

**City of Zephyrhills, Florida**

**General Purpose  
Financial Statements  
For the Year Ended  
September 30, 2024**



**City of Zephyrhills, Florida**

**Officials**

**September 30, 2024**

**Elected Officials**

Melonie Bahr Monson	Mayor
Kenneth M. Burgess, Jr.	President - City Council
Charles E. Proctor	Vice President - Council Member
Lance Smith	Council Member
Steven F. Spina, Ph.D	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, FL 33542

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Zephyrhills, Florida (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages M1 through M13 and required supplementary information on pages 47 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zephyrhills, Florida's, basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is 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 introductory and statistical sections but does not include the basic financial statements and our auditor's 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 May 1, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.



DGPerry  
Zephyrhills, Florida  
May 1, 2025

## **Management's Discussion and Analysis (MD&A)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024. 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 1-3, fund financial statements on pages 4-12, footnotes on pages 13-43, and other Required Supplemental Information beginning on pages 44-72.

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 \$173,493,397.
- The City's total net position increased by \$26,715,458 (or 18.20%). The City's governmental net position increased by \$12,995,846 (or 26%), mainly as a result of continued capital investment without taking on additional debt. The business-type net position increased by \$13,719,612 (or 14.10%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,744,464, a decrease of \$1,165,924 in comparison with the prior year. Approximately 29% or \$11,298,436 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 \$117,019 (or .6%). General Fund expenditures, exclusive of capital expenditures, increased by \$1,285,426 (or 9%). The Net Change in General Fund Balance was an increase of \$2,946,482.
- At the end of the current fiscal year, fund balance for the General Fund was \$16,764,972 or 107% of total General Fund operating expenditures excluding capital outlay and debt service.
- The business-type activities (the City's Proprietary Funds) operating revenues decreased by \$449,069 (or 2.4%); operating expenses increased by \$666,469 (or 4.3%); operating income/loss went from an operating income of \$2,414,780 in FY 2023 to \$1,831,365 in FY 2024. The change in net position for the Proprietary Funds was an increase of \$13,719,612 in FY 2024.
- The City's total long-term debt excluding other liabilities (namely compensated absences and Other Post-Employment Benefits OPEB) decreased by \$2,566,350. The City's total long-term debt for governmental activities decreased by \$462,417, while long-term debt business-type activities decreased by \$2,093,933.

#### City Highlights

City administration took a conservative approach to balancing the fiscal year 2024 budget. The City's gross taxable property value increased for the ninth consecutive year. Ad valorem taxes increased by \$1,569,608 to \$8,684,227 using the millage rate of 6.2500, an increase of 4.95% over the Rolled-Back Rate of 5.9552.

Large projects include the following:

**Utility** - Completed construction on Northside Lift Station and Force Main project, \$2,606,436, and the sewer main extensions Kossik and Fort King, \$459,759.

**City Government** - Hercules Park, \$5,013,016, sidewalks and trails \$1,517,110, And South Avenue Right of Way acquisition \$400,473.

**Airport** - terminal, box hangars, taxiway --\$ 481,580, and continuing construction of Itinerant Apron, \$199,630.

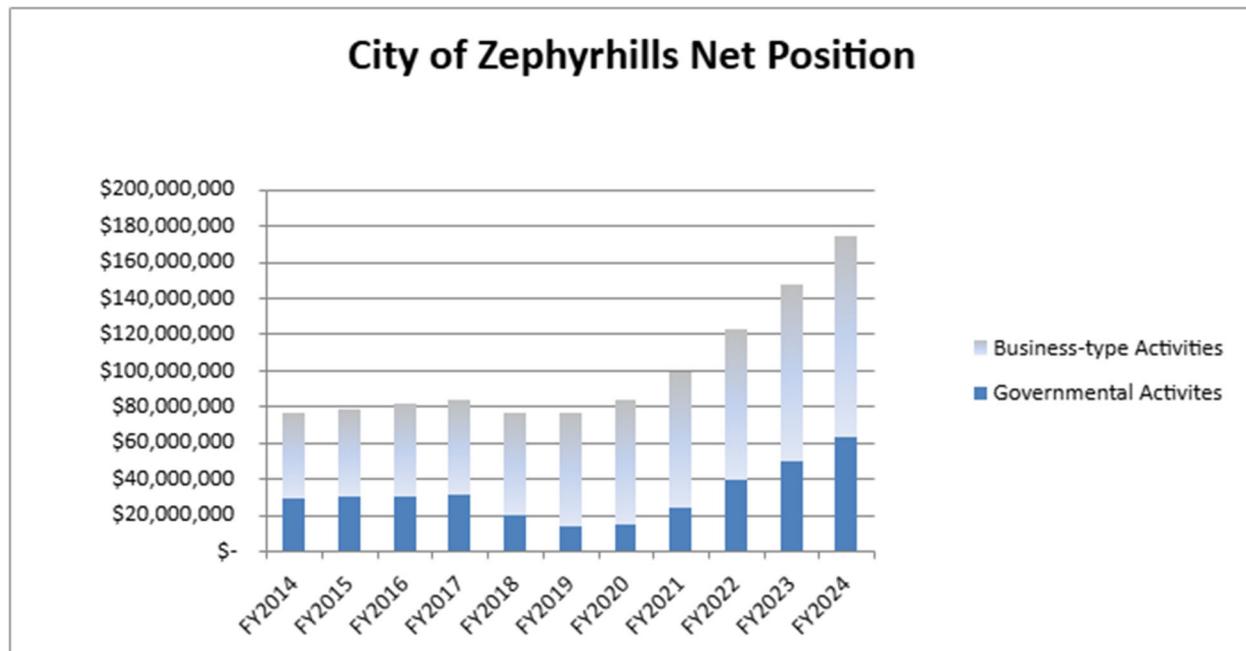
## OVERVIEW OF THE FINANCIAL STATEMENTS

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 assets 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 1-3 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 4-7 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 44-53.

## 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 8-12.

## 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 13-43 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 \$173,493,397 at the close of the fiscal year ending September 30, 2024.

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 Assets compared to the prior fiscal year.

Statement of Net Position at SEPTEMBER 30, 2024						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current Assets	40,809,110	41,693,250	29,952,410	29,293,183	70,761,520	70,986,433
Non-current Assets and Deferred Outflows	55,955,745	47,031,749	101,383,726	90,762,920	157,339,471	137,794,669
Total Assets and Deferred Outflows	96,764,855	88,724,999	131,336,136	120,056,103	228,100,991	208,781,102
Current Liabilities	2,773,440	2,816,162	5,110,859	5,509,752	7,884,299	8,325,914
Non-current Liabilities and Deferred Inflows	34,296,344	36,436,172	15,200,391	17,241,077	49,496,735	53,677,249
Total Liabilities	37,069,784	39,252,334	20,311,250	22,750,829	57,381,034	62,003,163
Net Position:						
Invested in capital assets, net of related debt	48,314,864	39,483,563	87,981,541	75,073,792	136,296,405	114,557,355
Restricted-Debt Svc, R/R, Extension	22,038,723	26,153,469	11,620,425	10,179,518	33,659,148	36,332,987
Unrestricted	(7,885,076)	(16,164,367)	11,422,920	12,051,964	3,537,844	(4,112,403)
Total Net Position	62,468,511	49,472,665	111,024,886	97,305,274	173,493,397	146,777,939

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 \$7,885,076, an improvement from a negative 16,164,367 in Fiscal Year 2023. The improvement was partially due to the decrease in OPEB liability. For more detailed information, see the Statement of Net Position (pages 1 and 2).

## Changes in Net Position

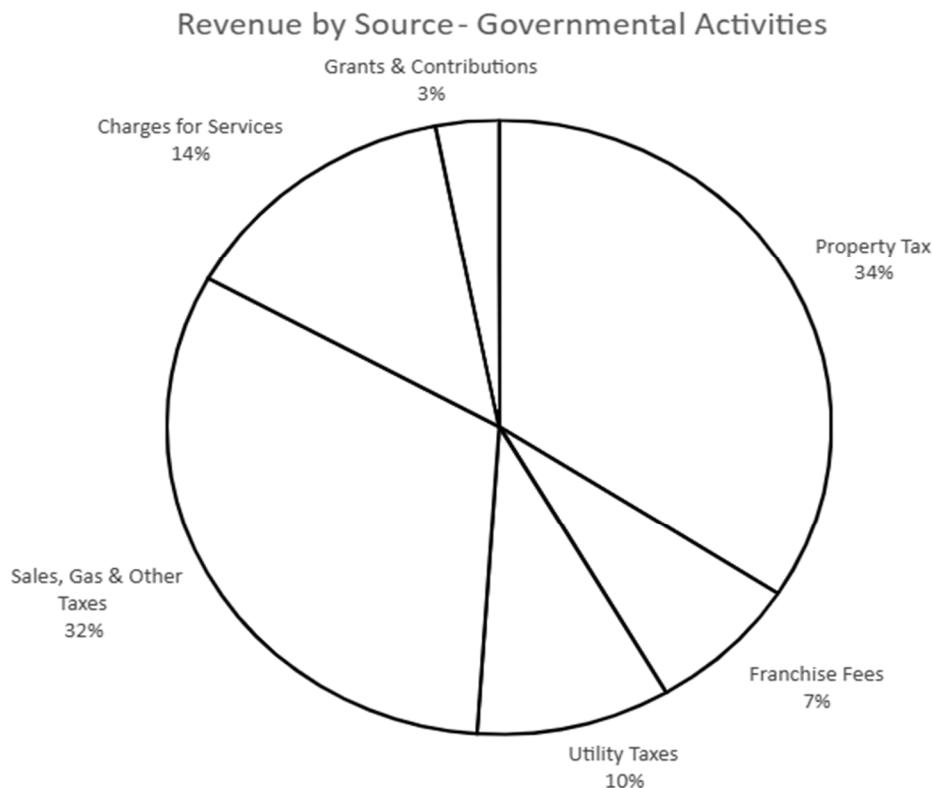
The table on the following page compares the revenues and expenses for the current and previous fiscal year. As the increased estimate of retiree health is allocated across the governmental departments, the City's Governmental activity net position increased \$12,995,846 and business-type activity net position increased \$13,719,612 as discussed below.

	Governmental Activities		Business-type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	3,528,477	8,935,824	19,468,281	21,815,684	22,996,758	30,751,508
Operating Grants & Contributions	-	-	-	-	-	-
Capital Grants & Contributions	781,999	271,080	10,066,651	7,429,148	10,848,650	7,700,228
General Revenues:						
Property Taxes	8,684,227	7,114,619	-	-	8,684,227	7,114,619
Franchise Fees	1,891,749	1,879,886	-	-	1,891,749	1,879,886
Utility Taxes	2,401,570	2,475,237	-	-	2,401,570	2,475,237
Sales, Gas & Other Taxes	8,123,568	7,732,774	-	-	8,123,568	7,732,774
Investment Income	2,342,681	1,796,506	658,479	497,819	3,001,160	2,294,325
Other General Revenues	-	75,147	14,597	42,391	14,597	117,538
Total Revenues	27,754,271	30,281,073	30,208,008	29,785,042	57,962,279	60,066,115
<b>EXPENSES</b>						
Program Activities						
Primary Government:						
Governmental Activities:						
General Government	3,891,762	4,589,618	-	-	3,891,762	4,589,618
Public Safety	4,890,286	7,931,547	-	-	4,890,286	7,931,547
Protective Inspections	578,445	1,408,894	-	-	578,445	1,408,894
Public Works	3,790,179	4,277,587	-	-	3,790,179	4,277,587
Culture/Recreation	377,765	527,394	-	-	377,765	527,394
Economic Environment	1,112,349	1,426,509	-	-	1,112,349	1,426,509
Interest Cost	117,639	150,368	-	-	117,639	150,368
Business-type Activities:						
Utility	-	-	11,209,529	10,932,322	11,209,529	10,932,322
Sanitation	-	-	2,159,722	1,953,080	2,159,722	1,953,080
Airport	-	-	3,119,145	2,834,950	3,119,145	2,834,950
Total Expenses	14,758,425	20,311,917	16,488,396	15,720,352	31,246,821	36,032,269
Incr/Decr in Net position before Transfers						
Transfers	12,995,846	9,969,156	13,719,612	14,064,690	26,715,458	24,033,846
Transfers	-	-	-	-	-	-
Increase in Net position	12,995,846	9,969,156	13,719,612	14,064,690	26,715,458	24,033,846
Net Position prior year	49,472,665	24,111,452	97,305,274	83,240,584	146,777,939	107,352,036
Net Position at year end	62,468,511	49,472,665	111,024,886	97,305,274	173,493,397	146,777,939

## 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 by \$12,995,846, because governmental revenues remain consistently strong while governmental expenditures fall short of budgeted projections.

As illustrated in the following chart, 76% 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 \$13,719,612 - 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 non-recurring)** - Certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (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.

