Square Reclaimed Interconnect	2,398,409	1,145,125	1,253,284
South 301 Redevelopment	1,366,107	1,168,948	197,159
Kossik and Fort King Water/WW	2,511,988	2,431,769	80,219
Wastewater Treatment Plant Canopy	144,118	129,706	14,412
Wastewater Treatment Ferrate Treatment Pilot Test	240,000	60,676	179,324
Wastewater Equalization Basin	344,154	250,286	93,868
Palm Grove Drive	622,781	585,777	37,004
Hidden River Lift Station Conversion	310,958	108,000	202,958
Effluent Pump Station	2,633,102	1,998,549	634,553
Northside Lift Station and Force Main	5,222,849	4,869,847	353,002
Taxiway F Design and Bid	2,933,897	1,675,397	1,258,500
Runway 1-19 Rehabilitation	4,084,258	387,944	3,696,314
Taxiway E, Taxiplanes, Apron Pavement Rehabilitation	841,982	100,027	741,955
Box Hangars	4,654,122	32,893	4,621,229
Total Proprietary Activities	$ 29,653,966	$ 15,039,604	$ 14,614,362

NOTE 15 TRANSFERS

Transfers for the year ended September 30, 2025, consisted of the following:

Transfers to the General fund from the:	
Utility Fund	$ 1,642,800
Sanitation Fund	330,000
Airport Fund	20,000
Total Transfers to the General Fund	1,992,800
Transfers to the Airport fund from the:	
General Fund	18,740
Utility Fund	234,850
Sanitation Fund	31,440
	285,030
Total	$ 2,277,830

NOTE 16 RESTATEMENT OF PRIOR PERIOD

Correction of Errors in Previously Issued Financial Statements

The City restated beginning fund balance and net position to correct certain prior period errors and omissions. The restatement includes:

- Recognition of other postemployment benefit (OPEB) deferred inflows of resources and deferred outflows of resources and allocation of related OPEB balances to proprietary funds that participate in the plan, in accordance with GASB Statement No. 75
- Recording of a prior year capital asset contribution within the utility fund
- Recognition of retainage amounts in a special revenue fund
- Adjustment of intergovernmental revenues in the general and special revenue funds to reflect proper timing of revenue recognition based on eligibility requirements and availability in accordance with GASB Statement No. 33
- Reclassification of compensated absences from the general fund to the government-wide financial statements, consistent with GASB Statement No. 34, as such long-term liabilities are not reported at the governmental fund level

NOTE 16 RESTATEMENT OF PRIOR PERIOD (CONTINUED)

Correction of Errors in Previously Issued Financial (Continued)

Other Postemployment Benefits (OPEB)

The City determined that OPEB-related deferred inflows of resources and deferred outflows of resources were not reported in the prior year. Additionally, the net OPEB liability was not allocated to the business-type activities and proprietary funds that participate in the plan. The financial statement line items affected are: deferred outflows of resources - OPEB, deferred inflows of resources - OPEB, and net OPEB liability.

In the governmental activities, deferred outflows of resources were understated by $7.86 million, deferred inflows of resources were understated by $16.45 million, and the net OPEB liability was overstated by $2.82 million. The correction of these errors resulted in a decrease of $5.77 million in the beginning net position.

In the business-type activities, deferred outflows of resources were understated by $2.64 million, deferred inflows of resources were understated by $5.53 million, and the net OPEB liability was understated by $2.82 million. The correction of these errors resulted in a decrease of $5.71 million in the beginning net position.

At the fund level:

- Utility Fund — Deferred outflows of resources were understated by $1.70 million, deferred inflows of resources were understated by $3.55 million, and the net OPEB liability was understated by $1.81 million, resulting in a decrease of $3.66 million in the beginning fund net position.

- Sanitation Fund — Deferred outflows of resources were understated by $0.63 million, deferred inflows of resources were understated by $1.32 million, and the net OPEB liability was understated by $0.67 million, resulting in a decrease of $1.36 million in the fiscal year 2024 change in fund net position.

- Airport Fund — Deferred outflows of resources were understated by $0.31 million, deferred inflows of resources were understated by $0.66 million, and the net OPEB liability was understated by $0.34 million, resulting in a decrease of $0.68 million in the beginning fund net position.

Developer-Contributed Infrastructure and Related Note Receivable

The City determined that infrastructure assets contributed by a private developer in the prior year were not reported. The developer also executed a note agreeing to reimburse the City for initial lift station repairs required for code compliance. For the fiscal year ended September 30, 2024, business-type activities and Utility Fund capital assets, net of depreciation, were understated by $851,000, and notes receivable were understated by $150,000. Capital contributions were understated by $1.00 million, resulting in an increase of $1.00 million in the beginning in net position of business-type activities and Utility Fund.

NOTE 16 RESTATEMENT OF PRIOR PERIOD (CONTINUED)

Correction of Errors in Previously Issued Financial (Continued)

Capital Project Retainage

The City determined that retainage payable was not recorded for capital projects in process at year-end. In the special revenue fund, accounts payable were understated by $148 thousand and capital outlay expenditures were understated by $148 thousand, resulting in a decrease of $148 thousand in the beginning fund balance.

Intergovernmental Revenue

The City determined that Coronavirus State and Local Fiscal Recovery Funds (ARPA) revenue was incorrectly recognized in the prior year. The funds had been received in advance but the eligibility requirements had not yet been met; therefore, the revenue should have been reported as unearned. In the special revenue fund, unearned revenue was understated by $3.28 million for the year ended September 30, 2024, resulting in a decrease of $3.28 million in beginning fund balance.

The City determined that derived tax revenue collected by the Florida Department of Revenue and remitted to the City approximately two months after the underlying receipt occurs was not accrued at year-end. For the fiscal year ended September 30, 2024:

- In the special revenue fund, accounts receivable and intergovernmental revenue were understated by $295 thousand, resulting in an increase of $295 thousand in the beginning fund balance.
- In the general fund, accounts receivable and intergovernmental revenue were understated by $200 thousand, resulting in an increase of $200 thousand in the fiscal year 2024 change in fund balance.

The net effect of these corrections on the special revenue fund was a decrease of $2.98 million in the beginning fund balance. In the governmental activities, accounts receivable were understated by $495 thousand and unearned revenue was understated by $3.28 million, resulting in a decrease of $2.78 million in the beginning net position.

Compensated Absences

The City determined that the current portion of compensated absences accrued in the general fund at September 30, 2024, was incorrectly reported. As a result, accrued liabilities in the general fund were overstated by $398 thousand for the year ended September 30, 2024, resulting in an increase of $398 thousand in the beginning fund balance.

