City of Zephyrhills, Florida

General Purpose
Financial Statements
For the Year Ended
September 30, 2023



City of Zephyrhills, Florida

Officials

September 30, 2023

Elected Officials

Melonie Bahr Monson	Mayor
Lance A. Smith	President - City Council
Kenneth M. Burgess, Jr.	Vice President - Council Member
Charles E. Proctor	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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6930 Gall Boulevard
Suite 200
Zephyrhills, FL 33542

813.788.2155
DGPerry.com

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, 2023, 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, 2023, 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.

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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 M14 and required supplementary information on pages 44 through 56 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 April 16, 2024, 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
April 16, 2024

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, 2023. 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 13-46, and other Required Supplemental Information beginning on pages 47-75.

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 $146,777,939.
- The City's total net position increased by $24,033,849 (or 19.58%). The City's governmental net position increased by $9,969,156 (or 25.24%), mainly as a result of continued developer improvements. The business-type net position increased by $14,064,690 (or 16.90%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $39,910,388, an increase of $8,558,487 in comparison with the prior year. Approximately 20% or $7,917,203 of this total is unrestricted and *available for spending* at the City's discretion based on the parameters of the fund.
- General Fund revenues increased by $2,820,492 (or 17.31%). General Fund expenditures, exclusive of capital expenditures, increased by $631,308 (or 4.53%). The Net Change in General Fund Balance was an increase of $4,547,555.
- At the end of the current fiscal year, fund balance for the General Fund was $13,795,490 or 96.53% of total General Fund operating expenditures excluding capital outlay and debt service.
- The business-type activities (the City's Proprietary Funds) operating revenues increased by $1,919,288 (or 11.59%); operating expenses increased by $1,387,165 (or 9.81%); operating income/loss went from an operating income of $2,414,780 in FY 2022 to operating income of $2,946,903 in FY 2023. The change in net position for the Proprietary Funds was an increase of $14,064,690 in FY 2023.
- The City's total long-term debt excluding other liabilities (namely compensated absences, Other Post-Employment Benefits OPEB) decreased by $1,610,904. The City's total long-term debt for governmental activities decreased by $461,597 and the total long-term debt for business-type activities decreased by $1,149,307.

City Highlights

City administration took a conservative approach to balancing the fiscal year 2023 budget. The City's gross taxable property value increased for the ninth consecutive year. Ad valorem taxes increased by $1,012,406 to $7,114,619 using the millage rate of 6.2500, an increase of 10.10% over the Rolled-Back Rate of 5.6768.

Large projects include the following:

Utility – Construction started on the Northside Lift Station and Force Main project, $1,445,111. Completed construction of the Reclaimed Water Line Extension, $119,558 and the Fort King Water Line Extension, $174,742.

City Government – New construction of the Dairy Road Extension, $1,100,166, Hercules Park, $250,267 and the Sidewalk Masterplan, $325,987. Completed construction on Simons Road Phase 2, $1,515,945.

Airport – Continuing construction on the rehabilitation of Runway 1-19, $872,831, continuing construction of Itinerant Apron, $2,019,278. Completed construction of the Taxiway A Rehabilitation, $2,169,948.