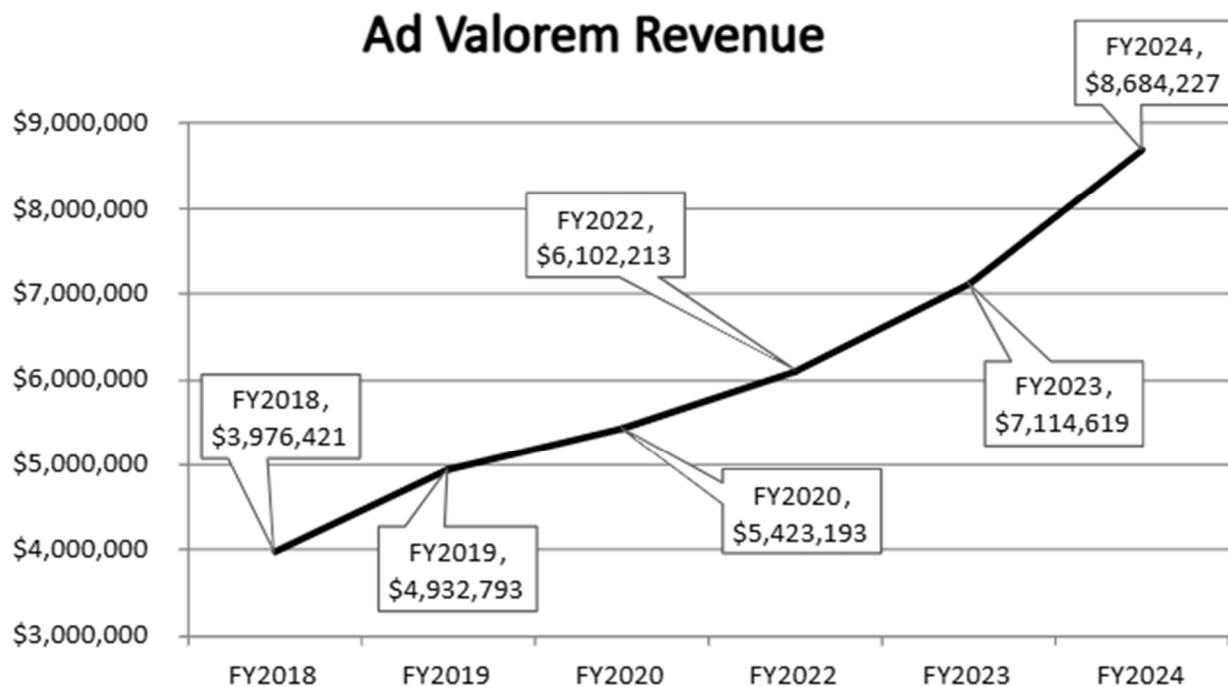
**Inflation** - While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases.

## Current Year Impacts

### Revenues

#### Economic Condition

The City's ad valorem revenue has increased for the seventh straight year. Ad valorem taxes increased \$1,569,608, 22% more than collected in fiscal year 2023. 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 2024.

### Expenses

Operating costs increased by 6.49% in the Governmental Funds, the Utility Fund expenditures increased by 2.78%. Operating costs increased by 11.95% in the Airport Fund and 4.28% 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 4) reported a combined fund balance of \$38,744,464 which is 2.9% less than the prior year combined fund balance of \$39,910,388. \$11,298,436 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 \$111,024,886 which is \$13,719,612 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 \$2,151,162 and, after non-operating revenues and expenses and capital contributions, an increase in net position of \$3,885,377. Operating revenues decreased by 6.16% because of the unusually wet year. Operating expenses increased slightly by 2.78%
- The *Sanitation Fund* has an operating income of \$477,089 and, after non-operating revenues and expenses and capital contributions, an increase in net position of \$565,202. Operating revenues increased 7.20% from the previous year and operating expenses increased 4.28%.

Although the *Airport Fund* has an operating loss of \$796,886 after non-operating revenues and expenses. 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 increased by 11.95% and operating expenses increased by 10%.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of year-end, the City had \$152.27 million invested in a variety of capital assets, as reflected in the following table, which represents an increase (additions less retirements and depreciation) of \$19.17 million (or 14.40%) from the previous year balances.

Capital Assets at Year-End (expressed in millions)						
(Net of Depreciation)						
	Government		Business-type		Total	
	Activities		Activities		Government	
	2024	2023	2024	2023	2024	2023
Land	4.30	3.90	2.86	2.86	7.16	6.76
Buildings and Improvements	22.47	22.22	46.03	43.01	68.50	65.23
Improvements other than Buildings	9.07	7.37			9.07	7.37
Equipment	11.13	8.65	9.26	7.54	20.39	16.19
Infrastructure	28.87	28.11	102.09	92.37	130.96	120.48
Subscription Assets	2.25	2.37	0.00	0.00	2.25	2.37
Less: Accumulated Depreciation	-31.19	-28.65	-67.00	-61.47	-98.19	-90.12
Less: Subscription Amortization	-0.23	-0.22	0.00	0.00	-0.23	-0.22
Subtotal	46.67	43.75	93.24	84.31	139.91	128.06
Construction in Progress	6.42	0.98	5.94	4.06	12.36	5.04
Total	53.09	44.73	99.18	88.37	152.27	133.10

The following table presents a summary of the change in Capital Assets, which is presented in detail on pages 24 and 25 of the notes.

Change in Capital Assets			
(expressed in millions)			
	Governmental	Business-type	Primary
	Activities	Activities	Government
Net Capital Assets, beginning balance	44.73	88.37	133.10
Additions/ Transfers In	11.57	16.39	27.96
Retirements/ Transfers Out	(0.65)	(0.05)	(0.70)
Change in Depreciation	(2.56)	(5.53)	(8.09)
Net Capital Assets, ending balance	53.09	99.18	152.27

## Debt Outstanding

As of year-end, the City had \$15,985,094 million in debt (notes, capital leases payable, etc. excluding compensated absences and Other Post-Employment Benefits - OPEB obligations) outstanding compared to \$18,551,444 last year, a 13.83% decrease.

Detailed information regarding the City's long term debt obligation can be found in Note 5, pages 26 through 29 of this report.

Outstanding Debt, at Year End		
excluding other liabilities (compensated absences, OPEB, impact fee rebate)		
	Totals	
	2024	2023
<b>Governmental:</b>		
Capital improvement notes	\$ 4,782,517	\$ 5,254,934
Sub-total	4,782,517	5,254,934
<b>Business type:</b>		
Bonds payable - BB&T Series Equipment		
Finance Lease	1,436,120	2,130,954
Capital improvement notes	9,766,457	11,165,556
Sub-total	11,202,577	13,296,510
<b>Total</b>	<b>\$ 15,985,094</b>	<b>\$ 18,551,444</b>

## 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 8<sup>th</sup> Street, Zephyrhills, FL 33542, telephone (813) 780-0000.

# City of Zephyrhills, Florida

## Statement of Net Position For the Year Ended September 30, 2024

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Pooled Cash, Cash Equivalents, and Investments	\$ 39,512,573	\$ 13,631,750	\$ 53,144,323
Restricted Assets:			
Cash and Pooled Cash, Cash Equivalents, and Investments	-	11,620,423	11,620,423
Utility Connection Impact Fees	-	1,518,465	1,518,465
Receivables (Net of Allowance):			
Accounts - billed and unbilled	446,293	1,641,226	2,087,519
Due from Other Governments	826,314	743,393	1,569,707
Inventories	22,930	599,291	622,221
Lease Receivable - Short Term	-	186,418	186,418
Prepaid Items	1,000	11,444	12,444
<b>Total Current Assets</b>	<b>40,809,110</b>	<b>29,952,410</b>	<b>70,761,520</b>
<b>Non-Current Assets</b>			
Lease Receivable - Long Term	-	1,608,168	1,608,168
Land and Improvements	4,296,979	2,864,000	7,160,979
Building and Improvements	22,471,439	46,029,769	68,501,208
Improvements - Other than Building	9,077,087	-	9,077,087
Equipment	11,133,472	9,260,970	20,394,442
Infrastructure	28,866,507	102,094,792	130,961,299
Subscription Assets	2,247,363	-	2,247,363
Construction in Process	6,423,758	5,937,839	12,361,597
Accumulated Depreciation	(31,419,224)	(67,003,250)	(98,422,474)
<b>Total Non-Current Assets</b>	<b>53,097,381</b>	<b>100,792,288</b>	<b>153,889,669</b>
Deferred Outflows of Resources	2,858,364	591,438	3,449,802
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 96,764,855</b>	<b>\$ 131,336,136</b>	<b>\$ 228,100,991</b>

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

# City of Zephyrhills, Florida

## Statement of Net Position For the Year Ended September 30, 2024

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,660,959	\$ 1,655,565	\$ 3,316,524
Customer Deposits	-	1,882,148	1,882,148
Accrued Interest Payable	-	34,746	34,746
Current Portion of:			
Revenue Bonds and Notes Payable	483,490	1,436,120	1,919,610
Subscription Asset Payable-Short Term	225,304	-	225,304
Compensated Absences	403,687	102,280	505,967
Total Current Liabilities	<u>2,773,440</u>	<u>5,110,859</u>	<u>7,884,299</u>
<b>Non-Current Liabilities</b>			
Net Pension Liability	11,447,445	2,619,176	14,066,621
Revenue Bonds and Notes Payable	4,299,027	9,766,457	14,065,484
Subscription Asset Payable-Long Term	1,432,725	-	1,432,725
Compensated Absences	1,169,945	620,369	1,790,314
Net OPEB Liability (See note 10)	<u>11,215,677</u>	<u>-</u>	<u>11,215,677</u>
Total Non-Current Liabilities	<u>29,564,819</u>	<u>13,006,002</u>	<u>42,570,821</u>
Total Liabilities	<u>32,338,259</u>	<u>18,116,861</u>	<u>50,455,120</u>
Deferred Inflows of Resources	<u>1,958,085</u>	<u>2,194,389</u>	<u>4,152,474</u>
Total Liabilities and Deferred Inflows of Resources	<u>34,296,344</u>	<u>20,311,250</u>	<u>54,607,594</u>
<b>Net Position</b>			
Investment in Capital Assets, Net of Related Debt	48,314,864	87,981,541	136,296,405
Restricted			
Infrastructure	11,962,825	-	11,962,825
Impact Fees	8,256,639	-	8,256,639
Other	1,819,259	-	1,819,259
Extensions - Utility Fund	-	11,620,425	11,620,425
Unrestricted	<u>(7,885,076)</u>	<u>11,422,920</u>	<u>3,537,844</u>
Total Net Position	<u>62,468,511</u>	<u>111,024,886</u>	<u>173,493,397</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 96,764,855</u></b>	<b><u>\$ 131,336,136</u></b>	<b><u>\$ 228,100,991</u></b>

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

# City of Zephyrhills, Florida

## Statement of Activities For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental Activities							
General Government	\$ (3,891,762)	\$ 1,650,893	\$ -	\$ 781,999	\$ (1,458,870)	\$ -	\$ (1,458,870)
Police	(4,286,476)	53,810	-	-	(4,232,666)	-	(4,232,666)
Fire	(603,810)	-	-	-	(603,810)	-	(603,810)
Protective Inspections	(578,445)	729,625	-	-	151,180	-	151,180
Economic Environment	(1,112,349)	-	-	-	(1,112,349)	-	(1,112,349)
Public Works	(3,790,179)	1,087,329	-	-	(2,702,850)	-	(2,702,850)
Library	(377,765)	6,820	-	-	(370,945)	-	(370,945)
Interest and Fiscal							
Charges on Long-Term Debt	(117,639)	-	-	-	(117,639)	-	(117,639)
Total Governmental Activities	<u>(14,758,425)</u>	<u>3,528,477</u>	<u>-</u>	<u>781,999</u>	<u>(10,447,949)</u>	<u>-</u>	<u>(10,447,949)</u>
Business-Type Activities							
Water and Sewer	(11,209,529)	14,634,297	-	8,940,728	-	12,365,496	12,365,496
Sanitation	(2,159,722)	2,511,730	-	-	-	352,008	352,008
Airport	(3,119,145)	2,322,254	-	1,125,923	-	329,032	329,032
Total Business-Type Activities	<u>(16,488,396)</u>	<u>19,468,281</u>	<u>-</u>	<u>10,066,651</u>	<u>-</u>	<u>13,046,536</u>	<u>13,046,536</u>
Total	<u><u>\$ (31,246,821)</u></u>	<u><u>\$ 22,996,758</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,848,650</u></u>	<u><u>\$ (10,447,949)</u></u>	<u><u>\$ 13,046,536</u></u>	<u><u>\$ 2,598,587</u></u>
General Revenues:							
Taxes							
Ad Valorem							
Franchise Fees							
Communications Services							
Utility Taxes							
Business Taxes							
State Revenue Sharing							
Half-Cent Sales Tax							
Local Option Gas Tax							
Local Option Sales Tax							
Other Taxes							
Investment Income							
Miscellaneous							
Gain (Loss) on Asset Disposal							
Total General Revenues and Special Items							
Change in Net Position							
Net Position Beginning of Year							
Net Position End of Year							