NOTE 16 RESTATEMENT OF PRIOR PERIOD (CONTINUED)

Correction of Errors in Previously Issued Financial (Continued)

Opening fund balance and net position balances as of October 1, 2024 were restated to correct the errors mentioned above as follows:

	October 1, 2024, As Previously Reported	Cumulative Effect of the Restatement Due to Correction of Errors: OPEB	Contributions	Retainage	Intergovernmental Revenue	Compensated Absences	October 1, 2024, As Adjusted or Restated
Government-Wide:							
Governmental Activities	$ 62,468,511	$ (5,767,582)	$ -	$ -	$ (2,779,742)	$ -	$ 53,921,187
Business-Type Activities	111,024,886	(5,706,372)	1,000,596	-	-	-	106,319,110
Total Primary Government	$ 173,493,397	$ (11,473,954)	$ 1,000,596	$ -	$ (2,779,742)	$ -	$ 160,240,297
Governmental Funds:							
Major Funds:							
General Fund	$ 16,764,972	$ -	$ -	$ -	$ 200,570	$ 398,974	$ 17,364,516
Special Revenue Fund	11,962,825	-	-	(148,189)	(2,980,312)	-	8,834,324
CRA	1,760,028	-	-	-	-	-	1,760,028
Impact Fee	8,256,639	-	-	-	-	-	8,256,639
Total Governmental Funds	$ 38,744,464	$ -	$ -	$ (148,189)	$ (2,779,742)	$ 398,974	$ 36,215,507
Proprietary Funds:							
Utility	$ 77,196,940	$ (3,668,382)	$ 1,000,596	$ -	$ -	$ -	$ 74,529,154
Sanitation	3,804,293	(1,358,660)	-	-	-	-	2,445,633
Airport	30,023,653	(679,330)	-	-	-	-	29,344,323
Total Proprietary Funds	$ 111,024,886	$ (5,706,372)	$ 1,000,596	$ -	$ -	$ -	$ 106,319,110

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The implementation of this standard did not have an impact on the compensated absences liability as of October 1, 2024.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2026, the date the financial statements were available to be issued.

On December 18, 2025, the City issued $31,630,00 in Capital Improvement Revenue Bonds. The bonds were issued for the purpose of funding the Public Works Maintenance Facility, Zephyr Park, including but not limited to, Alice Hall and any other capital improvement projects approved by City Council. The bonds bear interest rates shall not exceed 6% and are scheduled to mature on September 1, 2055. These bonds are secured by a pledge of non-ad valorem revenues.

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes:				
Ad Valorem	9,312,497	9,312,497	8,880,756	$ (431,741)
Communication Services	1,012,949	1,012,949	1,055,762	42,813
Utility Taxes	2,540,768	2,540,768	2,788,701	247,933
Business Tax	92,000	92,000	136,566	44,566
Total Taxes	12,958,214	12,958,214	12,861,785	(96,429)
Licenses and Permits:				
Franchise Fees	1,964,769	1,964,769	2,077,059	112,290
Building Permits	900,000	900,000	914,848	14,848
Other	49,400	49,400	27,367	(22,033)
Total Licenses and Permits	2,914,169	2,914,169	3,019,274	105,105
Intergovernmental:				
State Revenue Sharing	708,000	708,000	720,411	12,411
Mobile Home License	155,000	155,000	137,075	(17,925)
Half-Cent Sales Tax	1,564,000	1,564,000	1,607,711	43,711
Alcoholic Beverage License	18,000	18,000	16,898	(1,102)
FDOT Street Lighting	53,367	53,367	53,368	1
Total Intergovernmental	2,498,367	2,498,367	2,535,463	37,096
Charges for Services:				
Building Administrative	25,000	25,000	31,091	6,091
Code Enforcement	5,000	5,000	1,726	(3,274)
Library	1,000	1,000	1,069	69
Other	85,300	85,300	47,786	(37,514)
Administrative Fees	30,000	30,000	112,079	82,079
Total Charges for Services	146,300	146,300	193,751	47,451
Fines and Forfeits:				
Court Fees	45,000	45,000	44,356	(644)
Police Education	4,000	4,000	3,182	(818)
Total Fines and Forfeits	49,000	49,000	47,538	(1,462)

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS) (CONTINUED)				
Miscellaneous:				
Investment Income	200,000	200,000	822,702	$ 622,702
Cemetery Sales	40,000	40,000	25,981	(14,019)
Surplus Property Sold	51,000	51,000	103,198	52,198
Contributions	-	-	8,703	8,703
Settlements	-	-	1,853,819	1,853,819
Rents	30,000	30,000	40,549	10,549
Other	116,000	116,000	80,332	(35,668)
Total Miscellaneous	437,000	437,000	2,935,284	2,498,284
Insurance Recoveries	-	-	154,320	154,320
Operating Transfers	1,992,800	1,992,800	2,062,858	(70,058)
Total Other	1,992,800	1,992,800	2,217,178	84,262
Total Amounts Available for Appropriation	20,995,850	20,995,850	23,810,273	2,674,307
CHARGES TO APPROPRIATIONS OUTFLOWS				
General Government:				
City Council:				
Personnel Services	150,250	150,250	145,610	4,640
Operating	35,700	35,700	24,268	11,432
Capital Outlay	55,611	175,983	114,920	61,063
Contributions	84,000	84,000	76,950	7,050
Total City Council	325,561	445,933	361,748	84,185
Administration:				
Personnel Services	661,965	661,965	621,668	40,297
Operating	678,750	709,674	559,308	150,366
Capital Outlay	100,000	100,000	-	100,000
Total Administration	1,440,715	1,471,639	1,180,976	290,663
Human Resources:				
Personnel Services	616,200	616,200	445,541	170,659
Operating	613,700	616,150	583,235	32,915
Total Human Resources	1,229,900	1,232,350	1,028,776	203,574
Finance:				
Personnel Services	461,865	461,865	489,342	(27,477)
Operating	112,200	290,950	213,749	77,201
Total Finance	574,065	752,815	703,091	49,724

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS OUTFLOWS (CONTINUED)				
General Government (Continued):				
Information Technology:				
Personnel Services	428,262	428,262	383,098	$ 45,164
Operating	503,748	506,978	455,600	51,378
Capital Outlay	-	-	-	-
Total Information Technology	932,010	935,240	838,698	96,542
Economic Development:				
Operating	1,150,000	1,150,000	50,000	1,100,000
Total Economic Development	1,150,000	1,150,000	50,000	1,100,000
Planning:				
Personnel Services	500,380	500,380	482,431	17,949
Operating	255,800	306,060	126,747	179,313
Capital Outlay	0	0	5,474	(5,474)
Contributions	75,000	94,868	24,868	70,000
Total Planning	831,180	901,308	639,520	261,788
Total General Government	6,483,431	6,889,285	4,802,809	2,086,476
Public Safety:				
Police Dispatch:				
Personnel Services	746,230	746,230	622,508	123,722
Other Services and Charges	126,000	126,000	126,322	(322)
Total Police Dispatch	872,230	872,230	748,830	123,400
Police Department:				
Personnel Services	5,922,280	5,922,280	6,212,457	(290,177)
Operating	-	-	997,237	(997,237)
Capital Outlay	70,000	74,443	95,614	(21,171)
Total Police Department	5,992,280	5,996,723	7,305,308	(1,308,585)
Fire Department:				
Operating	384,340	425,870	414,033	11,837
Debt Service				
Principal	-	-	45,478	(45,478)
Interest	-	-	10,132	(10,132)
Total Fire Department	384,340	425,870	469,643	(43,773)
Protective Inspections:				
Personnel Services	991,560	994,560	737,606	256,954
Operating	557,300	554,300	295,350	258,950
Total Protective Inspections	1,548,860	1,548,860	1,032,956	515,904
Total Public Safety	8,797,710	8,843,683	9,556,737	(713,054)