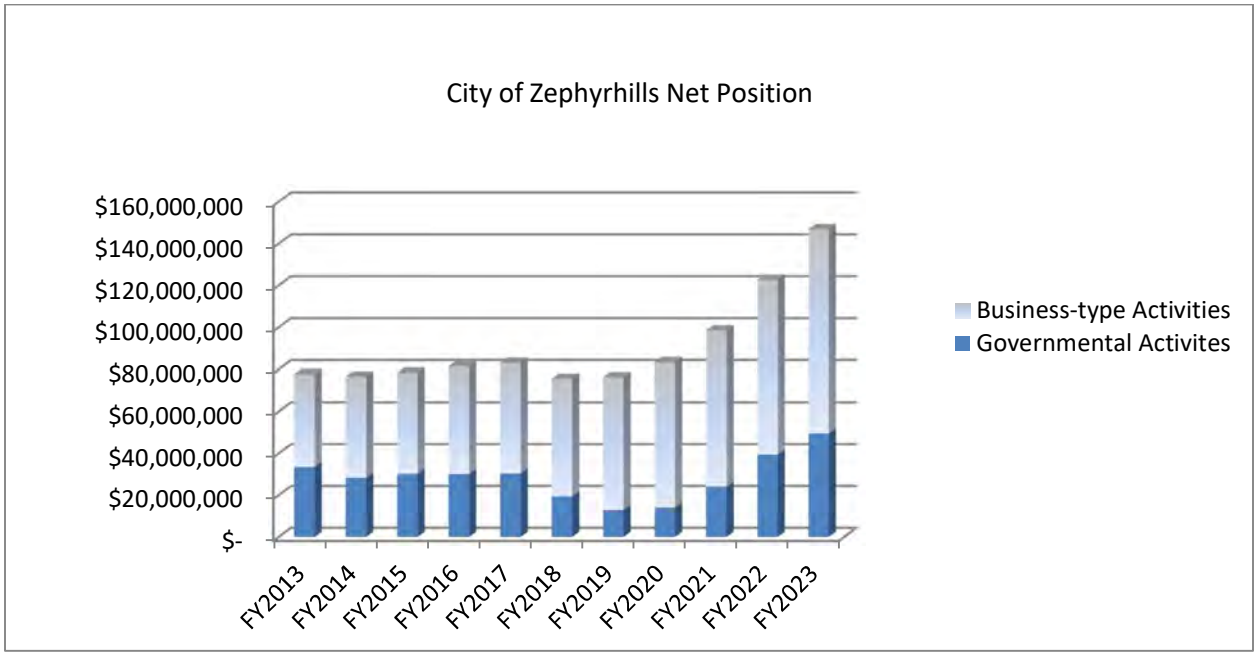
OVERVIEW OF THE FINANCIAL STATEMENTS

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 47-56.

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/waste water) 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 $146,777,939 at the close of the fiscal year ending September 30, 2023.

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.
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The following table reflects the condensed Statement of Net Assets compared to the prior fiscal year.

Statement of Net Position at SEPTEMBER 30, 2023						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current Assets	41,693,250	33,784,891	29,293,183	22,458,326	70,986,433	56,243,217
Non-current Assets and Deferred Outflows	47,031,749	41,906,680	90,762,920	82,018,339	135,641,876	123,925,019
Total Assets and Deferred Outflows	88,724.999	75,691,571	120,056,103	104,476,665	206,628,309	180,168,236
Current Liabilities	2,816,162	2,894,586	5,509,752	5,002,036	7,765,031	7,896,622
Non-current Liabilities and Deferred Inflows	36,436,172	33,293,476	17,241,077	16,234,048	52,033,929	49,527,524
Total Liabilities	39,252,334	36,188,062	22,750,829	21,236,084	59,798,960	57,424,146
Net Position:						
Invested in capital assets, net of related debt	39,483,563	18,394,921	75,073,792	66,943,746	112,404,562	85,338,667
Restricted-Debt Svc, R/R, Extension	26,153,469	22,108,249	10,179,518	6,230,082	36,332,987	28,338,331
Unrestricted	(16,164,367)	(999,661)	12,051,964	10,066,753	(1,908,200)	9,067,092
Total Net Position	49,472,665	39,503,509	97,305,274	83,240,581	146,829,349	122,744,090

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 $16,164,367 , which was a result of recent increases in net pension liability of the Florida Retirement System, OPEB liability, compensated absences and the implementation of GASB 96 subscription-based IT arrangements (see M12). For more detailed information, see the Statement of Net Position (pages 1 and 2).

Changes in Net Position

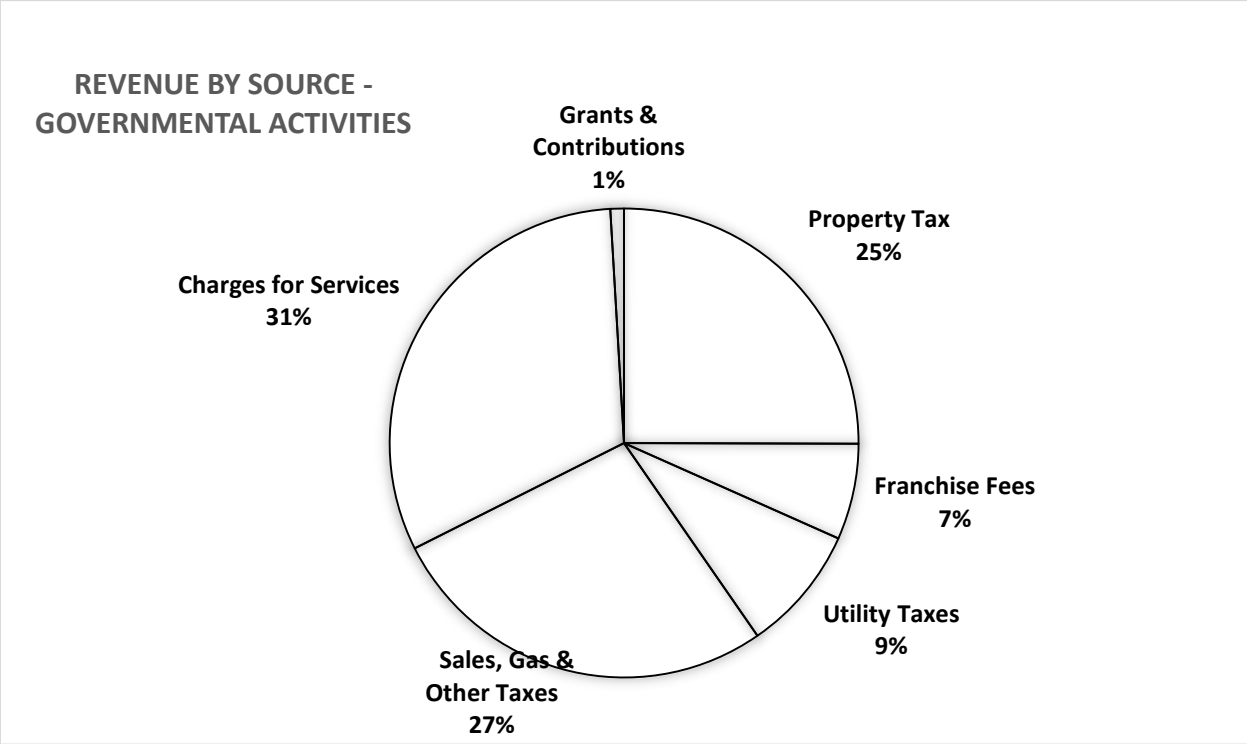
The table on the following page compares the revenues and expenses for the current and previous fiscal year. As the increased estimate of retiree health is allocated across the governmental departments, the City's Governmental activity net position increased $9,969,156 and business-type activity net position increased $14,064,690 as discussed below.