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

# City of Zephyrhills, Florida

Balance Sheet  
Governmental Funds  
For the Year Ended September 30, 2024

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
<b>Assets</b>					
Cash and Pooled Cash, Cash Equivalents, and Investments	\$ 17,147,006	\$ 12,288,038	\$ 1,804,703	\$ 8,272,826	\$ 39,512,573
Receivables (Net of Allowance)					
Accounts Billed	446,293	-	-	-	446,293
Due from Other Governments	375,744	450,570	-	-	826,314
Inventories - at Cost	22,930	-	-	-	22,930
Prepaid Items	1,000	-	-	-	1,000
<b>Total Assets</b>	<b>\$ 17,992,973</b>	<b>\$ 12,738,608</b>	<b>\$ 1,804,703</b>	<b>\$ 8,272,826</b>	<b>\$ 40,809,110</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts Payable	829,027	775,783	39,962	16,187	1,660,959
Accrued Liabilities	398,974	-	4,713	-	403,687
<b>Total Liabilities</b>	<b>1,228,001</b>	<b>775,783</b>	<b>44,675</b>	<b>16,187</b>	<b>2,064,646</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	22,930	-	-	-	22,930
Prepaid items	1,000	-	-	-	1,000
Restricted For:					
Community Reinvestment	165,611	-	1,760,028	-	1,925,639
Impact Fee Programs	-	-	-	8,256,639	8,256,639
Infrastructure Sales Tax Programs	-	11,485,596	-	-	11,485,596
Transportation - Fuel Tax	-	477,229	-	-	477,229
Other (Confiscated Property)	59,231	-	-	-	59,231
Assigned:					
Cemetery Perpetual Care	548,425	-	-	-	548,425
CAD Reserve	51,194	-	-	-	51,194
Recreation-ZNHH Reserve	3,846,624	-	-	-	3,846,624
Building Department Reserve	572,522	-	-	-	572,522
Other	198,999	-	-	-	198,999
Undesignated/Unreserved	11,298,436	-	-	-	11,298,436
<b>Total Fund Balances</b>	<b>16,764,972</b>	<b>11,962,825</b>	<b>1,760,028</b>	<b>8,256,639</b>	<b>38,744,464</b>
<b>Total Liability and Fund Balances</b>	<b>\$ 17,992,973</b>	<b>\$ 12,738,608</b>	<b>\$ 1,804,703</b>	<b>\$ 8,272,826</b>	<b>\$ 40,809,110</b>

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

# City of Zephyrhills, Florida

## Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds For the Year Ended September 30, 2024

Fund Balances - Total Governmental Funds \$ 38,744,464

Amounts reported for Governmental Activities in the Statement  
of Net Position are different because:

Capital Assets used in Governmental Activities are not financial  
resources and, therefore, are not reported in the Governmental Funds.

Governmental Capital Assets	\$ 84,516,605
Less: Accumulated Depreciation	<u>(31,419,224)</u>
	53,097,381

Long-Term Liabilities are not due and payable in the current period  
and, therefore, are not reported in the Governmental Funds. (4,782,517)

SBITA Financing payable	(1,658,029)
Compensated Absences - Long-Term	(1,169,945)
Unfunded Accrued Liability - OPEB	(11,215,677)
Net Pension Liability	(11,447,445)
Other Deferred Inflows/Outflows	<u>900,279</u>
	<u>(24,590,817)</u>

Net Assets of Governmental Activities	\$ <u>62,468,511</u>
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# City of Zephyrhills, Florida

## Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds For the Year Ended September 30, 2024

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
<b>Revenues</b>					
Taxes	\$ 11,171,476	\$ -	\$ 999,142	\$ -	\$ 12,170,618
Licenses and Permits	2,460,151	-	-	-	2,460,151
Intergovernmental Revenue	2,489,884	5,070,598	-	-	7,560,482
Charges for Services	1,731,807	-	-	-	1,731,807
Fines and Forfeitures	85,918	-	-	-	85,918
Miscellaneous Revenue	1,296,755	844,981	197,649	420,828	2,760,213
Special Assessments	-	-	-	984,866	984,866
<b>Total Revenues</b>	<b>19,235,991</b>	<b>5,915,579</b>	<b>1,196,791</b>	<b>1,405,694</b>	<b>27,754,055</b>
<b>Expenditures</b>					
Current					
General Government	4,444,489	-	465,597	703,552	5,613,638
Public Safety	8,034,160	-	-	-	8,034,160
Economic Environment	-	-	-	-	-
Physical Environment	-	-	-	-	-
Public Works	2,672,881	-	-	-	2,672,881
Library	425,023	-	-	-	425,023
Capital Outlay	606,251	10,656,263	114,155	123,847	11,500,516
Debt Service					
Principal Retirement	-	472,417	-	-	472,417
Interest and Fiscal Charges	-	117,639	-	-	117,639
<b>Total Expenditures</b>	<b>16,182,804</b>	<b>11,246,319</b>	<b>579,752</b>	<b>827,399</b>	<b>28,836,274</b>
<b>Excess of Revenues Over (Under) Expended</b>	<b>3,053,187</b>	<b>(5,330,740)</b>	<b>617,039</b>	<b>578,295</b>	<b>(1,082,219)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(83,705)	-	-	-	(83,705)
<b>Total Other Financing Sources (Uses)</b>	<b>(83,705)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(83,705)</b>
Net Change in Fund Balances	2,969,482	(5,330,740)	617,039	578,295	(1,165,924)
<b>Fund Balances - Beginning of Year</b>	<b>13,795,490</b>	<b>17,293,565</b>	<b>1,142,989</b>	<b>7,678,344</b>	<b>39,910,388</b>
<b>Fund Balances - End of Year</b>	<b>\$ 16,764,972</b>	<b>\$ 11,962,825</b>	<b>\$ 1,760,028</b>	<b>\$ 8,256,639</b>	<b>\$ 38,744,464</b>

The accompanying notes are an integral part of these 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 For the Year Ended September 30, 2024

Net Change in Fund Balance - Total Government Funds \$ (1,165,924)

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	\$ 11,500,516
Expenditures for Subscription Assets	(60,026)
Less Current Year Depreciation/Amortization	<u>(3,085,250)</u>
	8,355,240

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 assets.

Estimated (increase)/decrease in Net OPEB obligations	4,662,014
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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.

Other	476,061
Change in Subscription Assets Payable	546,174
Change in Compensated Absences - Long-Term	(210,364)
Other - Deferred Inflows/Outflows	444,913
Increase Net Pension Liability	<u>(112,268)</u>
	1,144,516

Change in Net Assets of Governmental Activities	<u>\$ 12,995,846</u>
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# City of Zephyrhills, Florida

## Statement of Net Position Proprietary Funds For the Year Ended September 30, 2024

	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 9,203,897	\$ 1,942,044	\$ 2,485,809	\$ 13,631,750
Accounts Receivable	1,337,110	326,076	54,040	1,717,226
Less: Allowance for Credit Losses	(64,000)	(12,000)	-	(76,000)
Lease Receivable - short-term	-	-	186,418	186,418
Other Prepaid Expense	11,444	-	-	11,444
Inventories of Supplies, at cost	551,545	-	47,746	599,291
Due From Other Governments	620,530	-	122,863	743,393
Due From the Federal Government	-	-	-	-
Due From Other Funds	-	-	-	-
<b>Total Current Assets</b>	<b>11,660,526</b>	<b>2,256,120</b>	<b>2,896,876</b>	<b>16,813,522</b>
<b>Non-Current Assets</b>				
Lease receivable - long-term	-	-	1,608,168	1,608,168
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>1,608,168</b>	<b>1,608,168</b>
<b>Restricted Assets</b>				
Cash and Pooled Cash, Cash Equivalents and Investments				
Utility Connection Impact Fees	11,620,425	-	-	11,620,425
Construction Fund	-	-	-	-
Sinking Fund	-	-	-	-
Renewal and Replacement	-	-	-	-
Water Reuse Reserve Fund	-	-	-	-
Utility Deposits	1,518,465	-	-	1,518,465
<b>Total Restricted Assets</b>	<b>13,138,890</b>	<b>-</b>	<b>-</b>	<b>13,138,890</b>
<b>Capital Assets</b>				
Property, Plant, Equipment and Infrastructure	116,971,856	4,794,843	44,420,672	166,187,371
Less: Accumulated Depreciation	(47,955,216)	(2,478,306)	(16,569,731)	(67,003,253)
<b>Total Capital Assets</b>	<b>69,016,640</b>	<b>2,316,537</b>	<b>27,850,941</b>	<b>99,184,118</b>
<b>Total Assets</b>	<b>93,816,056</b>	<b>4,572,657</b>	<b>32,355,985</b>	<b>130,744,698</b>
<b>Deferred Outflows of Resources</b>				
Deferred Pension Outflows	418,582	123,442	49,414	591,438
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 94,234,638</b>	<b>\$ 4,696,099</b>	<b>\$ 32,405,399</b>	<b>\$ 131,336,136</b>

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

# City of Zephyrhills, Florida

## Statement of Net Position Proprietary Funds (continued) For the Year Ended September 30, 2024

	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>Liabilities and Fund Equity</b>				
<b>Current Liabilities Payable from Current Assets</b>				
Accounts Payable and Accrued Expenses	\$ 976,844	\$ 58,721	\$ 133,980	\$ 1,169,545
Water Capacity Reservation	588,300	-	-	588,300
Current Portion of Notes Payable	1,396,455	39,665	-	1,436,120
<b>Total</b>	<b>2,961,599</b>	<b>98,386</b>	<b>133,980</b>	<b>3,193,965</b>
<b>Current Liabilities Payable from Restricted Assets</b>				
Customer Deposits	1,833,447	-	48,701	1,882,148
Accrued Interest	34,746	-	-	34,746
<b>Total</b>	<b>1,868,193</b>	<b>-</b>	<b>48,701</b>	<b>1,916,894</b>
<b>Total Current Liabilities</b>	<b>4,829,792</b>	<b>98,386</b>	<b>182,681</b>	<b>5,110,859</b>
<b>Long-Term Liabilities</b>				
Net Pension Liability	1,856,197	543,413	219,566	2,619,176
Compensated Absences Payable, Long-Term Portion	265,265	156,377	198,727	620,369
Bonds and Notes Payable, Long-Term Portion	9,766,457	-	-	9,766,457
<b>Total Long-Term Liabilities</b>	<b>11,887,919</b>	<b>699,790</b>	<b>418,293</b>	<b>13,006,002</b>
<b>Total Liabilities</b>	<b>16,717,711</b>	<b>798,176</b>	<b>600,974</b>	<b>18,116,861</b>
<b>Deferred Inflow of Resources</b>				
Deferred Inflow of Resources - Leases	-	-	1,742,916	1,742,916
Deferred Pension Inflows	319,987	93,630	37,856	451,473
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>17,037,698</b>	<b>891,806</b>	<b>2,381,746</b>	<b>20,311,250</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	57,853,728	2,276,872	27,850,941	87,981,541
<b>Restricted</b>				
Extension - Utility fund	11,620,425	-	-	11,620,425
Unrestricted	7,722,787	1,527,421	2,172,712	11,422,920
<b>Total Net Assets</b>	<b>77,196,940</b>	<b>3,804,293</b>	<b>30,023,653</b>	<b>111,024,886</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 94,234,638</b>	<b>\$ 4,696,099</b>	<b>\$ 32,405,399</b>	<b>\$ 131,336,136</b>

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

# City of Zephyrhills, Florida

## Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Year Ended September 30, 2024

	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>Operating Revenue</b>				
Charges for Services	\$ 13,193,390	\$ 2,511,730	\$ 2,322,254	\$ 18,027,374
Total Operating Revenue	<u>13,193,390</u>	<u>2,511,730</u>	<u>2,322,254</u>	<u>18,027,374</u>
<b>Operating Expenses</b>				
Personnel Services	2,179,681	638,153	516,332	3,334,166
Professional Services	1,329,559	21,761	10,632	1,361,952
Operating Supplies	71,769	73,170	7,070	152,009
Property and Casualty Insurance	379,168	93,692	108,401	581,261
Repairs and Maintenance	269,088	298,115	50,588	617,791
Utilities	670,098	2,860	44,422	717,380
Depreciation	3,943,740	334,357	1,300,377	5,578,474
Administrative Fees	1,438,331	361,440	20,000	1,819,771
Other Operating Expenses	760,794	211,093	85,055	1,056,942
Costs of Goods Resold	-	-	976,263	976,263
Total Operating Expenses	<u>11,042,228</u>	<u>2,034,641</u>	<u>3,119,140</u>	<u>16,196,009</u>
Operating Income (Loss)	<u>2,151,162</u>	<u>477,089</u>	<u>(796,886)</u>	<u>1,831,365</u>
<b>Non-Operating Revenue (Expenses)</b>				
Investment Income	446,012	89,303	123,164	658,479
Interest Expense/Bond Refinance	(167,301)	(1,190)	-	(168,491)
Connection Fees	1,440,907	-	-	1,440,907
Insurance Proceeds	904	-	-	904
Gain (Loss) on Sale of Asset	13,693	-	-	13,693
Total Non-Operating Revenues (Expenses)	<u>1,734,215</u>	<u>88,113</u>	<u>123,164</u>	<u>1,945,492</u>
<b>Income Before Capital Contributions and Transfers</b>				
	3,885,377	565,202	(673,722)	3,776,857
Transfers from other funds	-	(123,896)	-	(123,896)
Contribution from Customers	8,333,485	-	-	8,333,485
Capital Grants	607,243	-	1,125,923	1,733,166
Change in Net Assets	12,826,105	441,306	452,201	13,719,612
<b>Net Assets - Beginning of Year</b>	<u>64,370,835</u>	<u>3,362,987</u>	<u>29,571,452</u>	<u>97,305,274</u>
<b>Net Assets - End of Year</b>	<u>\$ 77,196,940</u>	<u>\$ 3,804,293</u>	<u>\$ 30,023,653</u>	<u>\$ 111,024,886</u>