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
CHARGES TO APPROPRIATIONS OUTFLOWS (CONTINUED)				
Public Works:				
Stormwater Management:				
Operating	204,500	204,500	67,388	$ 137,112
Capital Outlay	-	-	-	-
Total Stormwater Management	204,500	204,500	67,388	137,112
Public Works Administration Road and Street Facilities:				
Personnel Services	780,909	780,909	720,847	60,062
Operating	603,050	619,627	861,171	(241,544)
Capital Outlay	205,000	205,000	156,293	48,707
Total Public Works Administration Road and Street Facilities	1,588,959	1,605,536	1,738,311	(132,775)
Equipment Maintenance:				
Personnel Services	456,534	456,534	426,968	29,566
Operating	82,350	82,350	64,660	17,690
Capital Outlay	52,000	52,000	15,317	36,683
Total Equipment Maintenance	590,884	590,884	506,945	83,939
Parks and Facility Management:				
Personnel Services	1,185,154	1,185,154	983,311	201,843
Operating	406,500	407,461	581,597	(174,136)
Capital Outlay	275,000	331,390	105,887	225,503
Total Parks and Facility Management	1,866,654	1,924,005	1,670,795	253,210
Total Public Works	4,250,997	4,324,925	3,983,439	341,486
Library:				
Personnel Services	429,453	429,453	405,239	24,214
Operating	81,625	89,825	83,558	6,267
Capital Outlay	36,000	36,000	27,356	8,644
Total Library	547,078	555,278	516,153	39,125
Transfers:				
Transfers to Other Funds	18,740	18,740	88,798	(70,058)
Transfers to Reserves	400,816	217,616	0	217,616
Total Transfers	419,556	236,356	88,798	147,558
Total Charges to Appropriations	20,498,772	20,849,527	18,947,936	1,901,591
EXCESS (DEFICIENCY) OF RESOURCES AND FUND TRANSFERS OVER CHARGES TO APPROPRIATIONS	497,078	146,323	4,862,337	4,575,898
Fund Balance - Beginning of Year	(497,078)	(146,323)	16,764,972	16,911,295
Restatement	-	-	599,544	599,544
Fund Balances - Beginning of Year, as Restated	(497,078)	(146,323)	17,364,516	17,510,839
FUND BALANCE - END OF YEAR	$ -	$ -	$ 22,226,853	$ 22,086,737

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
RESOURCES (INFLOWS)	Original	Final		
Intergovernmental:				
Motor Fuel Taxes	533,227	533,227	735,760	$ 202,533
Local Option Sales Tax	3,956,100	3,956,100	4,086,833	130,733
8th Cent Motor Fuel Tax	199,380	199,380	203,229	3,849
Grant Revenue	2,036,128	2,036,128	8,309,343	6,273,215
Gas Tax Refund	25,000	25,000	26,454	1,454
Total Intergovernmental	6,749,835	6,749,835	13,361,619	6,611,784
Miscellaneous:				
Investment Income	248,000	248,000	454,206	206,206
Total Miscellaneous	248,000	248,000	454,206	206,206
Other Financing Sources:				
SBITA	-	-	228,316	-
Total Other	-	-	228,316	-
Total Amounts Available for Appropriation	6,997,835	6,997,835	14,044,141	6,817,990
CHARGES TO APPROPRIATIONS OUTFLOWS				
Expenditures:				
Debt Service	589,927	589,927	824,301	(234,374)
Contractual Services	85,000	89,856	70,542	19,314
Operating Supplies	3,000	3,000	-	3,000
Capital Outlay	12,829,500	21,556,880	12,879,436	8,677,444
Total Expenditures	13,507,427	22,239,663	13,774,279	8,465,384
EXCESS (DEFICIENCY) OF RESOURCES AND FUND TRANSFERS OVER CHARGES TO APPROPRIATIONS	(6,509,592)	(15,241,828)	269,862	15,283,374
Fund Balance - Beginning of Year	6,509,592	15,241,828	11,962,825	(3,279,003)
Restatement	-	-	(3,128,501)	(3,128,501)
Fund Balances - Beginning of Year, as Restated	6,509,592	15,241,828	8,834,324	(6,407,504)
FUND BALANCE - END OF YEAR	$ -	$ -	$ 9,104,186	$ 8,875,870

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenses Sources/Inflows of Resources

Actual amounts (budgetary basis) available for appropriation from the Budgetary comparison schedule.	$ 14,044,141
Differences - Budget to GAAP:	
Proceeds from SBITA are inflows of budgetary resources but are not revenues for financial reporting purposes.	(228,316)
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	$ 13,815,825

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CRA FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
RESOURCES (INFLOWS)	Original	Final		
Taxes:				
Ad Valorem City	$ 607,968	$ 607,968	$ 607,968	$ -
Ad Valorem County	740,028	740,028	729,818	(10,210)
Total Intergovernmental	1,347,996	1,347,996	1,337,786	(10,210)
Miscellaneous:				
Main Street Reimbursement	1,000	1,000	-	(1,000)
Interest Income	100,000	100,000	213,009	113,009
Total Miscellaneous	101,000	101,000	213,009	112,009
Total Amounts Available for Appropriation	1,448,996	1,448,996	1,550,795	101,799
CHARGES TO APPROPRIATIONS OUTFLOWS				
Expenditures:				
Other Economic Environment:				
Personnel Services	142,908	142,908	141,661	1,247
Professional Services	102,502	145,897	154,895	(8,998)
Contractual Services	81,000	81,000	5,900	75,100
Promotional Activities	50,000	50,000	2,210	47,790
Supplies	2,650	2,650	4,955	(2,305)
Telephone and Communications	10,000	10,000	2,518	7,482
Training and Dues	4,000	4,000	1,587	2,413
Incentives	300,000	300,000	5,000	295,000
Grants and Contributions	200,000	200,000	16,677	183,323
Miscellaneous	8,900	8,900	7,886	1,014
Total Other Economic Environment	901,960	945,355	343,289	602,066
Capital Outlay	1,898,000	1,912,522	127,741	1,784,781
Total Changes to Appropriations (Outflows)	2,799,960	2,857,877	471,030	2,386,847
EXCESS (DEFICIENCY) OF RESOURCES AND FUND TRANSFERS OVER CHARGES TO APPROPRIATIONS	(1,350,964)	(1,408,881)	1,079,765	2,488,646
Fund Balance - Beginning of Year	1,350,964	1,408,881	1,760,028	351,147
FUND BALANCE - END OF YEAR	$ -	$ -	$ 2,839,793	$ 2,839,793