	Governmental Activities		Business-type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	8,935,824	4,845,526	21,815,684	17,729,381	30,751,508	22,574,907
Operating Grants & Contributions	-	-	-	-	-	-
Capital Grants & Contributions	271,080	4,900,638	7,429,148	5,594,679	7,700,228	10,495,317
General Revenues:						
Property Taxes	7,114,619	6,102,213	-	-	7,114,619	6,102,213
Franchise Fees	1,879,886	1,782,524	-	-	1,879,886	1,782,524
Utility Taxes	2,475,237	2,197,114	-	-	2,475,237	2,197,114
Sales, Gas & Other Taxes	7,732,774	7,335,648	-	-	7,732,774	7,335,648
Investment Income	1,796,506	145,547	497,819	40,101	2,294,325	185,648
Other General Revenues	75,147	73,215	42,391	(174,020)	117,538	(100,805)
Total Revenues	30,281,073	27,382,425	29,785,042	23,190,141	60,066,115	50,572,566
EXPENSES						
Program Activities						
Primary Government:						
Governmental Activities:						
General Government	4,589,618	3,526,427	-	-	4,589,618	3,526,427
Public Safety	7,931,547	3,913,358	-	-	7,165,857	3,913,358
Protective Inspections	1,408,894	454,625	-	-	1,408,894	454,625
Public Works	4,277,587	2,887,822	-	-	4,284,287	2,887,822
Culture/Recreation	527,394	266,377	-	-	527,394	266,377
Economic Environment	1,426,509	802,477			1,426,509	802,477
Interest Cost	150,368	139,282	-	-	150,368	139,282
Business-type Activities:						
Utility	-	-	10,932,322	10,004,702	10,932,322	10,004,702
Sanitation	-	-	1,953,080	1,967,673	1,953,080	1,967,673
Airport	-	-	2,834,950	2,396,627	2,834,950	2,396,627
Total Expenses	20,311,917	11,990,368	15,720,352	14,369,002	36,032,269	26,359,370
Incr/Decr in Net position before Transfers	9,969,156	15,392,057	14,064,690	8,821,139	24,033,846	24,213,196
Transfers	-	-	-	-	-	-
Increase in Net position	9,969,156	15,392,057	14,064,690	8,821,139	24,033,846	24,213,196
Net Position prior year	39,503,509	24,111,452	83,240,584	74,419,445	122,744,093	98,530,897
Net Position at year end	49,472,665	39,503,509	97,305,274	83,240,584	146,777,939	122,744,093

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 $9,969,156, because of continued developer improvements to the area.

As illustrated in the following chart, 67.59% 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 $14,064,690 – an increase in the Utility Fund of $9,363,405, an increase in the Sanitation Fund of $507,180 and an increase in the Airport Fund of $4,194,105. Key elements of these changes were:

- Utility revenue increase was due to all the new accounts added from all the developer improvements to the area.
- 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.

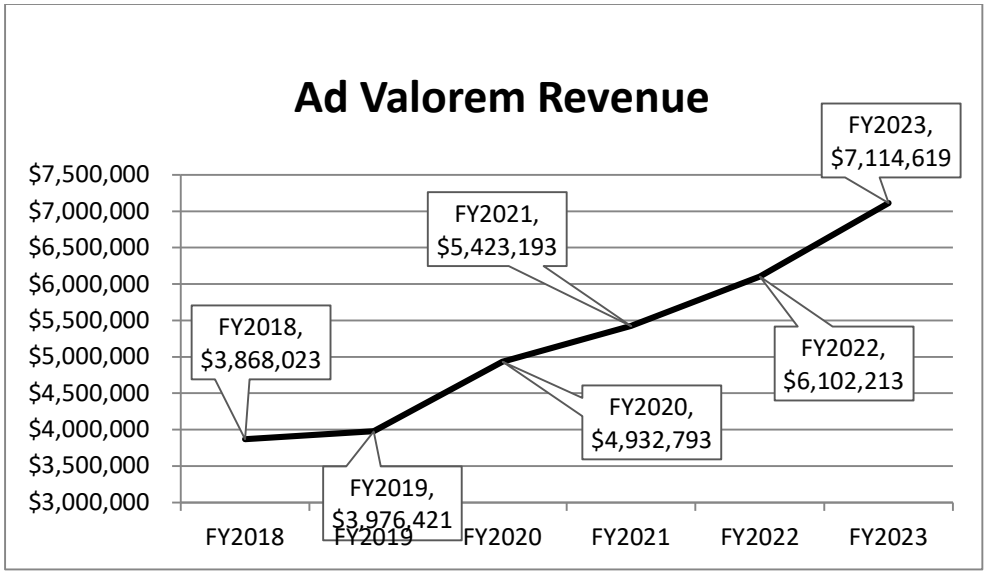
Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts

Revenues

Economic Condition

The City's ad valorem revenue has increased for the sixth straight year. Ad valorem taxes increased $1,012,406, 16.59% more than collected in fiscal year 2022. Franchise fees, utility taxes, local option sales tax revenue increased significantly and remains the single best source of governmental capital improvements; and state shared revenues slightly increased, although there is concern that they could decline in the future.



As in previous years, the City received additional grant revenue (from the federal and state governments) in fiscal year 2023.

Expenses

Operating costs increased by 6.87% in the Governmental Funds, the Utility Fund expenditures increased by 9.85%. Operating costs increased by 18.29% in the Airport Fund and decreased by .74% 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 $39,910,388 which is 27.3% more than the prior year combined fund balance of $31,351,901. $7,917,203 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 $97,305,274 which is $14,064,690 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 $3,315,601 and, after non-operating revenues and expenses and capital contributions, an increase in net position of $6,809,460. Operating revenues increased by 10.11%. Operating expenses increased 9.85% because of the workers' compensation being charged to their respected funds.

- The *Sanitation Fund* has an operating income of $391,959 and, after non-operating revenues and expenses and capital contributions, an increase in net position of $507,180. Operating revenues increased 13.57% from the previous year and operating expenses decreased .74%.

- Although the *Airport Fund* has an operating loss of $760,657 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 20.17% and operating expenses increased by 18.29%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had $133.10 million invested in a variety of capital assets, as reflected in the following table, which represents an increase (additions less retirements and depreciation) of $12.43 million (or 10.30%) from the previous year balances.

Capital Assets at Year-End (expressed in millions)						
(Net of Depreciation)						
	Government		Business-type		Total	
	Activities		Activities		Government	
	2023	2022	2023	2022	2023	2022
Land	3.90	3.88	2.86	2.86	6.76	6.74
Buildings and Improvements	22.22	22.04	43.01	31.86	65.23	53.90
Improvements other than Buildings	7.37	7.14	0.00	0.00	7.37	7.14
Equipment	8.65	8.45	7.54	7.22	16.19	15.67
Infrastructure	28.11	23.33	92.37	85.30	120.48	108.63
Subscription Assets	2.37	0.00	0.00	0.00	2.37	0.00
Less: Accumulated Depreciation	-28.65	-27.07	-61.47	-56.99	-90.12	-84.06
Less: Subscription Amortization	-0.22	0.00	0.00	0.00	-0.22	0.00
Subtotal	43.75	37.77	84.31	70.25	128.06	108.02
Construction in Progress	0.98	1.51	4.06	11.14	5.04	12.65
Total	44.73	39.28	88.37	81.39	133.10	120.67

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	39.28	81.39	120.67
Additions/Transfers In	10.50	23.25	33.75
Retirements/Transfers Out	(3.26)	(11.79)	(15.05)
Change in Depreciation/Amortization	(1.79)	(4.48)	(6.27)
Net Capital Assets, ending balance	44.73	88.37	133.10

Debt Outstanding

As of year-end, the City had $18,551,444 million in debt (notes, capital leases payable, etc. excluding compensated absences and Other Post-Employment Benefits - OPEB obligations) outstanding compared to $20,162,348 million last year, a 7.99% decrease.

Detailed information regarding the City's long term debt obligation can be found in Note 7, pages 29 through 32 of this report.

Outstanding Debt, at Year End		
excluding other liabilities (compensated absences, OPEB, impact fee rebate)		
	Totals	
	2023	2022
Governmental:		
Capital improvement notes	$ 5,254,934	$ 5,716,531
Sub-total	5,254,934	5,716,531
Business type:		
Bonds payable - BB&T Series Equipment Finance Lease	2,130,954	2,810,750
Capital improvement notes	11,165,556	11,635,067
Sub-total	13,296,510	14,445,817
Total	$ 18,551,444	$ 20,162,348

New Accounting Pronouncements

New Accounting Pronouncements The current year financial statements include the adoption of GASB Statement No. 96 Subscription Based Information Technology Arrangements (SBITA). As of September 30, 2023 as the City has future principal payments through 2033 for governmental activities of $2.2 million, and interest payments of $8,441.