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

# City of Zephyrhills, Florida

## Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2024

	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 14,734,804	\$ 2,508,087	\$ 2,292,932	\$ 19,535,823
Cash Paid to Suppliers for Goods and Services	(3,754,273)	(785,539)	(1,486,814)	(6,026,626)
Cash Paid to and for the Benefit of Employees	(2,134,571)	(609,663)	(477,831)	(3,222,065)
Cash Paid to Other Funds for Goods or Services	(1,438,331)	(361,440)	(20,000)	(1,819,771)
Net Cash Provided (Used) by Operating Activities	<u>7,407,629</u>	<u>751,445</u>	<u>308,287</u>	<u>8,467,361</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Interfund Activity-Due to/from	(326,561)	-	(81,435)	(407,996)
Proceeds of Grant/Donations	607,243	-	1,125,923	1,733,166
Payments for Capital Acquisitions	(6,088,185)	(834,483)	(1,246,338)	(8,169,006)
Principal Repayments	(2,074,748)	(19,184)	-	(2,093,932)
Proceeds from SRF Loan	-	-	-	-
Lease- Right of Use Receivable	-	-	177,185	177,185
Interest Paid	(167,301)	(1,190)	-	(168,491)
Proceeds from Assets Sold	711	-	-	711
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,048,841)</u>	<u>(854,857)</u>	<u>(24,665)</u>	<u>(8,928,363)</u>
<b>Cash Flows from Investing Activities:</b>				
Receipt of Interest	<u>446,012</u>	<u>89,303</u>	<u>123,164</u>	<u>658,479</u>
Net Cash Provided from Investing Activities	<u>446,012</u>	<u>89,303</u>	<u>123,164</u>	<u>658,479</u>
Net Increase (Decrease) in Cash	<u>(195,200)</u>	<u>(14,109)</u>	<u>406,786</u>	<u>197,477</u>
Cash, Beginning of Year	<u>22,537,987</u>	<u>1,956,153</u>	<u>2,079,023</u>	<u>26,573,163</u>
<b>Cash, End of Year</b>	<b><u>\$ 22,342,787</u></b>	<b><u>\$ 1,942,044</u></b>	<b><u>\$ 2,485,809</u></b>	<b><u>\$ 26,770,640</u></b>
<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet</b>				
Unrestricted Cash and Pooled Cash, Cash Equivalents and Investments	\$ 22,342,787	\$ 1,942,044	\$ 2,485,809	\$ 26,770,640
Restricted Cash and Pooled Cash, Cash Equivalents, and Investments	9,203,897	1,942,044	2,485,809	13,631,750
Utility Impact Fees	11,620,425	-	-	11,620,425
Customer Deposits	1,518,465	-	-	1,518,465
<b>Total</b>	<b><u>\$ 22,342,787</u></b>	<b><u>\$ 1,942,044</u></b>	<b><u>\$ 2,485,809</u></b>	<b><u>\$ 26,770,640</u></b>

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

# City of Zephyrhills, Florida

## Statement of Cash Flows Proprietary Funds (continued) For the Year Ended September 30, 2024

	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>Operating Income (Loss)</b>	<u>\$ 2,151,162</u>	<u>\$ 477,089</u>	<u>\$ (796,886)</u>	<u>\$ 1,831,365</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation Expense	3,943,740	334,357	1,300,377	5,578,474
Connection Fees	1,440,907	-	-	1,440,907
(Increase) Decrease in Accounts Receivable, Net	100,507	(3,643)	(29,322)	67,542
(Increase) Decrease in Inventories	(91,703)	-	(20,765)	(112,468)
Net Increase in Customer Deposits	57,778	-	2,347	60,125
Increase (Decrease) in Accounts Payable Suppliers	(91,719)	(18,657)	70,904	(39,472)
Increase(Decrease) Other	(148,153)	(66,191)	(256,869)	(471,213)
Increase (Decrease) in Accrued Payroll and Compensated Absences	45,110	28,490	38,501	112,101
<b>Total Adjustments</b>	<b><u>5,256,467</u></b>	<b><u>274,356</u></b>	<b><u>1,105,173</u></b>	<b><u>6,635,996</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 7,407,629</u></b>	<b><u>\$ 751,445</u></b>	<b><u>\$ 308,287</u></b>	<b><u>\$ 8,467,361</u></b>

### Supplemental Schedule of Non-Cash Investing, Capital and Financing Activities.

An allowance for uncollectible accounts has been provided for at September 30, 2024 in the amount of \$76,000.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### 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 generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. 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.

#### Included within the Reporting Entity

Zephyrhills Community Redevelopment Agency: 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.

This special district is fully dependent upon the City of Zephyrhills and its funding and expenditures are reported by the City through its Special Revenue Fund (governmental fund type). Under specific requirements as outlined in "Governmental Accounting Standards Board" (GASB) Statement 14, the special district is not considered legally separate and is not reportable as a component unit.

#### Basic Financial Statements - Government-Wide Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund and Special Revenue Fund. Business-type activities include the Utility Fund, Sanitation Fund and Airport Fund.

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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

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.

#### **Basic Financial Statements - 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. Non-major 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. Non-major 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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

#### **Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. 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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating 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 non-exchange 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.

#### **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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

#### **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.

#### **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 is considered an SEC 2a-7 like fund pool in accordance with GASB statement No. 31 and is valued using the pooled share price which approximates fair value. (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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

#### **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.

#### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2024, 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, 2024, 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 county, 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% per 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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (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:

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

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, 2024. Interest cost is not capitalized on projects financed by government grants, third-party donations or on assets in the governmental funds.

#### **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. A provision for accumulated absences, related payroll taxes and retirement has been made in the financial statements as of September 30, 2024.

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.

#### **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.

#### **Invested in Capital Assets (net of related debt)**

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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

#### **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.

#### **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, 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.

#### **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.

#### **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.

#### **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.

#### **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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (continued)

#### **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.

#### **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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 1 - Summary of Significant Accounting Policies (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 generally accepted accounting principles 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

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.

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. Non-negotiable 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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 2 - Cash and Pooled Cash, Cash Equivalents, and Investments (continued)

E. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States Government agencies (Federal Instrumentalities), which are non-full 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.

All demand deposits and certificates of deposit are covered by FDIC insurance and collateral pledged with the State Treasurer by the applicable banks. This is done in compliance with Section 280, Florida Statutes, which provides that in the event of a default by any such bank or savings and loan association, all participating banks and savings and loan associations throughout the State would be obligated to reimburse the government for any loss. Funds on deposit in repurchase agreements and the Florida Local Government Investment Pool (Florida Prime) are not covered by FDIC insurance or Florida Section 280.

Pooled Cash and Investments consist of the following amounts and maturities as of September 30, 2024:

The Florida Prime is rated by Standard and Poors as AAm. The weighted average days to maturity of the Florida Prime as of September 30, 2024, was 60 days.

Deposit/Investment Type	Fair Value	Investment Maturity (in years)	
		Less than 1 year	5+ Years
Florida Prime	\$ 30,343,677	\$ 30,343,677	\$ -
Florida Prime 2	4,737,950	4,737,950	\$ -
FL SAFE	28,014,687	28,014,687	-
Bank Demand Deposit Account	1,415,461	1,415,461	-
	<u>\$ 64,511,775</u>	<u>\$ 64,511,775</u>	<u>\$ -</u>

The Florida Local Government Investment Trust is maintained in the short-term bond fund, which had a rating of AAAf and a weighted duration to maturity of 1.76 years as of September 30, 2024.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 2 - Cash and Pooled Cash, Cash Equivalents, and Investments (continued)

#### Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution and limits holdings in any type of investment with any one issuer. 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.

Equity in pooled cash and investments by fund are:

Fund	Deposit Type	Amount
General Fund	Unrestricted	\$ 17,146,142
Special Revenue Fund	Unrestricted	12,288,039
CRA Fund	Unrestricted	1,804,702
Impact Fee Fund	Unrestricted	8,272,826
Proprietary Funds	Unrestricted	13,379,640
Proprietary Funds	Restricted	11,620,425
Total Pooled Cash and Investments		<u>\$ 64,511,774</u>

### Note 3 - Receivables

The receivables and related allowances for uncollectibles at September 30, 2024 were as follows:

	Receivables	Allowance for Uncollectibles	Net
General Fund	\$ 446,293	\$ -	\$ 446,293
Special Revenue Fund	-	-	-
Impact Fee Fund	-	-	-
Enterprise Funds	1,717,226	(76,000)	1,641,226
Total	<u>\$ 2,163,519</u>	<u>\$ (76,000)</u>	<u>\$ 2,087,519</u>

# City of Zephyrhills, Florida

Notes to the Financial Statements  
For the Year Ended September 30, 2024

## Note 4 - Capital Assets

Governmental activities' capital asset activity for the fiscal year ending September 30, 2024, was as follows:

	Beginning Balance 10/1/2023	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifying Asset Adjustments	Ending Balance 9/30/2024
<b>Governmental Activities</b>					
Non-Depreciable Assets					
Land and Improvements	\$ 3,896,505	\$ 400,474	\$ -	\$ -	\$ 4,296,979
Depreciable Assets					
Buildings and Improvements	22,222,268	249,171	-	-	22,471,439
Improvements Other than Buildings	7,372,453	1,704,634	-	-	9,077,087
Equipment	8,646,108	3,018,510	531,146	-	11,133,472
Infrastructure	28,113,943	642,289	-	110,275	28,866,507
Subscription Assets	2,372,357	-	124,994	-	2,247,363
Construction in Progress	979,983	5,554,050	110,275	-	6,423,758
Total at Historical Cost	<u>73,603,617</u>	<u>11,569,128</u>	<u>766,415</u>	<u>110,275</u>	<u>84,516,605</u>
Less Accumulated Depreciation for					
Land and Land Improvements	-			-	-
Buildings and Improvements	6,042,961	947,772	-	-	6,990,733
Improvements Other than Buildings	4,128,036	318,101	-	-	4,446,137
Equipment	5,043,446	609,840	531,147	-	5,122,139
Subscription Asset	219,565	233,069	-	-	452,634
Infrastructure	13,431,113	976,468	-	-	14,407,581
Total Accumulated Depreciation	<u>28,865,121</u>	<u>3,085,250</u>	<u>531,147</u>	<u>-</u>	<u>31,419,224</u>
Capital Assets, Net	<u><u>\$ 44,738,496</u></u>	<u><u>\$ 8,483,878</u></u>	<u><u>\$ 235,268</u></u>	<u><u>\$ 110,275</u></u>	<u><u>\$ 53,097,381</u></u>

On September 27, 2020, the City entered into an interlocal agreement with Pasco County for the assumption of the City's fire suppression and first responder responsibilities for the benefit of the City's residents. Upon the commencement of the agreement, the City transferred to the County the fire station properties, vehicles and fire equipment with the agreement that the County will reimburse the City the assessed market value for the assets to be paid in the form of credits against future payments for services.

# City of Zephyrhills, Florida

Notes to the Financial Statements  
For the Year Ended September 30, 2024

## Note 4 - Capital Assets (continued)

Depreciation was charged to the governmental activities as follows:

General Government	
Administration	\$ 326,063
Other General Government	9,115
Total General Government	<u>335,178</u>
Public Safety	
Fire Department	-
Police Department	705,363
Protective Inspection	20,093
Total Public Safety	<u>725,456</u>
Public Works	
Streets	1,268,964
Equipment Maintenance	22,417
Parks and Facility Management	628,641
Total Public Works	<u>1,920,022</u>
Culture and Recreation	
Library	104,594
Total Culture and Recreation	<u>104,594</u>
Total	<u><u>\$ 3,085,250</u></u>

Business-Type activities' capital asset activity for the fiscal year ending September 30, 2024, was as follows:

	Beginning Balance 10/1/2023	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifying Asset Adjustments	Ending Balance 9/30/2024
<b>Business-Type Activities:</b>					
Non-Depreciable Assets					
Land and Improvements	\$ 2,864,000	\$ -	\$ -	\$ -	\$ 2,864,000
Depreciable Assets					
Buildings and Improvements	43,013,499	3,016,270	-	-	46,029,769
Equipment	7,536,770	1,773,480	49,280	-	9,260,970
Infrastructure	92,371,927	9,091,999	-	630,866	102,094,792
Construction in Progress	4,058,163	2,510,542	630,866	-	5,937,839
Total at Historical Cost	<u>149,844,359</u>	<u>16,392,291</u>	<u>680,146</u>	<u>630,866</u>	<u>166,187,370</u>
Less Accumulated Depreciation for					
Buildings and Improvements and					
Infrastructure	58,271,217	4,903,065	-	-	63,174,282
Equipment	3,202,841	675,408	49,280	-	3,828,969
Total Accumulated Depreciation	<u>61,474,058</u>	<u>5,578,473</u>	<u>49,280</u>	<u>-</u>	<u>67,003,251</u>
Capital Assets, Net	<u><u>\$ 88,370,301</u></u>	<u><u>\$ 10,813,818</u></u>	<u><u>\$ 630,866</u></u>	<u><u>\$ 630,866</u></u>	<u><u>\$ 99,184,119</u></u>

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 5 - Leases

The City is a lessor for noncancelable 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 noncancelable 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 is the lessor on 14 noncancelable airport related leases:

Name	Start Date	End Date
Kern's Family Construction	February 11, 2019	February 10, 2049
Sunpath - Elite Rigging	April 15, 1997	April 14, 2047
TKM Aviation	June 13, 2016	June 12, 2046
Blue Sky Air Services LLC	September 1, 2010	August 31, 2040
Hawk Aviation	October 1, 2018	September 30, 2038
B & H Construction of Florida	September 1, 2005	September 25, 2035
Dan Evans	January 1, 2004	January 31, 2033
Z-Hills Under Par Inc.	May 1, 2022	April 30, 2032
Sky Dive City	October 25, 2010	October 24, 2030
Posada Aviation LLC	February 15, 2000	February 14, 2030
Elite Enterprises of Florida Inc.	July 1, 1998	June 30, 2028
Tampa Bay Soaring	August 1, 2017	July 31, 2027
Evolution Aircraft, Inc.	April 1, 2016	March 31, 2026
Zephyr Aircraft Engines	August 10, 2015	August 10, 2025

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 5 - Leases (continued)

The City recorded an initial lease receivable of \$2,145,109 during Fiscal Year 2023. The ending lease receivable balance at September 30, 2024 was \$1,794,584. Future payments were discounted using an interest rate of 1.04%. The expected principal and interest payments to maturity are summarized in the table below.