CITY OF ZEPHYRHILLS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
IMPACT FEE FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
RESOURCES (INFLOWS)	Original	Final		
Impact Fees:				
Transportation Impact Fees	$ 950,000	$ 950,000	$ 657,974	$ (292,026)
Police Impact Fees	67,600	67,600	98,641	31,041
Park and Cultural Impact Fees	154,000	154,000	210,907	56,907
Total Impact Fees	1,171,600	1,171,600	967,522	(204,078)
Miscellaneous:				
Interest Income	156,000	156,000	325,026	169,026
Total Miscellaneous	156,000	156,000	325,026	169,026
Total Amounts Available for Appropriation	1,327,600	1,327,600	1,292,548	(35,052)
CHARGES TO APPROPRIATIONS OUTFLOWS				
Expenditures:				
Public Works Roads and Streets:				
Capital Outlay	3,700,000	4,449,757	686,591	3,763,166
Contractual Services	760,500	961,500	782,905	178,595
Contingency	2,417,374	1,466,618	-	1,466,618
Total Public Works Roads and Streets	6,877,874	6,877,875	1,469,496	5,408,379
Public Safety:				
Capital Outlay	100,000	233,204	84,691	148,513
Small Tools and Equipment	-	-	10,500	(10,500)
Contingency	559,760	448,460	-	448,460
Total Public Safety	659,760	681,664	95,191	586,473
Parks and Recreation:				
Capital Outlay	500,000	701,943	286,922	415,021
Contingency	1,132,810	1,132,810	-	1,132,810
Total Parks and Recreation	1,632,810	1,834,753	286,922	1,547,831
Total Changes to Appropriations (Outflows)	9,170,444	9,394,292	1,851,609	7,542,683
EXCESS (DEFICIENCY) OF RESOURCES AND FUND TRANSFERS OVER CHARGES TO APPROPRIATIONS	(7,842,844)	(8,066,692)	(559,061)	7,507,631
Fund Balance - Beginning of Year	7,842,844	8,066,692	8,256,639	189,947
FUND BALANCE - END OF YEAR	$ -	$ -	$ 7,697,578	$ 7,697,578

CITY OF ZEPHYRHILLS, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED SEPTEMBER 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System Pension Plan										
City's Proportion of the Net Pension Liability	0.030730874%	0.028199400%	0.000272647%	0.000270852%	0.000295446%	0.037913305%	0.036896700%	0.038666806%	0.037380409%	0.002149501%
City's Proportionate Share of the Net Pension Liability	$ 9,537,349	$ 10,908,821	$ 10,864,118	$ 10,077,862	$ 2,231,758	$ 16,432,185	$ 12,706,073	$ 11,646,642	$ 11,056,874	$ 8,749,305
City's Covered-Employee Payroll	$ 10,129,979	$ 8,919,667	$ 8,411,232	$ 7,715,111	$ 7,819,873	$ 8,554,108	$ 7,115,483	$ 7,200,895	$ 6,827,988	$ 6,128,532
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	94.15%	122.30%	129.16%	130.62%	28.54%	192.10%	178.57%	161.74%	161.93%	142.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Retiree Health Insurance Subsidy Program										
City's Proportion of the Net Pension Liability	0.022670552%	0.021050500%	0.021166800%	0.021151900%	0.002208870%	0.024758627%	0.024150400%	0.024733200%	2.382656590%	0.003005484%
City's Proportionate Share of the Net Pension Liability	$ 2,905,785	$ 3,157,783	$ 3,361,565	$ 2,240,327	$ 2,709,511	$ 3,022,988	$ 2,702,188	$ 2,617,787	$ 2,547,656	$ 2,585,031
City's Covered-Employee Payroll	$ 10,129,979	$ 8,919,667	$ 8,411,232	$ 7,715,111	$ 7,819,873	$ 8,722,802	$ 8,117,769	$ 8,081,312	$ 7,613,600	$ 6,847,236
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	28.69%	35.40%	39.97%	29.04%	34.65%	34.66%	33.29%	32.39%	33.46%	37.75%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	1.70%	2.15%	1.64%	0.97%

CITY OF ZEPHYRHILLS, FLORIDA
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System Pension Plan										
Contractually Required Contribution	$ 1,908,606	$ 1,640,381	$ 1,324,090	$ 1,187,158	$ 1,069,002	$ 1,292,889	$ 1,161,824	$ 1,134,207	$ 982,209	$ 921,616
Contributions in Relation to the Contractually Required Contribution	(1,908,606)	(1,640,381)	(1,324,090)	(1,187,158)	(1,069,002)	(1,292,889)	(1,161,824)	(1,134,207)	(982,209)	(921,616)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 10,395,611	$ 8,919,667	$ 8,239,630	$ 7,786,372	$ 7,463,820	$ 8,554,108	$ 7,085,667	$ 7,167,015	$ 6,951,887	$ 6,573,547
Contributions as a Percentage of Covered-Employee Payroll	18.36%	18.39%	16.07%	15.25%	14.32%	15.11%	16.40%	15.83%	14.13%	14.02%

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Retiree Health Insurance Subsidy Program										
Contractually Required Contribution	$ 207,886	$ 183,397	$ 142,862	$ 129,192	$ 123,905	$ 145,634	$ 134,842	$ 134,178	$ 128,676	$ 121,021
Contributions in Relation to the Contractually Required Contribution	(207,886)	(183,397)	(142,862)	(129,192)	(123,905)	(145,634)	(134,842)	(134,178)	(128,676)	(121,021)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 10,395,611	$ 8,919,667	$ 8,239,630	$ 7,786,372	$ 7,463,820	$ 8,772,802	$ 8,124,755	$ 8,084,233	$ 7,768,892	$ 7,288,794
Contributions as a Percentage of Covered-Employee Payroll	2.00%	2.06%	1.73%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

CITY OF ZEPHYRHILLS, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
YEAR ENDED SEPTEMBER 30, 2025

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
OPEB Liability - Beginning	$ 11,215,677	$ 15,877,691	$ 14,924,231	$ 20,201,060	$ 18,753,832	$ 21,732,548	$ 15,632,173	$ 16,529,602
Changes for the Year:								
Service Cost	742,268	855,806	839,269	1,147,261	632,622	618,943	579,239	681,663
Interest	450,267	679,647	627,271	455,863	424,569	941,132	677,932	615,978
Difference Between Expected and Actual Experience	-	(8,465,511)	-	(1,730,611)	-	(12,440,057)	-	-
Change of Assumptions and Other Inputs	(1,719,320)	2,500,483	(193,573)	(4,858,527)	740,402	8,211,226	5,288,121	(1,710,646)
Benefit Payments	(279,829)	(232,439)	(319,507)	(290,815)	(350,365)	(309,960)	(444,917)	(484,424)
Net Changes	(806,614)	(4,662,014)	953,460	(5,276,829)	1,447,228	(2,978,716)	6,100,375	(897,429)
OPEB Liability - Ending	$ 10,409,063	$ 11,215,677	$ 15,877,691	$ 14,924,231	$ 20,201,060	$ 18,753,832	$ 21,732,548	$ 15,632,173
Covered-Employee Payroll	$ 8,828,000	$ 8,571,000	$ 8,029,000	$ 7,757,191	$ 9,956,000	$ 9,618,859	$ 7,005,364	$ 6,768,468
Total OPEB Liability as a Percentage of Covered-Employee Payroll	118%	131%	198%	192%	203%	195%	310%	231%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