ECONOMIC FACTORS

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

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

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

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

FINANCIAL CONTACT

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

City of Zephyrhills, Florida

Statement of Net Position
For the Year Ended September 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Pooled Cash, Cash Equivalents, and Investments	$ 40,377,474	$ 14,875,179	$ 55,252,653
Restricted Assets:			
Cash and Pooled Cash, Cash Equivalents, and Investments			
Utility Connection Impact Fees	-	10,179,518	10,179,518
Utility Deposits	-	1,518,466	1,518,466
Receivables (Net of Allowance):			
Accounts - billed and unbilled	416,203	1,708,767	2,124,970
Due from Other Governments	852,807	335,397	1,188,204
Inventories	45,966	486,823	532,789
Lease Receivable - Short Term	-	177,589	177,589
Prepaid Items	800	11,444	12,244
Total Current Assets	41,693,250	29,293,183	70,986,433
Non-Current Assets			
Lease Receivable - Long Term	-	1,794,182	1,794,182
Land and Improvements	3,896,505	2,864,000	6,760,505
Building and Improvements	22,222,268	43,013,499	65,235,767
Improvements - Other than Building	7,372,453	-	7,372,453
Equipment	8,646,108	7,536,770	16,182,878
Infrastructure	28,113,943	92,371,927	120,485,870
Subscription Assets	2,372,357		
Construction in Process	979,983	4,058,163	5,038,146
Accumulated Depreciation	(28,865,121)	(61,474,057)	(90,339,178)
Total Non-Current Assets	44,738,497	90,164,484	132,530,623
Deferred Outflows of Resources	2,293,252	598,436	2,891,688
Total Assets and Deferred Outflows of Resources	$ 88,724,999	$ 120,056,103	$ 208,781,102

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

City of Zephyrhills, Florida

Statement of Net Position (continued)
For the Year Ended September 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts Payable	$ 1,352,511	$ 1,666,555	$ 3,019,066
Customer Deposits	-	1,822,023	1,822,023
Accrued Interest Payable	-	34,746	34,746
Current Portion of:			
Revenue Bonds and Notes Payable	472,417	1,884,148	2,356,565
Subscription Asset Payable-Short Term	560,883	-	560,883
Compensated Absences	430,351	102,280	532,631
Total Current Liabilities	2,816,162	5,509,752	8,325,914
Non-Current Liabilities			
Net Pension Liability	11,335,177	2,890,506	14,225,683
Revenue Bonds and Notes Payable	4,782,517	11,412,362	16,194,879
Subscription Asset Payable-Long Term	1,643,320	-	1,643,320
Compensated Absences	959,581	536,971	1,496,552
Net OPEB Liability (See note 10)	15,877,691	-	15,877,691
Total Non-Current Liabilities	34,598,286	14,839,839	49,438,125
Total Liabilities	37,414,448	20,349,591	57,764,039
Deferred Inflows of Resources	1,837,886	2,401,238	4,239,124
Total Liabilities and Deferred Inflows of Resources	39,252,334	22,750,829	62,003,163
Net Position			
Investment in Capital Assets, Net of Related Debt	39,483,563	75,073,792	114,557,355
Restricted			
Infrastructure	17,293,565	-	17,293,565
Impact Fees	7,678,344	-	7,678,344
Other	1,181,560	-	1,181,560
Extensions - Utility Fund	-	10,179,518	10,179,518
Unrestricted	(16,164,367)	12,051,964	(4,112,403)
Total Net Position	49,472,665	97,305,274	146,777,939
Total Liabilities and Net Position	$ 88,724,999	$ 120,056,103	$ 208,781,102

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

City of Zephyrhills, Florida

Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Changes in Net Position: Governmental Activities	Changes in Net Position: Business-Type Activities	Changes in Net Position: Total
Governmental Activities							
General Government	$ (4,589,618)	$ 1,690,865	$ -	$ 271,080	$ (2,627,673)	$ -	$ (2,627,673)
Police	(7,165,857)	89,471	-	-	(7,076,386)	-	(7,076,386)
Fire	(765,690)	-	-	-	(765,690)	-	(765,690)
Protective Inspections	(1,408,894)	2,337,942	-	-	929,048	-	929,048
Economic Environment	(1,426,509)	-	-	-	(1,426,509)	-	(1,426,509)
Public Works	(4,277,587)	4,811,363	-	-	533,776	-	533,776
Library	(527,394)	6,183	-	-	(521,211)	-	(521,211)
Interest and Fiscal Charges on Long-Term Debt	(150,368)	-	-	-	(150,368)	-	(150,368)
Total Governmental Activities	(20,311,917)	8,935,824	-	271,080	(11,105,013)	-	(11,105,013)
Business-Type Activities							
Water and Sewer	(10,932,322)	17,398,282	-	2,553,945	-	9,019,905	9,019,905
Sanitation	(1,953,080)	2,343,109	-	-	-	390,029	390,029
Airport	(2,834,950)	2,074,293	-	4,875,203	-	4,114,546	4,114,546
Total Business-Type Activities	(15,720,352)	21,815,684	-	7,429,148	-	13,524,480	13,524,480
Total	$ (36,032,269)	$ 30,751,508	$ -	$ 7,700,228	$ (11,105,013)	$ 13,524,480	$ 2,419,467
General Revenues:							
Taxes							
Ad Valorem					7,114,619	-	7,114,619
Franchise Fees					1,879,886	-	1,879,886
Communications Services					867,746	-	867,746
Utility Taxes					2,475,237	-	2,475,237
Business Taxes					96,350	-	96,350
State Revenue Sharing					714,010	-	714,010
Half-Cent Sales Tax					1,535,072	-	1,535,072
Local Option Gas Tax					757,194	-	757,194
Local Option Sales Tax					3,519,013	-	3,519,013
Other Taxes					151,832	-	151,832
Investment Income					1,796,506	497,819	2,294,325
Miscellaneous					91,557	-	91,557
Gain (Loss) on Asset Disposal					75,147	42,391	117,538
Total General Revenues and Special Items					21,074,169	540,210	21,614,379
Change in Net Position					9,969,156	14,064,690	24,033,846
Net Position Beginning of Year					39,503,509	83,240,584	122,744,093
Net Position End of Year					$ 49,472,665	$ 97,305,274	$ 146,777,939