Fiscal Year	Principal and Interest Expected to Maturity		
	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 186,418	\$ 17,206	\$ 203,624
2026	147,145	15,526	162,671
2027	137,621	14,123	151,744
2028	131,400	12,784	144,184
2029	131,509	11,474	142,983
2029 - 2034	499,085	40,920	540,005
2034 - 2039	398,517	17,278	415,795
2039 - 2050	164,347	6,612	170,959
<b>TOTAL</b>	<b>1,796,042</b>	<b>135,923</b>	<b>1,931,965</b>
Less (PV discount)			(137,381)
<b>Lease Receivable</b>	<b>_____</b>	<b>_____</b>	<b>\$ 1,794,584</b>

### Note 6 - Subscription Liabilities

As of October 1, 2022, the City of Zephyrhills implemented the requirements of GASB Statement No. 96, Subscription Based Information Technology Arrangements (SBITA). The primary objective of this statement is to enhance the relevance and consistency of information about government's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset.

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 noncancelable 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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 6 - Subscription Liabilities (continued)

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

Fiscal Year	Principal and Interest Expected to Maturity			Total Payments
	Governmental Activities		Interest Payments	
	Principal Payments			
2025	\$ 224,061		\$ 1,243	\$ 225,304
2026	224,243		1,061	225,304
2027	224,427		877	225,304
2028	174,130		734	174,864
2029	174,274		591	174,865
2029 - 2034	698,564		894	699,458
<b>TOTAL</b>	<b>1,719,699</b>		<b>5,400</b>	<b>1,725,099</b>
Less (PV discount)				(67,070)
<b>Lease Receivable</b>	<b>—————</b>	<b>—————</b>	<b>—————</b>	<b>\$ 1,658,029</b>

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 7 - Long-Term Debt

Long-term debt activity for the fiscal year ending September 30, 2024 is as follows:

Governmental Activities	Beginning			Ending	Amounts
	Balance 10/1/2023	Increases	Decreases	Balance 9/30/2024	Due Within One Year
<b>Notes and Leases Payable</b>					
Bond Payable, JP Morgan Chase Bank, N.A. (City Hall Project)	\$ 5,254,934	\$ -	\$ 472,417	\$ 4,782,517	\$ 483,490
Total Notes and Leases Payable	5,254,934	-	472,417	4,782,517	483,490
<b>Other Liabilities</b>					
Net OPEB Obligations	15,877,691	1,535,453	6,197,467	11,215,677	-
Compensated Absences	1,385,531	523,159	312,795	1,595,895	425,950
Total Long-term Liabilities	\$ 22,518,156	\$ 2,058,612	\$ 6,982,679	\$ 17,594,089	\$ 909,440
Governmental Activities					

City of Zephyrhills, FL 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 \$595,592. 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, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	483,490	106,436
2026	494,823	94,970
2027	506,422	83,235
2028	518,292	71,226
2029 to 2033	<u>2,779,490</u>	<u>165,896</u>
Total	<u>\$ 4,782,517</u>	<u>\$ 521,763</u>

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 7 - Long-Term Debt (continued)

	Beginning Balance 10/01/23	Increases	Decreases	Ending Balance 09/30/24	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds Payable, BB&T Series	\$ 2,130,954	\$ -	\$ 694,834	\$ 1,436,120	\$ 737,915
Total Bond Payable	2,130,954	-	694,834	1,436,120	737,915
EPA Loan to Utility Fund (SRF)	11,165,556	-	1,399,099	9,766,457	1,184,708
Total Bonds and Notes Payable	13,296,510	-	2,093,933	11,202,577	1,922,623
<b>Other Liabilities</b>					
Compensated Absences	639,251	182,123	82,840	738,534	102,280
Total Long-Term Business-Type Activities	<u>\$ 13,935,761</u>	<u>\$ 182,123</u>	<u>\$ 2,176,773</u>	<u>\$ 11,941,111</u>	<u>\$ 2,024,903</u>

### 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% and requires semi-annual payments of \$1,159,261. 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 \$0 in the current year. The loan provides for 0% interest and requires semi-annual payments of \$157,815.

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

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 7 - Long-Term Debt (continued)

The following repayment schedule is based on funds draw down as of September 30, 2024.

Year	Principal	Interest Rate	Interest Amount	Total EPA Loan Service Requirement
2025	1,423,544	0% - 2.12%	44,065	1,467,609
2026	1,446,373	0% - 2.12%	32,651	1,479,024
2027	1,469,688	0% - 2.12%	20,993	1,490,681
2028	1,493,450	0% - 2.12%	9,087	1,502,537
2029	352,414	0% - 2.12%	13,435	365,849
2030	352,414	0.00%	-	352,414
2031	352,414	0.00%	-	352,414
2032	352,414	0.00%	-	352,414
2033	352,414	0.00%	-	352,414
2034	352,414	0.00%	-	352,414
2035	352,414	0.00%	-	352,414
2036	352,414	0.00%	-	352,414
2037	352,414	0.00%	-	352,414
2038	352,414	0.00%	-	352,414
2039	317,302	0.00%	-	317,302
2040-2046	91,960	0.00%	-	91,960
	<u>\$ 9,766,457</u>		<u>\$ 120,231</u>	<u>\$ 9,886,688</u>

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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 7 - 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	Principal	Interest Rate	Interest Amount	Total BB&T Loan Service Requirement
2025	710,205	2.20%	27,710	737,915
2026	725,915	2.20%	11,995	737,910
	<u>\$ 1,436,120</u>		<u>\$ 39,705</u>	<u>\$ 1,475,825</u>

Total Annual Business Activities Debt Service Requirements - excluding compensated absences:

Year	Principal	Interest	Total
2025	2,133,749	71,775	2,205,524
2026	2,172,288	44,646	2,216,934
2027	1,469,688	20,993	1,490,681
2028	1,493,450	9,087	1,502,537
2029	352,414	13,435	365,849
2029-2040	<u>3,580,988</u>	<u>-</u>	<u>3,580,988</u>
	<u>\$ 11,202,577</u>	<u>\$ 159,936</u>	<u>\$ 11,362,513</u>

The City is in compliance with all significant debt requirements.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension

#### **Florida Retirement System (FRS)**

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 multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual 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' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The City's pension expense totaled \$2,965,480 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2024.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### Florida Retirement System Pension Plan

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer 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.
- *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 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 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 4 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.

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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service:</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Elected County Officers</b>	3.00
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Regular</b>	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### 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 contribution rates attributable to the City, effective July 1, 2023, were applied to employee salaries as follows: Regular—12.33%, Senior Management 41.89%, and DROP participants 19.13%. The City's contributions to the FRS Plan were \$1,640,381 for year ended September 30, 2024.

#### Pension Costs

At September 30, 2024, the City reported a liability of \$10,908,821 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2024, the City's proportion was 0.028199359%, which was a decrease of 0.000934623% from its proportion measured as of June 30, 2023.

For the year ended September 30, 2024, the City recognized pension expense of \$1,140,376. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,102,086	\$ -
Changes in Actuarial Assumptions	1,495,156	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	725,058
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	312,727	1,109,216
City Contributions Subsequent to the Measurement Date	386,659	-
Total	\$ 3,296,628	\$ 1,834,274

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

The \$3,296,628 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, 2024. 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 Ended September 30,	Amount
2025	\$ (664,459)
2026	1,423,407
2027	135,750
2028	65,253
2029	115,744
Thereafter	\$ -

#### Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, Including Inflation

Mortality rates were based on the PUB-2010 table which varies by member category and sex, projected generationally with Projection Scale MP-2018. The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

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)	Compound Annual Return			Standard Deviation
		Annual Arithmetic Return	(Geometric) Return		
Cash	1.00%	3.30%	3.30%		1.10%
Fixed Income	29.00%	5.70%	5.60%		3.90%
Global Equity	45.00%	8.60%	7.00%		18.20%
Real Estate (Property)	12.00%	8.10%	6.80%		16.60%
Private Equity	11.00%	12.40%	8.80%		28.40%
Strategic Investments	2.00%	6.50%	6.20%		8.70%
Totals	<u>100.00%</u>				
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. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (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:

Description	1% Decrease Discount Rate	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	5.70%	6.70%	7.70%
Council's Proportionate Share of the FRS Plan Net Pension Liability (Asset)	\$ 19,188,264	\$ 10,908,838	\$ 3,973,063

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

#### Benefits Provided

For the fiscal year ended June 30, 2024, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 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.

#### 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, 2023, the contribution rate was 1.67 percent of payroll pursuant to Section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 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 \$183,397 for the year ended September 30, 2024.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### Pension Costs

At September 30, 2024, the City reported a liability of \$3,157,783 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all participating employers. At June 30, 2024, the City's proportion was 0.0210505%.

For the year ended September 30, 2024, the City recognized pension expense of \$80,659 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	\$ 30,491	\$ 6,063
Changes in Actuarial Assumptions	55,885	373,841
Net Difference Between Projected and Actual Earnings on HIS Program Investments	-	1,142
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	23,545	194,238
City Contributions Subsequent to the Measurement Date	43,253	-
Total	<u>\$ 153,174</u>	<u>\$ 575,284</u>

The \$153,174 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, 2024. 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 Ended September 30,	Amount
2025	\$ (110,443)
2026	(117,455)
2027	(122,131)
2028	(69,549)
2029	(35,724)
Thereafter	(10,061)

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### Actuarial Assumptions

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

#### HIS Actuarial Assumptions

Inflation	2.40 % per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.65%

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study of the FRS Pension Plan for the period July 1, 2013, through June 30, 2018.

#### Discount Rate

The discount rate used to measure the total pension liability was 3.93% for the HIS Plan. 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.

#### 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:

Description	1% Decrease Discount Rate	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.93%	3.93%	4.93%
Council's Proportionate Share of the HIS Plan			
Net Pension Liability	\$ 3,594,730	\$ 3,157,783	\$ 2,795,046

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 8 - Employee Retirement Systems and Pension (continued)

#### 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 9 - 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 10 - Other Post-Employment Benefits

Effective for the fiscal year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which supersedes previous accounting and financial reporting guidance for certain postemployment healthcare and life insurance benefits provided by the City.

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, 2024, was \$1,083,191. 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 Post-Employment Benefits (OPEB), the City has had an actuarial calculation completed to determine the future funding requirements of these benefits. The actuary's 2022 valuation (calculated as of September 30, 2022) 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 7.0% and a Post-Medicare cost of 6.0%, 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.

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 10 - Other Post-Employment Benefits (continued)

The City of Zephyrhills contributes up to 50% of the active health insurance premium for retirees with at least 10 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, 2024, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	34
Active Employees	169
	<u>203</u>

#### Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the City's total OPEB liability was September 30, 2024. The measurement period for OPEB cost was October 1, 2023 to September 30, 2024. The components of the City's net OPEB liability are as follows:

Total OPEB Liability	\$ 11,215,677
OPEB Plan Fiduciary Net Position	-
City's Net OPEB Liability	\$ 11,215,677
OPEB Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0%

# City of Zephyrhills, Florida

Notes to the Financial Statements  
For the Year Ended September 30, 2024

## Note 10 - Other Post-Employment Benefits (continued)

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

<u>Total OPEB Liability</u>	<u>Fiscal Year 2024</u>
Service Cost	\$ 855,806
Interest	679,647
Difference between Expected and Actual Experience	(8,465,511)
Change of Assumptions and Other Inputs	2,500,483
Benefit Payments	(232,439)
Net Change in Total OPEB Liability	(4,662,014)
Total OPEB Liability, Beginning	15,877,691
<b>Total OPEB Liability, Ending</b>	<b>\$ 11,215,677</b>

Schedule of Deferred Inflows/Outflows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (17,229,584)
Changes of assumptions/inputs	10,497,832	(4,742,202)
Net difference between projected and actual investments	-	-
<b>Total</b>	<b>\$ 10,497,832</b>	<b>\$ (21,971,786)</b>

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

Year Ended September 30,	Amount
2025	\$ (858,414)
2026	(858,414)
2027	(858,414)
2028	(858,414)
2029	(858,414)
Thereafter	(7,181,884)

# City of Zephyrhills, Florida

## Notes to the Financial Statements For the Year Ended September 30, 2024

### Note 10 - Other Post-Employment Benefits (continued)

#### Actuarial Assumptions and OPEB liability Sensitivity to Healthcare Trend Rate

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

Inflation	2.5% per annum
Discount Rate	3.81% per annum
Salary Increases	3.5% per annum
Mortality Rates	PUB-2010, using Scale MP-2021
Healthcare Trend Rate	Trend starting at 7.0% with .31% decrease per year 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	\$9,489,000	\$11,216,000	\$13,425,000

#### Discount Rate and OPEB Liability Sensitivity to Discount Rate

The discount rate used to measure the total OPEB liability reported as of September 30, 2024 was 3.81%.