CITY OF ZEPHYRHILLS, FLORIDA
UTILITY FUND SCHEDULE OF OPERATING INCOME (LOSS)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Installation Fees	$ 296,146	$ 257,553
Water and Sewer Service	15,378,996	12,769,893
Miscellaneous Revenues	53,806.00	165,944
Total Revenues	15,728,948	13,193,390
OPERATING EXPENSES		
Administration:		
Salaries	423,058	316,050
Employee Benefits	184,031	153,553
Professional Services	453,076	922,828
Education, Travel, and Dues	7,434	10,099
Telephone	3,812	2,047
Office Supplies and Expenses	557	3,604
Operating Supplies	5,999	347
Property and Casualty Insurance	34,717	34,664
Leases and Rents	2,789	2,590
Vehicle and Equipment Repair	8,497	138
Gas and Oil	283	54
Other	92,043	124,594
Depreciation	12,373	769
Total Administration	1,228,669	1,571,337
Water Department:		
Salaries	644,263	541,042
Overtime	46,162	37,057
Employee Benefits	519,225	307,212
Professional Services	668,230	285,845
Water Tank Maintenance	55,514	32,557
Property Tax	222	87
Education, Travel, and Dues	17,921	21,032
Telephone	19,491	19,313
Electric	156,243	153,401
Other Utility Charges	176	744
Leases and Rentals	432	476
Repairs and Maintenance - Building	4,111	5,247
Repairs and Maintenance - Equipment	70,451	10,801
Repairs and Maintenance - Vehicles	25,612	14,716
Small Tools	13,138	14,609
Operating Supplies	68,476	30,973
Property and Casualty Insurance	47,231	45,440
Office Supplies and Postage	493	2,407
Uniforms	4,630	5,211
Chemicals and Chlorine Gas	27,797	25,357
Laboratory Analysis	12,807	13,092
Gas and Oil	51,485	39,005
Depreciation	1,368,343	1,518,460
Other	1,599	-
Total Water Department	3,824,052	3,124,084

CITY OF ZEPHYRHILLS, FLORIDA
UTILITY FUND SCHEDULE OF OPERATING INCOME (LOSS) (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
OPERATING EXPENSES (CONTINUED)		
Sewer Department:		
Salaries	$ 714,699	$ 541,262
Overtime	76,067	60,139
Employee Benefits	402,337	223,365
Professional Services	267,093	120,886
Education, Travel, and Dues	7,652	9,904
Telephone	19,375	16,697
Contract Hauling	2,234,246	141,467
Electric	494,306	458,897
Other Utility Charges	28,390	18,999
Leases and Rentals	111	-
Repairs and Maintenance - Building	34,936	13,086
Repairs and Maintenance - Equipment	127,097	146,066
Repairs and Maintenance - Vehicles	20,309	13,577
Repairs and Maintenance - Infrastructure	164,609	65,457
Small Tools	7,781	3,667
Operating Supplies	73,199	40,450
Office Supplies and Postage	814	1,811
Property and Casualty Insurance	299,527	299,064
Uniforms	5,630	4,895
Chemicals and Chlorine Gas	224,964	219,187
Laboratory Analysis	33,202	45,709
Gas and Oil	62,320	39,359
Depreciation	2,380,136	2,424,511
Other	1,617	23
Total Sewer Department	7,680,417	4,908,478
Total Operating Expenses	12,733,138	9,603,899
OPERATING INCOME	$ 2,995,810	$ 3,589,491

CITY OF ZEPHYRHILLS, FLORIDA
SANITATION FUND SCHEDULE OF OPERATING INCOME (LOSS)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Service	$ 2,713,631	$ 2,475,766
Miscellaneous Revenues	38,957	35,964
Total Revenues	2,752,588	2,511,730
OPERATING EXPENSES		
Salaries	562,344	452,108
Overtime	60,646	29,367
Employee Benefits	192,012	156,678
Education, Travel, and Dues	4,270	1,671
Telephone	2,791	2,860
Landfill Fees	54,804	19,843
Repairs and Maintenance - Vehicles	251,032	295,685
Repairs and Maintenance - Equipment	6,093	2,430
Property and Casualty Insurance	84,103	93,692
Dumpsters and Recycle Bins	74,933	44,723
Operating Supplies	8,419	28,447
Gas and Oil	179,107	160,186
Depreciation	382,662	334,356
Professional Services	33,201	21,761
Tools, Small Equipment	3,209	3,948
Uniforms	6,016	3,639
Other	20,574	21,806
Total Operating Expenses	1,926,216	1,673,200
OPERATING INCOME	$ 826,372	$ 838,530

CITY OF ZEPHYRHILLS, FLORIDA
AIRPORT FUND SCHEDULE OF OPERATING INCOME (LOSS)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Rental Income	$ 385,490	$ 307,261
Tie-Downs	22,102	21,176
Fuel and Oil Sales	990,568	1,180,083
Hangar Rental	476,806	478,186
Fuel Flowage Fees	4,840	4,444
Miscellaneous	54,063	46,074
Total Revenues	1,933,869	2,037,224
OPERATING EXPENSES		
Salaries	353,850	355,440
Overtime	10,837	10,063
Employee Benefits	244,227	150,829
Professional Services	23,909	10,632
Credit Card Processing	45,972	55,084
Advertising	465	323
Education, Travel, and Dues	652	-
Telephone	3,301	3,393
Electricity	34,597	34,463
Water and Sewer	6,258	6,022
Refuse Disposal	709	544
Repairs and Maintenance - Vehicles	1,463	507
Repairs and Maintenance - Building	2,714	1,878
Repairs and Maintenance - Equipment	8,944	10,662
Repairs and Maintenance - Infrastructure	41,585	37,541
Gas and Oil for Resale	807,795	976,263
Vehicle Expense Gas and Oil	15,322	15,899
Operating Supplies	6,299	6,470
Office Supplies	491	600
Other Expenses	9,879	13,749
Property and Casualty Insurance	108,568	108,401
Depreciation	1,371,067	1,300,377
Total Operating Expenses	3,098,904	3,099,140
OPERATING LOSS	$ (1,165,035)	$ (1,061,916)

STATISTICAL SECTION

CITY OF ZEPHYRHILLS, FLORIDA
ASSESSED VALUE AND ESTIMATED ACTUAL OF TAXABLE PROPERTY
YEAR ENDED SEPTEMBER 30, 2025

City of Zephyrhills, Florida
Assessed Value and Estimated Actual of Taxable Property
Last Ten Years