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, 2023

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
Assets					
Cash and Pooled Cash, Cash Equivalents, and Investments	$ 14,058,618	$ 16,923,937	$ 1,169,650	$ 8,225,269	$ 40,377,474
Receivables (Net of Allowance)					
Accounts Billed	416,203	-	-	-	416,203
Due from Other Governments	444,937	407,870	-	-	852,807
Inventories - at Cost	45,966	-	-	-	45,966
Prepaid Items	800	-	-	-	800
Total Assets	$ 14,966,524	$ 17,331,807	$ 1,169,650	$ 8,225,269	$ 41,693,250
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	745,084	38,242	22,260	546,925	1,352,511
Accrued Liabilities	425,950	-	4,401	-	430,351
Total Liabilities	1,171,034	38,242	26,661	546,925	1,782,862
Fund Balances					
Nonspendable:					
Inventories	45,966	-	-	-	45,966
Prepaid items	800	-	-	-	800
Restricted For:					
Community Reinvestment	170,395	-	1,142,989	-	1,313,384
Impact Fee Programs	-	-	-	7,678,344	7,678,344
Infrastructure Sales Tax Programs	-	16,563,901	-	-	16,563,901
Transportation - Fuel Tax	-	729,664	-	-	729,664
Other (Confiscated Property)	38,571	-	-	-	38,571
Assigned:					
Cemetery Perpetual Care	479,704	-	-	-	479,704
CAD Reserve	97,361	-	-	-	97,361
Recreation-ZNHH Reserve	3,647,523	-	-	-	3,647,523
Building Department Reserve	1,213,548	-	-	-	1,213,548
Other	184,419	-	-	-	184,419
Undesignated/Unreserved	7,917,203	-	-	-	7,917,203
Total Fund Balances	13,795,490	17,293,565	1,142,989	7,678,344	39,910,388
Total Liability and Fund Balances	$ 14,966,524	$ 17,331,807	$ 1,169,650	$ 8,225,269	$ 41,693,250

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, 2023

Fund Balances - Total Governmental Funds		$ 39,910,388
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	$ 73,603,617	
Less: Accumulated Depreciation	(28,865,121)	44,738,497
Long-Term Liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		(5,254,934)
SBITA Financing payable	(2,204,203)	
Compensated Absences - Long-Term	(959,581)	
Unfunded Accrued Liability - OPEB	(15,877,691)	
Net Pension Liability	(11,335,177)	
Other Deferred Inflows/Outflows	455,366	(29,921,286)
Net Assets of Governmental Activities		$ 49,472,665

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

City of Zephyrhills, Florida

Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the Year Ended September 30, 2023

	General	Special Revenue	CRA Fund	Impact Fee Fund	Total
Revenues					
Taxes	$ 9,822,350	$ -	$ 733,999	$ -	$ 10,556,349
Licenses and Permits	3,994,879	-	-	-	3,994,879
Intergovernmental Revenue	2,400,915	4,533,904	-	-	6,934,819
Charges for Services	1,752,910	-	-	-	1,752,910
Fines and Forfeitures	187,891	-	-	-	187,891
Miscellaneous Revenue	960,027	741,788	123,964	347,207	2,172,986
Special Assessments	-	-	-	4,681,239	4,681,239
Total Revenues	19,118,972	5,275,692	857,963	5,028,446	30,281,073
Expenditures					
Current					
General Government	3,838,579	626,429	237,164	534,368	5,236,540
Public Safety	7,552,329	-	-	-	7,552,329
Economic Environment	-	-	-	-	-
Physical Environment	-	-	-	-	-
Public Works	2,525,571	-	-	-	2,525,571
Library	374,648	-	-	-	374,648
Capital Outlay	261,550	2,256,098	184,778	2,722,178	5,424,604
Debt Service					
Principal Retirement	-	461,597	-	-	461,597
Interest and Fiscal Charges	-	128,556	-	-	128,556
Total Expenditures	14,552,677	3,472,680	421,942	3,256,546	21,703,845
Excess of Revenues Over (Under) Expended	4,566,295	1,803,012	436,021	1,771,900	8,577,228
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(18,740)	-	-	-	(18,740)
Total Other Financing Sources (Uses)	(18,740)	-	-	-	(18,740)
Net Change in Fund Balances	4,547,555	1,803,012	436,021	1,771,900	8,558,488
Fund Balances - Beginning of Year	9,247,935	15,490,553	706,968	5,906,444	31,351,900
Fund Balances - End of Year	$ 13,795,490	$ 17,293,565	$ 1,142,989	$ 7,678,344	$ 39,910,388