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	Current trend Rate	1% Increase
Total OPEB Liability	2.81% \$13,038,000	3.81% \$11,216,000	4.81% \$9,748,000

# **City of Zephyrhills, Florida**

## **Notes to the Financial Statements For the Year Ended September 30, 2024**

### **Note 11 - 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 12 - Contingencies**

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.

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 13 - Subsequent Events**

Subsequent events have been evaluated through May 1, 2025, the date the financial statements were available to be issued.

On October 9, 2024, Hurricane Milton made landfall near Siesta Key and proceeded inland. The City of Zephyrhills suffered major flooding and wind damage. The City staff has estimated \$1.4 million dollars in damages and \$2.5 million in sewer pumping and debris removal. As of May 6, 2025 the City has accrued \$3 million in actual expenditures. The City is continuing to work to submit the appropriate documentation to the Federal Emergency Management Agency (FEMA) to maximize its reimbursement.

# City of Zephyrhills, Florida

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended September 30, 2024

Resources (Inflows)	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
			Budgetary Basis	Positive (Negative)
<b>Taxes</b>				
Ad Valorem	\$ 7,990,644	\$ 7,990,644	\$ 7,685,090	\$ (305,554)
Communication Services	871,291	871,291	965,964	94,673
Utility Taxes	2,516,000	2,516,000	2,401,570	(114,430)
Business Tax	92,000	92,000	118,852	26,852
Total Taxes	11,469,935	11,469,935	11,171,476	(298,459)
<b>Licenses and Permits</b>				
Franchise Fees	1,816,000	1,816,000	1,891,749	75,749
Building Permits	1,200,000	1,200,000	539,522	(660,478)
Other	24,400	24,400	28,880	4,480
Total Licenses and Permits	3,040,400	3,040,400	2,460,151	(580,249)
<b>Intergovernmental</b>				
State Revenue Sharing	690,000	690,000	711,455	21,455
Mobile Home License	145,000	145,000	136,549	(8,451)
Half-Cent Sales Tax	1,516,015	1,516,015	1,548,994	32,979
Alcoholic Beverage License	17,000	17,000	17,925	925
Firefighter Supplement	-	-	-	-
School District Reimbursement for School Resource Officer	-	-	-	-
Federal FEMA Reimbursement	-	-	-	-
State FEMA Reimbursement	-	-	-	-
Federal Grants	-	-	-	-
State Grants	75,000	75,000	74,961	(39)
Total Intergovernmental	2,443,015	2,443,015	2,489,884	46,869

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended September 30, 2024

<b>Resources (Inflows) (continued)</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	
<b>Charges for Services</b>				
Building Administrative	20,000	20,000	21,631	1,631
Code Enforcement	10,000	10,000	1,255	(8,745)
Library	-	-	761	761
Other	60,300	60,300	62,976	2,676
Payments in Lieu of Taxes	-	-	-	-
Administrative Fees	50,000	50,000	20,740	(29,260)
Proprietary Fund Reimbursed	1,553,481	1,553,481	1,624,444	70,963
<b>Total Charges for Services</b>	<b>1,693,781</b>	<b>1,693,781</b>	<b>1,731,807</b>	<b>38,026</b>
<b>Fines and Forfeits</b>				
Court Fees	65,000	65,000	44,771	(20,229)
Violations of Local Ordinances	21,000	21,000	38,325	17,325
Police Education	4,000	4,000	2,822	(1,178)
Confiscated Property	-	-	-	-
<b>Total Fines and Forfeits</b>	<b>90,000</b>	<b>90,000</b>	<b>85,918</b>	<b>(4,082)</b>
<b>Miscellaneous</b>				
Investment Income	200,000	200,000	879,840	679,840
Cemetery Sales	40,000	40,000	41,551	1,551
Surplus Property Sold	51,000	51,000	31,585	(19,415)
Contributions	-	-	22,418	22,418
Rents	30,000	30,000	26,442	(3,558)
FDOT Street Lighting	50,303	50,303	51,812	1,509
Other	90,200	90,200	243,107	152,907
<b>Total Miscellaneous</b>	<b>461,503</b>	<b>461,503</b>	<b>1,296,755</b>	<b>835,252</b>
<b>Other Financing Sources</b>				
City Hall Bond Issue	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amounts Available for Appropriation</b>	<b>\$ 19,198,634</b>	<b>\$ 19,198,634</b>	<b>\$ 19,235,991</b>	<b>\$ 37,357</b>

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended September 30, 2024

Charges to Appropriations Outflows	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)	
	Original		Budgetary Basis			
	Final					
<b>General Government</b>						
<b>City Council</b>						
Personnel Services	\$ 139,288	\$ 139,288	\$ 131,052	\$ 8,236		
Operating	35,700	35,700	21,263	14,437		
Capital Outlay	100,000	100,000	21,280	78,720		
Contributions	74,000	74,000	122,500	(48,500)		
<b>City Council Total</b>	<b>348,988</b>	<b>348,988</b>	<b>296,095</b>	<b>52,893</b>		
<b>Administration</b>						
Personnel Services	635,407	635,407	597,497	37,910		
Operating	523,850	523,850	515,125	8,725		
Contributions	-	-	-	-		
Capital Outlay	100,000	100,000	31,355	68,645		
Contingencies	620,511	620,511	-	620,511		
<b>Administration Total</b>	<b>1,879,768</b>	<b>1,879,768</b>	<b>1,143,977</b>	<b>735,791</b>		
<b>Human Resources</b>						
Personnel Services	704,174	704,174	473,249	230,925		
Operating	615,050	615,050	569,254	45,796		
Capital Outlay	-	-	-	-		
<b>Human Resources Total</b>	<b>1,319,224</b>	<b>1,319,224</b>	<b>1,042,503</b>	<b>276,721</b>		
<b>Finance</b>						
Personnel Services	475,007	475,007	429,580	45,427		
Operating	95,410	95,410	62,324	33,086		
Capital Outlay	-	-	-	-		
<b>Finance Total</b>	<b>570,417</b>	<b>570,417</b>	<b>491,904</b>	<b>78,513</b>		
<b>Information Technology</b>						
Personnel Services	350,700	350,700	340,068	10,632		
Operating	487,212	487,212	465,171	22,041		
Capital Outlay	16,000	16,000	7,534	8,466		
<b>Information Technology Total</b>	<b>853,912</b>	<b>853,912</b>	<b>812,773</b>	<b>41,139</b>		
<b>Economic Development</b>						
Operating	55,000	55,000	50,000	5,000		
Grants	660,000	660,000	-	660,000		
<b>Economic Development Total</b>	<b>715,000</b>	<b>715,000</b>	<b>50,000</b>	<b>665,000</b>		
<b>Planning</b>						
Personnel Services	465,100	465,100	451,360	13,740		
Operating	237,075	237,075	213,546	23,529		
Contributions	100,000	100,000	2,500	97,500		
<b>Planning Total</b>	<b>802,175</b>	<b>802,175</b>	<b>667,406</b>	<b>134,769</b>		
<b>Total General Government</b>	<b>6,489,484</b>	<b>6,489,484</b>	<b>4,504,658</b>	<b>1,984,826</b>		

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended September 30, 2024

Charges to Appropriations Outflows (continued)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)		
	Original	Final				
<b>Public Safety</b>						
Police Dispatch						
Personnel Services	695,041	695,041	680,606	14,435		
Other Services and Charges	125,200	125,200	49,330	75,870		
Capital Outlay	51,000	51,000	-	51,000		
Police Dispatch Total	<u>871,241</u>	<u>871,241</u>	<u>729,936</u>	<u>141,305</u>		
Police Department						
Personnel Services	5,295,330	5,295,330	4,982,745	312,585		
Operating	1,008,520	1,008,520	818,059	190,461		
Other Services and Charges	-	-	-	-		
Capital Outlay	85,000	85,000	287,944	(202,944)		
Police Department Total	<u>6,388,850</u>	<u>6,388,850</u>	<u>6,088,748</u>	<u>300,102</u>		
Fire Department						
Personnel Services	-	-	-	-		
Operating	643,564	643,564	603,810	39,754		
Capital Outlay	-	-	-	-		
Other Services and Charges	-	-	-	-		
Fire Department Total	<u>643,564</u>	<u>643,564</u>	<u>603,810</u>	<u>39,754</u>		
Protective Inspections						
Personnel Services	847,017	847,017	804,120	42,897		
Operating	205,200	205,200	95,490	109,710		
Capital Outlay	-	-	-	-		
Protective Inspections Total	<u>1,052,217</u>	<u>1,052,217</u>	<u>899,610</u>	<u>152,607</u>		
Public Safety Total	<u>8,955,872</u>	<u>8,955,872</u>	<u>8,322,104</u>	<u>633,768</u>		

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Basis	
Charges to Appropriations				
Outflows (continued)				
<b>Public Works</b>				
Stormwater Management				
Operating	104,500	104,500	28,138	76,362
Capital Outlay	-	-	-	-
Stormwater Management Total	<u>104,500</u>	<u>104,500</u>	<u>28,138</u>	<u>76,362</u>
Public Works Administration Road and Street Facilities				
Personnel Services	747,395	747,395	613,106	134,289
Operating	461,000	461,000	369,898	91,102
Capital Outlay	25,000	25,000	4,061	20,939
Street Facilities Total	<u>1,233,395</u>	<u>1,233,395</u>	<u>987,065</u>	<u>246,330</u>
Equipment Maintenance				
Personnel Services	370,842	370,842	361,468	9,374
Operating	74,825	74,825	50,425	24,400
Capital Outlay	49,000	49,000	75,446	(26,446)
Equipment Maintenance Total	<u>494,667</u>	<u>494,667</u>	<u>487,339</u>	<u>7,328</u>
Parks and Facility Management				
Personnel Services	1,041,107	1,041,107	916,916	124,191
Operating	353,500	353,500	332,930	20,570
Other Services and Charges	-	-	-	-
Capital Outlay	102,500	102,500	150,245	(47,745)
Parks and Facility Management Total	<u>1,497,107</u>	<u>1,497,107</u>	<u>1,400,091</u>	<u>97,016</u>
Public Works Total	<u>3,329,669</u>	<u>3,329,669</u>	<u>2,902,633</u>	<u>427,036</u>

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended September 30, 2024

Charges to Appropriations Outflows (continued)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Library</b>				
Personnel Services	355,244	355,244	357,814	(2,570)
Operating	79,625	79,625	67,209	12,416
Capital Outlay	36,000	36,000	28,387	7,613
Budget Reserves	33,534	33,534	-	33,534
Library Total	504,403	504,403	453,410	50,993
<b>Transfers</b>				
Transfers to other Funds	18,740	18,740	18,740	-
Transfers to Reserves	-	-	64,965	(64,965)
Total Transfers	18,740	18,740	83,705	(64,965)
Total Charges to Appropriations	19,298,168	19,298,168	16,266,510	3,031,658
Excess (Deficiency) of Resources and Fund Transfers Over Charges to Appropriations	(99,534)	(99,534)	2,969,481	3,069,015
Fund Balance - Beginning of Year	80,794	80,794	13,795,490	13,714,696
<b>Fund Balance - End of Year</b>	<b>\$ (18,740)</b>	<b>\$ (18,740)</b>	<b>\$ 16,764,971</b>	<b>\$ 16,783,711</b>

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

Actual amounts (budgetary basis) "available for appropriation" from the Budgetary comparison schedule. \$ 19,235,991

#### Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. -

Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. \$ 19,235,991

## City of Zephyrhills, Florida

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended September 30, 2024

Actual amounts (budgetary basis) of charges to appropriations from the budgetary comparison schedule	\$ 16,266,510
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>83,705</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - General Fund	
	<u>\$ 16,182,805</u>

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - Special Revenue Fund For the Year Ended September 30, 2024

Resources (Inflows)	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)	
	Original		Budgetary Basis			
	Final					
Intergovernmental						
Motor Fuel Taxes	\$ 524,506	\$ 524,506	\$ 530,694	\$ 6,188		
Local Option Sales Tax	3,300,000	3,300,000	3,649,934	349,934		
8th Cent Motor Fuel Tax	194,574	194,574	200,667	6,093		
State Grants	8,705,000	8,705,000	663,990	(8,041,010)		
Gas Tax Refund	20,000	20,000	25,313	5,313		
Total Intergovernmental	<u>12,744,080</u>	<u>12,744,080</u>	<u>5,070,598</u>	<u>(7,673,482)</u>		
Miscellaneous						
Investment Income	548,000	548,000	844,981	296,981		
Donations	-	-	-	-		
Total Miscellaneous	<u>548,000</u>	<u>548,000</u>	<u>844,981</u>	<u>296,981</u>		
Amount Available for Appropriation	13,292,080	13,292,080	5,915,579	(7,376,501)		
<b>Charges to Appropriations (Outflows)</b>						
Expenditures						
Debt Service	590,056	590,056	590,056	-		
Professional Services	-	-	-	-		
Contractual Services	-	-	-	-		
Operating Supplies	5,500	5,500	-	5,500		
Capital Outlay	17,747,755	17,747,755	10,656,263	7,091,492		
Transfers to Other Funds	-	-	-	-		
Contingency	-	-	-	-		
Reserves	1,782,944	1,782,944	-	1,782,944		
Total Expenditures	<u>20,126,255</u>	<u>20,126,255</u>	<u>11,246,319</u>	<u>8,879,936</u>		
Excess (Deficiency) of Resources over Charges to Appropriations	(6,834,175)	(6,834,175)	(5,330,740)	1,503,435		
Fund Balance at Beginning of Year	6,834,175	6,834,175	17,293,565	10,459,390		
<b>Fund Balance at End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,962,825</b>	<b>\$ 11,962,825</b>		

### Explanation of Differences Between Budgetary Outflows and GAAP Expenditures

#### Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 11,246,319

#### Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.   

Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Special Revenue Fund \$ 11,246,319

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - CRA Fund For the Year Ended September 30, 2024

<b>Resources (Inflows)</b>	<b>Budgeted Amount</b>		<b>Actual Amounts</b>		<b>Variance with Final Budget Positive (Negative)</b>	
	<b>Original</b>		<b>Budgetary</b>			
		<b>Final</b>		<b>Basis</b>		
Taxes						
Ad Valorem City	\$ 446,425	\$ 446,425	\$ 446,425	\$ 446,425	\$ -	
Ad Valorem County	543,395	543,395	552,717		9,322	
Total Taxes	<u>989,820</u>	<u>989,820</u>	<u>999,142</u>		<u>9,322</u>	
Miscellaneous						
Mainstreet Reimbursement	1,000	1,000	618		(382)	
Surplus Property Sales	50,000	50,000	-		(50,000)	
Interest Income	100,000	100,000	197,031		97,031	
Total Miscellaneous	<u>151,000</u>	<u>151,000</u>	<u>197,649</u>		<u>46,649</u>	
Amount Available for Appropriation	1,140,820	1,140,820	1,196,791		55,971	
<b>Charges to Appropriations (Outflows)</b>						
Expenditures - Other Economic Environment						
Personnel Services	140,555	140,555	133,840		6,715	
Professional Services	52,096	52,096	197,595		(145,499)	
Contractual Services	81,039	81,039	84,454		(3,415)	
Promotional Activities	50,100	50,100	3,402		46,698	
Supplies	2,550	2,550	393		2,157	
Telephone and Communications	3,200	3,200	2,820		380	
Training and Dues	4,000	4,000	1,768		2,232	
Incentives	100,000	100,000	15,000		85,000	
Grants and Contributions	200,000	200,000	18,750		181,250	
Miscellaneous	7,624	7,624	7,575		49	
Transfers to Other Fund	-	-	-		-	
Contingency and Reserves	-	-	-		-	
Total General Government	<u>641,164</u>	<u>641,164</u>	<u>465,597</u>		<u>175,567</u>	
Expenditures - Debt Service						
Debt Principal and Interest	-	-	-		-	
Total Debt Service	-	-	-		-	
Expenditures - Capital Outlay	1,425,000	1,425,000	114,155		1,310,845	
Total Charges to Appropriations (Outflows)	<u>2,066,164</u>	<u>2,066,164</u>	<u>579,752</u>		<u>1,486,412</u>	
Excess (Deficiency) of Resources over Charges to Appropriations	(925,344)	(925,344)	617,039		1,542,383	
Fund Balance at Beginning of Year	925,344	925,344	1,142,989		217,645	
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,760,028</u>		<u>\$ 1,760,028</u>	

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures:

Uses/ Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 579,752

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. -

Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Community Reinvestment Area Fund \$ 579,752

# City of Zephyrhills, Florida

## Required Supplementary Information Budgetary Comparison Schedule - Impact Fee Fund For the Year Ended September 30, 2024

Resources (Inflows)	Budgeted Amount		Actual Amounts		Variance with Final Budget Positive (Negative)	
	Original		Budgetary Basis			
	Final					
Impact Fees						
Transportation Impact Fees	\$ 2,300,000	\$ 2,300,000	\$ 799,896	\$ (1,500,104)		
Police Impact Fees	250,000	250,000	56,649	(193,351)		
Fire Impact Fees	-	-	-	-		
Park and Cultural Impact Fees	350,000	350,000	128,321	(221,679)		
Total Impact Fees	<u>2,900,000</u>	<u>2,900,000</u>	<u>984,866</u>	<u>(1,915,134)</u>		
Miscellaneous						
State Contribution Pretty Pond	-	-	-	-		
Interest Income	256,000	256,000	420,828	164,828		
Total Miscellaneous	<u>256,000</u>	<u>256,000</u>	<u>420,828</u>	<u>164,828</u>		
Amount Available for Appropriation	3,156,000	3,156,000	1,405,694	(1,750,306)		
<b>Charges to Appropriations (Outflows)</b>						
Expenditures - Public Works Roads and Streets						
Capital Outlay	1,885,000	1,885,000	15,850	1,869,150		
Contractual Services	691,907	691,907	643,855	48,052		
Contingency	4,723,093	4,723,093	-	4,723,093		
Public Works Total	<u>7,300,000</u>	<u>7,300,000</u>	<u>659,705</u>	<u>6,640,295</u>		
Expenditures - Public Safety						
Capital Outlay	57,000	57,000	60,014	(3,014)		
Contractual Services	-	-	-	-		
Small Tools & Equipment	-	-	8,255	(8,255)		
Contingency	709,000	709,000	-	709,000		
Total Public Safety	<u>766,000</u>	<u>766,000</u>	<u>68,269</u>	<u>697,731</u>		
Expenditures - Parks and Recreation						
Capital Outlay	300,000	300,000	47,983	252,017		
Contractual Services	25,000	25,000	51,442	(26,442)		
Contingency	1,505,000	1,505,000	-	1,505,000		
Total Parks and Recreation	<u>1,830,000</u>	<u>1,830,000</u>	<u>99,425</u>	<u>1,730,575</u>		
Total Charges to Appropriations	9,896,000	9,896,000	827,399	9,068,601		
Excess (Deficiency) of Resources over Charges to Appropriations	(6,740,000)	(6,740,000)	578,295	(7,318,295)		
Fund Balance at Beginning of Year	<u>6,740,000</u>	<u>6,740,000</u>	<u>7,678,344</u>	<u>(938,344)</u>		
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,256,639</u>	<u>\$ (8,256,639)</u>		

### Explanation of Differences Between Budgetary Outflows and GAAP Expenditures:

#### Uses/ Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 827,399

#### Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.       

Total expenditures as reported on the statement of revenue, expenditures and change in fund balances - Impact Fee Fund        \$ 827,399

# City of Zephyrhills, Florida

Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability  
 For the Year Ended September 30, 2024

Florida Retirement System Pension Plan	2024	2023	2022	2021	2020	2019	2018	2016	2015
City's Proportion of the Net Pension Liability	0.000281994%	0.000272647%	0.000270852%	0.000295446%	0.037913305%	0.036896700%	0.038666806%	0.002149501%	0.030772788%
City's Proportionate Share of the Net Pension Liability	\$ 10,908,821	\$ 10,864,118	\$ 10,077,862	\$ 2,231,758	\$ 16,432,185	\$ 12,706,073	\$ 11,646,642	\$ 8,749,305	\$ 3,974,718
City's Covered-Employee Payroll	\$ 8,919,667	\$ 8,411,232	\$ 7,715,111	\$ 7,819,873	\$ 8,554,108	\$ 7,115,483	\$ 7,200,895	\$ 6,128,532	\$ 5,705,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	122.30%	129.16%	130.62%	28.54%	192.10%	178.57%	161.74%	142.76%	69.66%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	84.88%	92.00%

Note: The amounts presented for each fiscal year were determined as of June 30.

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.

Retiree Health Insurance Subsidy Program	2024	2023	2022	2021	2020	2019	2018	2016	2015
City's Proportion of the Net Pension Liability	0.021050500%	0.021166800%	0.021151900%	0.002208870%	0.024758627%	0.024150400%	0.024733200%	0.003005484%	0.021462044%
City's Proportionate Share of the Net Pension Liability	\$ 3,157,783	\$ 3,361,565	\$ 2,240,327	\$ 2,709,511	\$ 3,022,988	\$ 2,702,188	\$ 2,617,787	\$ 2,585,031	\$ 2,188,791
City's Covered-Employee Payroll	\$ 8,919,667	\$ 8,411,232	\$ 7,715,111	\$ 7,819,873	\$ 8,772,802	\$ 8,117,769	\$ 8,081,312	\$ 6,847,236	\$ 6,511,208
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.40%	39.97%	29.04%	34.65%	35.34%	33.29%	32.39%	37.75%	33.62%
Plan Fiduciary Net Position as Percentage of the total Pension Liability	4.80%	4.12%	4.81%	3.56%	3.00%	1.70%	2.15%	0.97%	0.50%

Note: The amounts presented for each year were determined as of June 30.

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

# City of Zephyrhills, Florida

## Required Supplementary Information Schedule of Contributions For the Year Ended September 30, 2024

### **Florida Retirement System Pension Plan**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 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	\$ 773,394
Contributions in Relation to the Contractually Required Contribution	(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)	(773,394)
Contribution Deficiency (Excess)	<u>\$ -</u>									
 City's Covered-Employee Payroll	 \$ 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	 \$ 5,812,778
Contributions as a Percentage of Covered-Employee Payroll	18.39%	16.07%	15.25%	14.32%	15.11%	16.40%	15.83%	14.13%	14.02%	13.31%

Note: The amounts presented for each fiscal year were determined as of September 30.

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.

### **Retiree Health Insurance Subsidy Program**

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 183,397	\$ 142,862	\$ 129,192	\$ 123,905	\$ 145,634	\$ 134,842	\$ 134,178	\$ 128,676	\$ 121,021	\$ 89,615
Contributions in Relation to the Contractually Required Contribution	(183,397)	(142,862)	(129,192)	(123,905)	(145,634)	(134,842)	(134,178)	(128,676)	(121,021)	(89,615)
Contribution Deficiency (Excess)	<u>\$ -</u>									
 City's Covered-Employee Payroll	 \$ 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	 \$ 6,623,826
Contributions as a Percentage of Covered-Employee Payroll	2.06%	1.73%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.35%

Note: The amounts presented for each fiscal year were determined as of September 30.

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

Required Supplementary Information  
 Schedule of Changes in Total OPEB Liability  
 For the Year Ended September 30, 2024

<b>Total OPEB Liability</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 855,806	\$ 839,269	\$ 1,147,261	\$ 632,622	\$ 618,943	\$ 579,239	\$ 681,663
Interest	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	2,500,483	(193,573)	(4,858,527)	740,402	8,211,226	5,288,121	(1,710,646)
Benefit Payments	(232,439)	(319,507)	(290,815)	(350,365)	(309,960)	(444,917)	(484,424)
Net Change in Total OPEB Liability	(4,662,014)	953,460	(5,276,829)	1,447,228	(2,978,716)	6,100,375	(897,429)
Total OPEB Liability, Beginning	15,877,691	14,924,231	20,201,060	18,753,832	21,732,548	15,632,173	16,529,602
<b>Total OPEB Liability, Ending</b>	<b>\$ 11,215,677</b>	<b>\$ 15,877,691</b>	<b>\$ 14,924,231</b>	<b>\$ 20,201,060</b>	<b>\$ 18,753,832</b>	<b>\$ 21,732,548</b>	<b>\$ 15,632,173</b>
 Covered-Employee Payroll	 \$ 8,571,000	 \$ 8,029,000	 \$ 7,757,191	 \$ 9,956,000	 \$ 9,618,959	 \$ 7,005,364	 \$ 6,768,468
Total OPEB liability as a percentage of covered employee payroll	131%	198%	192%	203%	195%	310%	231%

Note: The amounts presented for each fiscal year were determined as of September 30.