			Net Exemptions					Total	Value as a	Total
							Centrally	Taxable	Percentage	Direct
Tax Year	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Assessed Property	Assessed Value	of Estimated Actual Value	Tax Rate
2016	$ 787,559,588	$ 149,066,089	$ 262,561,874	$ 51,198,176	$ 524,997,714	$ 97,867,913		$ 622,865,627	66.5	6.35
2017	$ 818,254,030	$ 152,547,858	$ 271,381,442	$ 51,017,969	$ 546,872,588	$ 101,529,889	$ 354,693	$ 648,757,170	66.8	6.35
2018	$ 874,155,111	$ 160,186,170	$ 278,711,662	$ 50,247,525	$ 595,443,449	$ 109,938,645	$ 367,554	$ 705,749,648	68.2	6.35
2019	$ 949,352,811	$ 169,185,781	$ 295,541,383	$ 49,181,875	$ 653,811,428	$ 120,003,906	$ 358,325	$ 774,173,659	69.2	6.35
2020	$ 1,026,911,319	$ 164,502,473	$ 306,148,563	$ 42,352,403	$ 720,762,756	$ 122,150,070	$ 400,221	$ 843,313,047	70.8	6.35
2021	$ 1,137,655,102	$ 172,955,470	$ 323,298,123	$ 40,774,597	$ 814,356,979	$ 132,180,873	$ 403,146	$ 946,940,998	72.3	6.35
2022	$ 1,328,752,885	$ 175,210,186	$ 349,614,195	$ 39,669,970	$ 979,138,690	$ 135,540,216	$ 435,093	$ 1,115,113,999	74.1	6.35
2023	$ 1,559,029,017	$ 208,500,397	$ 381,139,944	$ 38,466,022	$ 1,177,889,073	$ 170,034,375	$ 443,892	$ 1,348,367,340	76.3	6.25
2024	$ 1,812,171,259	$ 215,823,728	$ 406,297,173	$ 48,376,333	$ 1,405,874,086	$ 167,447,395	$ 1,008,081	$ 1,574,329,562	77.6	6.25
2025	$ 2,024,611,921	$ 237,380,519	$ 430,189,550	$ 47,878,558	$ 1,594,422,371	$ 189,501,961	$ 1,059,515	$ 1,783,872,087	82.8	6.25

City of Zephyrhills, Florida
Direct and Overlapping Property Tax Rates
Last Ten Years

Fiscal Year Ended "Sept 30	City of Zephyrhills	Pasco Co Schools		Pasco County							SW Water Management District	Total
		Operating	Capital	BOCC	Fire District	Mosquito	Fire Res Bond	Jail	Libraries	Recreation		
2016	6.3500	5.6090	1.5000	7.6076		0.2336					0.3488	21.6490
2017	6.3500	5.2770	1.5000	7.6076		0.2254					0.3317	21.2917
2018	6.3500	5.0650	1.5000	7.6076		0.2154					0.3131	21.0511
2019	6.3500	4.7790	1.5000	7.6076		0.2034					0.2955	20.7355
2020	6.3500	4.6010	1.5000	7.6076		0.2646	0.0222	0.0277	0.0096	0.0100	0.2801	20.6728
2021	6.3500	4.4220	1.5000	7.6076	1.8036	0.2545	0.0310	0.0376	0.0161	0.0155	0.2669	22.3048
2022	6.3500	4.3100	1.5000	7.6076	1.8036	0.2545	0.0477	0.1307	0.0180	0.0134	0.2535	22.2890
2023	6.2500	4.0160	1.5000	7.6076	1.8036	0.2545	0.0825	0.1530	0.0223	0.0229	0.2260	21.9384
2024	6.2500	4.9490	1.5000	7.5700	2.1225	0.2545	0.0760	0.1521	0.0205	0.0231	0.2043	23.1220
2025	6.2500	4.7740	1.5000	7.4042	2.1225	0.2091	0.0646	0.1182	0.0258	0.0202	0.1831	22.6717

CITY OF ZEPHYRHILLS, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
YEAR ENDED SEPTEMBER 30, 2025

City of Zephyrhills
Principal Property Taxpayers
Current Year and Ten Years Ago

	2025			2016		
	Taxable Assessed Values	Rank	% of Total Taxable Assessed Values	Taxable Assessed Values	Rank	% of Total Taxable Assessed Values
BLUETRITON BRANDS INC (1)	$ 86,299,339	1	4.8%	$ 45,000,016	1	7.2%
ZEPHYR RESIDENTIAL LP	36,385,924	2	2.04	--	--	
DUKE ENERGY FLORIDA	26,866,365	3	1.51	19,602,001	2	3.15
SF ZEPHYR COMMONS LP	13,193,390	4	0.74	12,438,665	3	2.00
ESS-FLAGSHIP ZEPHYRHILLS FL SU	10,989,980	5	0.62	--	--	
EXTRA SPACE PROPERTIES TWO LLC	10,623,623	6	0.60	--	--	
WAL-MART STORES EAST LP	9,842,309	7	0.55	9,368,447	6	1.50
BZA TOWNVIEW LLC	9,258,042	8	0.52	5,128,712	10	0.82
SNAPBOX ZEPHYRHILLS LLC	8,621,340	9	0.48	--	--	
BEDROCK WINTERS LLC	7,842,598	10	0.44	--	--	
AH ZEPHYRHILLS LLC				9,824,402	4	1.58
HEALTH CARE REIT INC				9,574,636	5	1.54
FLORIDA MEDICAL CLINIC PA				8,569,261	7	1.38
LOWE'S HOME CENTERS INC				7,704,409	8	1.24
FRONTIER COMMUNICATIONS				7,387,561	9	1.19

(1) Formerly known as Nestle North America

Source: Pasco County Property Appraiser

CITY OF ZEPHYRHILLS, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2025

City of Zephyrhills, Florida
Property Tax Levies and Collections

Fiscal YE 30-Sep	Taxable Value	Millage Rate	Taxes Levied FY	Collections w/in FY Amount	Collections w/in FY % of Levy	Collections Sub years	Total Collections Amount	Total Collections % of Levy
2016	$ 602,150,274	6.35	$ 3,826,754	$ 3,821,696	99.87%	$ 1,870.74	$ 3,823,567	99.92%
2017	$ 622,865,627	6.35	$ 3,959,057	$ 3,953,350	99.86%	$ 3,003.88	$ 3,956,354	99.93%
2018	$ 648,757,170	6.35	$ 4,127,576	$ 4,101,859	99.38%	$ 639.33	$ 4,102,498	99.39%
2019	$ 705,749,648	6.35	$ 4,483,374	$ 4,472,213	99.75%	$ 2,966.47	$ 4,475,179	99.82%
2020	$ 774,173,659	6.35	$ 4,920,562	$ 4,912,556	99.84%	$ 1,847.99	$ 4,914,404	99.87%
2021	$ 843,313,047	6.35	$ 5,376,667	$ 5,347,393	99.46%	$ 1,804.53	$ 5,349,198	99.49%
2022	$ 946,940,998	6.35	$ 6,016,501	$ 6,009,887	99.89%	$ (319.88)	$ 6,009,567	99.88%
2023	$ 1,115,113,999	6.25	$ 6,976,208	$ 6,957,792	99.74%	$ 4,272.89	$ 6,962,065	99.80%
2024	$ 1,348,367,340	6.25	$ 8,433,527	$ 8,419,270	99.83%	$ 3,532.63	$ 8,422,802	99.87%
2025	$ 1,574,329,562	6.25	$ 9,843,978	$ 9,843,107	99.99%	$ 589.30	$ 9,843,696	100.00%