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, 2023

Net Change in Fund Balance - Total Government Funds		$ 8,558,488
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	$ 5,424,604	
Expenditures for Subscription Assets	$ 2,372,357	
Less Current Year Depreciation/Amortization	(2,351,359)	5,445,602
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		(953,460)
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	467,740	
Change in Subscription Assets Payable	(2,204,202)	
Change in Compensated Absences - Long-Term	(137,018)	
Other - Deferred Inflows/Outflows	274,127	
Decrease Net Pension Liability	(1,482,121)	(3,081,474)
Change in Net Assets of Governmental Activities		$ 9,969,156

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

City of Zephyrhills, Florida

Statement of Net Position
Proprietary Funds
For the Year Ended September 30, 2023

	Utility Fund	Sanitation Fund	Airport Fund	Total
Assets				
Current Assets				
Cash and Investments	$ 10,840,003	$ 1,956,153	$ 2,079,023	$ 14,875,179
Accounts Receivable	1,437,616	322,433	24,718	1,784,767
Less: Allowance for Doubtful Accounts	(64,000)	(12,000)	-	(76,000)
Lease Receivable - short term	-	-	177,589	177,589
Other Prepaid Expense	11,444	-	-	11,444
Inventories of Supplies, at cost	459,842	-	26,981	486,823
Due From Other Governments	293,969	-	41,428	335,397
Due From the Federal Government	-	-	-	-
Due From Other Funds	-	-	-	-
Total Current Assets	12,978,874	2,266,586	2,349,739	17,595,199
Non-Current Assets				
Lease receivable - long-term	-	-	1,794,182	1,794,182
Total Non-Current Assets	-	-	1,794,182	1,794,182
Restricted Assets				
Cash and Pooled Cash, Cash Equivalents and Investments				
Utility Connection Impact Fees	10,179,518	-	-	10,179,518
Construction Fund	-	-	-	-
Sinking Fund	-	-	-	-
Renewal and Replacement	-	-	-	-
Water Reuse Reserve Fund	-	-	-	-
Utility Deposits	1,518,466	-	-	1,518,466
Total Restricted Assets	11,697,984	-	-	11,697,984
Capital Assets				
Property, Plant, Equipment and Infrastructure	102,585,771	4,084,255	43,174,333	149,844,359
Less: Accumulated Depreciation	(44,060,755)	(2,143,948)	(15,269,354)	(61,474,057)
Total Capital Assets	58,525,016	1,940,307	27,904,979	88,370,302
Total Assets	83,201,874	4,206,893	32,048,900	119,457,667
Deferred Outflows of Resources				
Deferred Pension Outflows	433,044	113,883	51,509	598,436
Total Assets and Deferred Outflows of Resources	$ 83,634,918	$ 4,320,776	$ 32,100,409	$ 120,056,103

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, 2023

	Utility Fund	Sanitation Fund	Airport Fund	Total
Liabilities and Fund Equity				
Current Liabilities Payable from Current Assets				
Accounts Payable and Accrued Expenses	$ 1,049,444	$ 74,997	$ 56,094	$ 1,180,535
Water Capacity Reservation	588,300	-	-	588,300
Current Portion of Notes Payable	1,863,774	20,374	-	1,884,148
Total	3,501,518	95,371	56,094	3,652,983
Current Liabilities Payable from Restricted Assets				
Customer Deposits	1,775,669	-	46,354	1,822,023
Accrued Interest	34,746	-	-	34,746
Total	1,810,415	-	46,354	1,856,769
Total Current Liabilities	5,311,933	95,371	102,448	5,509,752
Long-Term Liabilities				
Net Pension Liabilty	2,021,869	597,219	271,418	2,890,506
Compensated Absences Payable, Long-Term Portion	239,464	130,268	167,239	536,971
Bonds and Notes Payable, Long-Term Portion	11,373,887	38,475	-	11,412,362
Total Long-Term Liabilities	13,635,220	765,962	438,657	14,839,839
Total Liabilities	18,947,153	861,333	541,105	20,349,591
Deferred Inflow of Resources				
Deferred Inflow of Resources - Leases	-	-	1,944,013	1,944,013
Deferred Pension Inflows	316,930	96,456	43,839	457,225
Total Liabilities and Deferred Inflow of Resources	19,264,083	957,789	2,528,957	22,750,829
Net Assets				
Invested in Capital Assets, Net of Related Debt	45,287,355	1,881,458	27,904,979	75,073,792
Restricted				
Extension - Utility fund	10,179,518	-	-	10,179,518
Unrestricted	8,903,962	1,481,529	1,666,473	12,051,964
Total Net Assets	64,370,835	3,362,987	29,571,452	97,305,274
Total Liabilities and Net Assets	$ 83,634,918	$ 4,320,776	$ 32,100,409	$ 120,056,103