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

Other Supplementary Schedules (not required)  
 Utility Fund Schedule of Operating Income (Loss)  
 For the Years Ended September 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Installation Fees	\$ 257,553	\$ 912,813
Water and Sewer Service	12,769,893	13,056,930
Miscellaneous Revenues	<u>165,944</u>	<u>89,298</u>
Total Revenues	<u>13,193,390</u>	<u>14,059,041</u>
<b>Operating Expenses</b>		
Administration		
Salaries	316,050	281,202
Employee Benefits	153,553	356,063
Professional Services	922,828	1,032,286
Education, Travel and Dues	10,099	6,674
Telephone	2,047	2,186
Office Supplies and Expenses	3,604	1,802
Operating Supplies	346	13
Property and Casualty Insurance	34,664	28,132
Leases and Rents	2,590	2,522
Vehicle and Equipment Repair	138	392
Gas and Oil	54	230
Other	124,594	116,481
Depreciation	769	2,568
Administration Allocation from General Fund	1,203,481	1,203,481
Administration Allocation from Airport Fund	234,850	234,850
Other Expense Transfer to General Fund	-	-
Payment in Lieu of Taxes to General Fund	<u>-</u>	<u>-</u>
Total Expenses - Administration	<u>3,009,667</u>	<u>3,268,882</u>

## City of Zephyrhills, Florida

Other Supplementary Schedules (not required)  
 Utility Fund Schedule of Operating Income (Loss) (continued)  
 For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Operating Expenses (continued)</b>		
Water Department		
Salaries	541,042	472,353
Overtime	37,057	34,045
Employee Benefits	307,212	333,558
Professional Services	285,845	131,236
Water Tank Maintenance	32,557	25,075
Property Tax	87	172
Education, Travel and Dues	21,032	13,049
Telephone	19,313	18,726
Electric	153,401	157,431
Other Utility Charges	744	171
Leases and Rentals	476	517
Repairs and Maintenance - Building	5,247	4,123
Repairs and Maintenance - Equipment	10,801	51,320
Repairs and Maintenance - Vehicles	14,716	17,624
Small Tools	14,608	7,811
Operating Supplies	30,973	32,009
Property and Casualty Insurance	45,440	36,878
Office Supplies and Postage	2,407	3,158
Uniforms	5,211	3,006
Chemicals and Chlorine Gas	25,356	25,204
Laboratory Analysis	13,092	25,634
Gas and Oil	39,005	49,498
Depreciation	1,518,460	1,359,191
Other	-	-
 Total Expenses - Water Department	 <u>3,124,082</u>	 <u>2,801,789</u>

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)  
 Utility Fund Schedule of Operating Income (Loss) (continued)  
 For the Years Ended September 30, 2024 and 2023

	2024	2023
<b>Operating Expenses (Continued)</b>		
Sewer Department		
Salaries	541,262	512,273
Overtime	60,139	55,270
Employee Benefits	223,365	271,633
Professional Services	120,886	170,089
Education, Travel and Dues	9,904	12,524
Telephone	16,697	12,718
Contract Hauling	141,467	126,578
Electric	458,897	463,911
Other Utility Charges	18,999	34,057
Repairs and Maintenance - Building	13,086	14,979
Repairs and Maintenance - Equipment	146,066	111,062
Repairs and Maintenance - Vehicles	13,577	24,754
Repairs and Maintenance - Infrastructure	65,457	44,630
Small Tools	3,667	9,036
Operating Supplies	40,450	30,426
Office Supplies and Postage	1,811	424
Property and Casualty Insurance	299,064	244,781
Uniforms	4,895	3,629
Chemicals and Chlorine Gas	219,187	210,877
Laboratory Analysis	45,709	26,230
Gas and Oil	39,359	44,348
Depreciation	2,424,511	2,247,794
Other	23	746
Total Expenses - Sewer Department	4,908,478	4,672,769
Total Operating Expenses	11,042,228	10,743,440
<b>Total Operating Income (Loss)</b>	<b>\$ 2,151,162</b>	<b>\$ 3,315,601</b>

# City of Zephyrhills, Florida

Other Supplementary Schedules (not required)  
 Sanitation Fund Schedule of Operating Income (Loss)  
 For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Revenues</b>		
Service	\$ 2,475,766	\$ 2,314,292
Miscellaneous Revenues	<u>35,964</u>	<u>28,817</u>
Total Operating Revenues	<u>2,511,730</u>	<u>2,343,109</u>
<b>Operating Expenses</b>		
Salaries	452,108	440,774
Overtime	29,367	30,027
Employee Benefits	156,678	260,753
Education, Travel and Dues	1,671	1,863
Telephone	2,860	3,083
Landfill Fees	19,843	24,279
Repairs and Maintenance - Vehicles	295,685	219,276
Repairs and Maintenance - Equipment	2,430	6,662
Property and Casualty Insurance	93,692	77,128
Dumpsters and Recycle Bins	44,723	-
Operating Supplies	28,447	42,250
Gas and Oil	160,186	178,598
Depreciation	334,357	279,408
Professional Services	21,761	20,025
Tools, Small Equipment	3,948	2,894
Uniforms	3,639	4,672
Other	21,806	985
Administrative Expense Allocation from General Fund	330,000	327,033
Administrative Expense Allocation from Airport Fund	31,440	31,440
Payment in Lieu of Taxes to General Fund	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>2,034,641</u>	<u>1,951,150</u>
<b>Total Operating Income (Loss)</b>	<u>\$ 477,089</u>	<u>\$ 391,959</u>

## City of Zephyrhills, Florida

Other Supplementary Schedules (not required)  
 Airport Fund Schedule of Operating Income (Loss)  
 For the Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Revenues</b>		
Rental Income	\$ 307,261	\$ 273,981
Tie-Downs	21,176	11,374
Fuel and Oil Sales	1,180,083	1,012,044
Hangar Rental	478,186	458,405
Fuel Flowage Fees	4,444	3,976
Miscellaneous	46,074	29,483
Charges to Other Funds	<u>285,030</u>	<u>285,030</u>
Total Operating Revenues	<u>2,322,254</u>	<u>2,074,293</u>
<b>Operating Expenses</b>		
Salaries	355,440	332,142
Overtime	10,063	8,749
Employee Benefits	150,829	245,666
Professional Services	10,632	9,854
Administration Allocation from General Fund	20,000	20,000
Credit Card Processing	55,084	49,341
Advertising	323	349
Education, Travel and Dues	-	440
Telephone	3,393	3,349
Electricity	34,463	34,077
Water and Sewer	6,022	6,214
Refuse Disposal	544	657
Repairs and Maintenance - Vehicles	507	6,007
Repairs and Maintenance - Building	1,877	1,499
Repairs and Maintenance - Equipment	10,663	16,906
Repairs and Maintenance - Infrastructure	37,541	27,586
Gas and Oil for Resale	976,263	855,029
Vehicle Expense Gas and Oil	15,899	16,813
Operating Supplies	6,470	8,202
Office Supplies	600	584
Other Expenses	13,749	20,320
Property and Casualty Insurance	108,401	87,976
Depreciation	<u>1,300,377</u>	<u>1,083,190</u>
Total Operating Expenses	<u>3,119,140</u>	<u>2,834,950</u>
<b>Total Operating Income (Loss)</b>	<u><u>\$ (796,886)</u></u>	<u><u>\$ (760,657)</u></u>

# City of Zephyrhills, Florida

## Other Reports and Schedules of Independent Auditors Schedule of Expenditures of Federal Awards and State Assistance For the Year Ended September 30, 2024

Program Name	Federal Assistance Listing No./ State CSFA No.	Contract Number	Expenditures
<b>Federal</b>			
Florida Department of Emergency Management Coronavirus State and Local Fiscal Recovery Funds	FALN 21.027	Y5328	* 4,909,292
		<b>Total Federal Expenditures:</b>	<b>\$ 4,909,292</b>
<b>State of Florida</b>			
Florida Department of Environmental Protection Kossick & Fort King Water/Sewer Main Extension	CSFA 37.039	LPA0407	459,755
Florida Department of Environmental Protection South 301 Water/Wastewater Redevelopment	CSFA 37.039	LPQ0029	227,450
Florida Department of Environmental Protection Southwest Florida Water Management District Pasco Reclaimed Interconnect	CSFA 37.039	Q274 Sub Total: CSFA 37.039	58,445 745,650
Florida Department of Economic Opportunity Sarah Vande Berg Tennis Center Phase II	CSFA 40.038	HL135	171,857
Florida Department of Economic Opportunity Zephyr Park Improvements	CSFA 40.038	HL258 Sub Total: CSFA 37.077	46,478 218,335
Florida Dept. of Transportation-Joint Participation Zephyrhills Municipal Airport Runway 1-19 Extension	CSFA 55.004	443359-1-94-01 GOZ22	31,191
Florida Dept. of Transportation-Joint Participation Zephyrhills Municipal Airport Itinerant Apron	CSFA 55.004	449182-1-94-01 G1Z05	199,630
Florida Dept. of Transportation-Joint Participation Zephyrhills Municipal Airport Runway 1-19 Ext. Rehab Design	CSFA 55.004	449182-1-94-01 G2D46 Sub Total: CSFA 55.004	331,081 561,902
Florida Department of Transportation Box Hangars/Taxiway F National Guard Entrance Road	CSFA 55.039 CSFA 55.039	443359-1-94-01 G2C11 G2I51 Sub Total: CSFA 55.039	668,436 439,810 * 1,108,246
		<b>Total State of Florida Expenditures:</b>	<b>\$ 2,634,133</b>
		<b>Total Federal &amp; State Expenditures:</b>	<b>\$ 7,543,425</b>

\* Audited as major program

The accompanying notes are an integral part of this schedule

# City of Zephyrhills, Florida

## Other Reports and Schedules of Independent Auditors Notes to the Schedule of Expenditures of Federal Awards and State Assistance For the Year Ended September 30, 2024

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (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, 2024. 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 Principles, 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, 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 accrual basis of accounting. 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.



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**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Zephyrhills, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Zephyrhills basic financial statements, and have issued our report thereon dated May 1, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of the Report**

This report is intended 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.



DGPerry  
Zephyrhills, Florida  
May 1, 2025

**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 Chapter 10.650 Rules of the Auditor General**

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

**Report on Compliance for Each Major Federal and State Program**

**Opinion on Each Major Federal and State Program**

We have audited City of Zephyrhills' (the City), compliance with the types of compliance requirements described to audit in the OMB *Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2024. 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, City of Zephyrhills, Florida complied, in all material respects, with the types of 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, 2024.

**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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Zephyrhills, Florida 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 the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Zephyrhills, Florida'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 City of Zephyrhills, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 of Zephyrhills Florida'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 of Zephyrhills, Florida'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, 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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



DG Perry  
Zephyrhills, Florida  
May 1, 2025

# City of Zephyrhills, Florida

## Other Reports and Schedules of Independent Auditors Schedule of Findings and Questioned Costs For the Year Ended September 30, 2024

### Section I - Summary of Auditors' Results

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#### *Financial Statements*

Type of Auditors' Report Issued:	Unqualified
Internal Control over financial reporting:	No
- Material Weakness(es) identified?	No
- Significant Weakness(es) identified?	No
Noncompliance material to financial statements noted?	No

#### *Federal Programs and State Program Awards*

Internal Control over major programs:	
- Material Weakness(es) identified?	No
- Significant Weakness(es) identified?	No
Type of auditors' report issued on compliance for major federal programs and state projects:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>Uniform Guidance and Chapter 10.656 Rules Of the Auditor General</i>	No

# City of Zephyrhills, Florida

## Other Reports and Schedules of Independent Auditors Schedule of Findings and Questioned Costs For the Year Ended September 30, 2024

### Section I - Summary of Auditors' Results (continued)

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#### Identification of Major Programs

##### **Federal:**

<u>CFDA Number</u>	<u>Name of Federal Projects</u>
21.027	Florida Department of Emergency Management Coronavirus State & Local Fiscal Recovery Funds

Dollar threshold used to distinguish  
between type A and type B programs  
for federal programs: \$750,000

##### **State:**

<u>CSFA Number</u>	<u>Name of State Projects</u>
55.039	Florida Department of Transportation Box Hangars/Taxiway F National Guard Entrance Road

Dollar threshold used to distinguish  
between type A and type B programs  
for state programs: \$750,000

Auditee qualified as a low risk auditee? Yes

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### Section II - Financial Statement Findings

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None

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### Section III - Federal and State Awards Findings and Questioned Costs

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None

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### Section IV - Schedule of Prior Year Findings Federal and State Projects

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There were no prior audit findings related to Federal or State projects in the prior year.



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### Independent Accountants' Report on Compliance With Section 218.415, Florida Statutes

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

We have examined the City of Zephyrhills, Florida's (the City) compliance with Section 218.415, Florida Statutes concerning the investment of public funds during the year ended September 30, 2024. 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 (AICPA) and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City's 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.

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

In our opinion, the City complied, in all material respects, with the requirements contained in Section 218.415, Florida Statutes during the year ended September 30, 2024.

The purpose of this report is solely to comply with Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose



DG Perry  
Zephyrhills, Florida  
May 1, 2025

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## 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, as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated May 1, 2025.

### 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; Uniform Guidance and Chapter 10.650 Rules of the Auditor General, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major 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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 1, 2025, 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 significant findings and recommendations made in the preceding annual financial audit report. There were no such findings or recommendations made in the preceding report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Zephyrhills, Florida, 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 of Zephyrhills has no component units. The City operates under a Council-Manager form of government.

### **Financial Condition and Management**

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

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

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

### **Annual Financial Report**

Sections 10.554(1) (i) 5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Zephyrhills for the fiscal year ended September 30, 2024, filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2024. In connection with our audit, we determined that these two reports were in agreement.

### **Additional Matters**

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

### **Purpose of this Letter**

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



DGPerry  
Zephyrhills, Florida  
May 1, 2025