Source: Pasco County Tax Collector's Office

CITY OF ZEPHYRHILLS, FLORIDA
POPULATION TRENDS 1990 TO 2025
YEAR ENDED SEPTEMBER 30, 2025

Population Trends 1990 - 2024
City of Zephyrhills, Pasco County, and State of Florida

Year	City of Zephyrhills	Percentage Increase (Decrease)	Pasco County	Percentage Increase	Florida	Percentage increase
1990	8,200	--	193,661	--	12,938,071	--
2000	11,271	37.5%	344,768	78.0%	15,982,824	23.5%
2010	13,898	23.3%	464,697	34.8%	18,801,332	17.6%
2020	17,323	24.6%	561,891	20.9%	21,538,187	14.6%
2021	18,244	5.3%	575,891	2.5%	21,898,945	1.7%
2022	19,294	5.8%	592,669	2.9%	22,276,132	1.7%
2023	20,883	8.2%	610,743	3.0%	22,634,867	1.6%
2024	22,304	6.8%	633,029	3.6%	23,014,551	2.9%
2025	23,256	4.3%	636,578	0.6%	23,292,200	1.2%

Sources:
Pasco County - Economic and Demographic Research
Neilsberg Research: Zephyrhills, FL Population by Year
Data Commons
World Population Review

CITY OF ZEPHYRHILLS, FLORIDA
GOVERNMENTAL NON-AD VALOREM REVENUES
YEAR ENDED SEPTEMBER 30, 2025

City of Zephyrhills
Governmental Non-Ad Valorem Revenues

	2025	2024	2023	2022	2021	2020	2019
Taxes							
Local Option Sales Tax	$ 4,047,622	$ 3,649,934	$ 3,519,013	$ 3,348,813	$ 2,855,463	$ 2,662,404	$ 2,096,470
Utility Tax Electric	2,765,169	2,382,872	2,449,311	2,173,863	2,001,486	2,081,576	1,755,048
Utility Tax Propane	23,531	18,698	25,926	23,251	29,601	29,408	34,428
Communications Service Tax	1,040,565	965,964	867,746	706,216	630,568	546,294	414,603
Business Tax	136,565	118,852	96,350	91,838	100,588	103,816	87,430
	$ 8,013,452	$ 7,136,320	$ 6,958,346	$ 6,343,981	$ 5,617,706	$ 5,423,498	$ 4,387,979
Licenses and Permits							
Franchise Fees Electric	$ 1,958,769	$ 1,886,140	$ 1,874,449	$ 1,776,532	$ 1,546,234	$ 1,630,722	$ 1,513,773
Franchise Fees Gas	7,312	5,609	5,437	5,992	4,235	3,028	2,463
Building Permits	914,847	539,522	2,061,811	1,035,215	1,196,335	833,954	579,506
Other Licenses and Fees	181,339	183,354	205,015	184,110	176,530	173,280	154,896
	$ 3,062,267	$ 2,614,625	$ 4,146,712	$ 3,001,849	$ 2,923,334	$ 2,640,984	$ 2,250,638
Intergovernmental							
Local Govt Half Cent Tax	$ 1,599,674	$ 1,548,994	$ 1,535,072	$ 1,491,705	$ 1,332,415	$ 1,169,437	$ 983,494
St Rev Sharing Cig/Motor Fuel	720,410	711,455	714,010	680,243	509,039	415,870	438,816
Total	$ 2,320,084	$ 2,260,449	$ 2,249,082	$ 2,171,948	$ 1,841,454	$ 1,585,307	$ 1,422,310
Charges for Services (1)	$ 193,751	$ 1,660,094	$ 1,752,149	$ 1,942,615	$ 1,894,229	$ 1,866,894	$ 2,205,397
Fines and Forfeitures	47,538	45,532	49,730	64,240	68,748	51,513	54,987
Investment Earnings	822,702	879,840	583,166	30,848	15,293	79,384	296,465
Contributions and Donations	8,703	22,418	6,577	18,792	12,722	16,384	151,295
Other (2)	2,220,310	468,276	373,004	405,267	275,471	210,014	246,423
Total Sources of Non-Ad Valorem	$ 16,688,807	$ 15,087,554	$ 16,118,766	$ 13,979,540	$ 12,648,957	$ 11,873,978	$ 11,015,494

(1) 2025 Reclassified as Transfer

(2) 2025 Legal Settlement $1,853,819

CITY OF ZEPHYRHILLS, FLORIDA
GOVERNMENTAL FUNDS – HISTORICAL REVENUE AND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2025

City of Zephyrhills , Florida
Governmental Funds -- Historical Revenue and Expenditures
Last Five Years

	2020	2021	2022	2023	2024	2025
Revenues:						
Taxes		8,185,436	9,097,382	10,556,349	12,170,618	14,199,571
Licenses, Permits and Fees		2,774,515	2,840,756	3,994,879	2,460,151	3,019,274
Intergovernmental Revenues		11,690,965	10,950,751	6,934,819	7,560,482	15,897,082
Charges for Service		1,894,847	1,942,949	1,752,910	1,731,807	193,751
Fines and Forfeitures		81,436	110,426	187,891	85,918	47,538
Miscellaneous Revenue		333,480	886,398	2,172,986	2,760,213	2,112,582
Interest Revenue						1,814,943
Special Assessment		2,097,051	1,553,763	4,681,239	984,866	967,522
total Revenue		27,057,730	27,382,425	30,281,073	27,754,055	38,252,263
Expenditures:						
Current						
General Government		5,461,333	4,961,065	5,236,540	5,613,638	4,752,957
Public Safety		7,140,591	6,960,537	7,552,329	8,034,160	9,416,013
Economic Environment						343,289
Public Works		2,116,706	2,358,193	2,525,571	2,672,881	4,488,847
Library		330,143	363,223	374,648	425,023	488,797
Capital Outlay		3,923,850	3,719,875	5,424,604	11,500,516	14,586,242
Debt Service						
Principal Retirement		440,695	451,025	461,597	472,417	660,784
Interest and Fiscal Charges		149,732	139,282	128,556	117,639	219,127
Total Expenditures		19,563,050	18,953,200	21,703,845	28,836,274	34,956,056
Excess of Revenues Over (Under) Expenditures		7,494,680	8,429,225	8,577,228	(1,082,219)	3,296,207
Other Financing Sources (uses)						
SBITA						228,316
Insurance Recoveries						154,320
Transfer In						1,992,800
Transfer out		(18,740)	(97,140)	(18,740)	(83,705)	(18,740)
Total Other Financing Sources (uses)		(18,740)	(97,140)	(18,740)	(83,705)	(18,740)
Net Change in Fund Balances		7,475,940	8,332,085	8,558,488	(1,165,924)	5,652,903
Fund Balances Beginning of Year		15,543,875	23,019,815	31,351,900	39,910,388	38,744,464
Restatement						(2,528,957)
Fund Balances- Beginning of the Year as Restated						36,215,507
Fund Balances - End of the Year		23,019,815	31,351,900	39,910,388	38,744,464	41,868,410

CITY OF ZEPHYRHILLS, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2025

Federal or State Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number/ State CSFA No.	Contract Number	Expenditures
Federal			
Department of Treasury			
Passed Through Florida Department of			
Emergency Management:			
COVID-19: Coronavirus State and Local			
Fiscal Recovery Funds	ALN 21.027	Y5328	$ 2,641,645
Environmental Protection Agency			
Passed Through Florida Department of			
Environmental Protection:			
Clean Water State Revolving Fund	ALN 66.458	CS-12000119-0	429,918
Department of Homeland Security			
Passed Through Florida Department of			
Emergency Management:			
Public Assistance Grants - Hurricane Milton	ALN 97.036	Z4373	372,235
Total Federal Expenditures			$ 3,443,798
State of Florida			
Florida Department of Environmental Protection:			
Statewide Water Quality Restoration Projects			
Kossick & Fort King Water/Sewer Main Extension	CSFA 37.039	LPA0407	$ 1,660,112
South 301 Water/Wastewater Redevelopment	CSFA 37.039	LPQ0029	258,645
Subtotal: CSFA 37.039			1,918,757
Innovative Technologies - Ferrate Treatment WWTP	CSFA 37.103	INW03	60,676
Total Florida Department of Environmental Protection			1,979,433
Florida Department of Economic Opportunity:			
Division of Housing and Community Development			
Sarah Vande Berg Tennis Center Phase II	CSFA 40.038	HL135	4,295,008
Zephyr Park Improvements	CSFA 40.038	HL258	35,145
Subtotal: CSFA 40.038			4,330,153
Total Florida Department of Economic Opportunity			4,330,153
Florida Department of Transportation:			
Aviation Grant Program			
Joint Participation Zephyrhills Municipal Airport:			
Runway 1-19 Extension	CSFA 55.004	443359-1-94-01 GOZ22	10,224
Runway 1-19 Ext. Rehab Design	CSFA 55.004	449182-1-94-01 G2D46	14,503
Subtotal: CSFA 55.004			24,727
Local Transportation Projects			
Box Hangars/Taxiway F	CSFA 55.039	43359-1-94-01 G2C11	1,559,427
National Guard Entrance Road	CSFA 55.039	G2I51	1,329,872
Subtotal: CSFA 55.039			2,889,299
Total Florida Department of Transportation			2,914,026
Total State Expenditures			$ 9,223,612

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Zephyrhills, Florida, under programs of the federal and state governments for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Rules of the Auditor General* of the State of Florida. Because the Schedule presents only a selected portion of the operations of the City of Zephyrhills, Florida, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Zephyrhills.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for awards and financial assistance recorded in governmental funds and the accrual basis of accounting for awards and financial assistance recorded in the proprietary funds, which are described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. There were no amounts passed through to other entities during the year.

NOTE 3 INDIRECT COST RATE

The City of Zephyrhills has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 LOANS OUTSTANDING

The City has the following loan balances outstanding at September 30, 2025.

Program Title	Federal Assistance Listing Number/ State CSFA No.	Contract Number	Amount Outstanding
Drinking Water State Revolving Fund	ALN 66.458	WW805030	$ 1,463,472
Drinking Water State Revolving Fund	ALN 66.458	WW805020	1,888,846
Drinking Water State Revolving Fund	ALN 66.458	WW510531	4,906,045
Total U.S. Department of Environmental Protection			$ 8,258,363
Wastewater Treatment Facility Construction	CSFA 37.077	WW510550	643,723
Total Florida Department of Environmental Protection			$ 643,723

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*

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Zephyrhills, Florida (City), which comprise the City's statement of financial position as of 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 9, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

City of Zephyrhills' Response to Findings

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 9, 2026

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

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Zephyrhills, Florida's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements identified as subject to audit in the Florida Department of Financial Services' *State Project Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 9, 2026

CITY OF ZEPHYRHILLS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

Section I – Summary of the Auditors' Results

Financial Statements

1. Type of auditors' report issued:	Unmodified			
2. Internal control over financial reporting:				
• Material weakness(es) identified?	X	yes		no
• Significant deficiency(ies) identified?		yes	X	none reported
3. Noncompliance material to basic financial statements noted?		yes	X	no

Federal Awards

1. Internal control over major federal programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified?		yes	X	none reported
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified			
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		yes	X	no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
21.027	Coronavirus State & Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,000,000			
Auditee qualified as low-risk auditee?	X	yes		no

Section I – Summary of the Auditors' Results (Continued)

State Financial Assistance

1. Internal control over state programs:

• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported

2. Type of auditors' report issued on compliance for major state projects — Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General? ____ yes __X__ no

Identification of Major State Programs:

CSFA Number	Name of State Project
37.039	State Water Quality Restoration Projects
40.038	Division of Housing and Community Development

Audit threshold used to determine between Type A and Type B state projects: $ 750,000

Section II – Financial Statement Findings

2025 – 001 Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting.

Condition: As part of the audit, we proposed audit adjustments to correct the City's financial statements at year-end, including audit adjustments to restate beginning balances of net position and fund balance.

Criteria of Specific Requirement: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the City's ability to ensure financial transactions are authorized and accurate. The City's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's transactions in the financial statements.

Effect: The City's financial records were misstated, and we proposed adjusting entries to management to correct the City's financial records. The proposed adjustments were recorded by management to correct the financial statements.

Cause: The City's internal controls did not prevent or detect the errors.

Repeat Finding: No

Recommendation: We recommend that the City strengthen its internal controls over financial reporting to ensure the financial statements are prepared in accordance with GAAP and transactions are recorded accurately.

View Responsible Official and Planned Corrective Actions: The City's finance staff and City Manager are committed to adhering to GAAP (accounting principles generally accepted in the United States of America) to accurately record OPEB, compensated absences, SBITA, and deferred revenue, the other issues thereby strengthening the financial reporting process. The appropriate procedures and processes will be incorporated into the City's year-end closing processes.

Section III –Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV –Findings and Questioned Costs – Major State Projects

Our audit did not disclose any matters required to be reported in accordance with Chapter 10.557.

CliftonLarsonAllen LLP
CLAconnect.com

MANAGEMENT LETTER

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Zephyrhills, Florida (City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 9, 2026.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 9, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding annual financial audit 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. See 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, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated in the City's geographical boundaries. A PACE program did not operate 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 necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, Florida

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 City Council, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 9, 2026

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor, City Council,
and City Manager
City of Zephyrhills, Florida

We have examined the City of Zephyrhills, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2025. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements 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 referenced above. 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 judgment, including an 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 and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2025.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
June 9, 2026