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, 2023

	Utility Fund	Sanitation Fund	Airport Fund	Total
Operating Revenue				
Charges for Services	$ 14,059,041	$ 2,343,109	$ 2,074,293	$ 18,476,443
Total Operating Revenue	14,059,041	2,343,109	2,074,293	18,476,443
Operating Expenses				
Personnel Services	2,316,397	731,554	586,557	3,634,508
Professional Services	1,333,611	20,025	20,758	1,374,394
Operating Supplies	62,448	42,250	8,786	113,484
Property and Casualty Insurance	309,791	77,128	87,976	474,895
Repairs and Maintenance	268,884	225,938	51,998	546,820
Utilities	689,200	3,083	44,297	736,580
Depreciation	3,609,553	279,408	1,083,190	4,972,151
Administrative Fees	1,438,331	358,473	20,000	1,816,804
Other Operating Expenses	715,225	213,291	76,359	1,004,875
Costs of Goods Resold	-	-	855,029	855,029
Total Operating Expenses	10,743,440	1,951,150	2,834,950	15,529,540
Operating Income (Loss)	3,315,601	391,959	(760,657)	2,946,903
Non-Operating Revenue (Expenses)				
Investment Income	354,480	74,677	68,662	497,819
Interest Expense/Bond Refinance	(188,882)	(1,930)	-	(190,812)
Connection Fees	3,339,241	-	-	3,339,241
Insurance Proceeds	4,702	33,397		38,099
Gain (Loss) on Sale of Asset	(15,682)	9,077	10,897	4,292
Total Non-Operating Revenues (Expenses)	3,493,859	115,221	79,559	3,688,639
Income Before Capital Contributions and Transfers	6,809,460	507,180	(681,098)	6,635,542
Transfers from other funds	-	-	-	-
Contribution from Customer	2,259,976	-	-	2,259,976
Capital Grants	293,969	-	4,875,203	5,169,172
Change in Net Assets	9,363,405	507,180	4,194,105	14,064,690
Net Assets - Beginning of Year	55,007,430	2,855,807	25,377,347	83,240,584
Net Assets - End of Year	$ 64,370,835	$ 3,362,987	$ 29,571,452	$ 97,305,274

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, 2023

	Utility Fund	Sanitation Fund	Airport Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 17,297,802	$ 2,282,891	$ 2,089,219	$ 21,669,912
Cash Paid to Suppliers for Goods and Services	(2,175,413)	(521,804)	208,430	(2,488,787)
Cash Paid to and for the Benefit of Employees	(2,271,564)	(782,447)	(549,657)	(3,603,668)
Cash Paid to Other Funds for Goods or Services	(1,438,331)	(358,473)	(20,000)	(1,816,804)
Net Cash Provided (Used) by Operating Activities	11,412,494	620,167	1,727,992	13,760,653
Cash Flows from Capital and Related Financing Activities:				
Interfund Activity-Due to/from	(293,969)	-	2,250,066	1,956,097
Proceeds of Grant/Donations	293,969	-	4,875,203	5,169,172
Payments for Capital Acquisitions	(4,149,788)	(315,720)	(5,243,864)	(9,709,372)
Principal Repayments	(1,876,961)	(18,769)	-	(1,895,730)
Proceeds from SRF Loan	746,423	-	-	746,423
Lease- Right of Use Receivable	-	-	(1,944,013)	(1,944,013)
Interest Paid	(188,882)	(1,930)	-	(190,812)
Proceeds from Assets Sold	4,702	33,721	(20,358)	18,065
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,464,506)	(302,698)	(82,966)	(5,850,170)
Cash Flows from Investing Activities:				
Receipt of Interest	354,480	74,677	68,662	497,819
Net Cash Provided from Investing Activities	354,480	74,677	68,662	497,819
Net Increase (Decrease) in Cash	6,302,468	392,146	1,713,688	8,408,302
Cash, Beginning of Year	16,235,519	1,564,007	365,335	18,164,861
Cash, End of Year	$ 22,537,987	$ 1,956,153	$ 2,079,023	$ 26,573,163
Reconciliation of Cash and Cash Equivalents to Balance Sheet	$ 22,537,987	$ 1,956,153	$ 2,079,023	$ 26,573,163
Unrestricted Cash and Pooled Cash, Cash Equivalents and Investments	10,840,003	1,956,153	2,079,023	14,875,179
Restricted Cash and Pooled Cash, Cash Equivalents, and Investments				
Utility Impact Fees	10,179,518	-	-	10,179,518
Customer Deposits	1,518,466	-	-	1,518,466
Total	$ 22,537,987	$ 1,956,153	$ 2,079,023	$ 26,573,163

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, 2023

	Utility Fund	Sanitation Fund	Airport Fund	Total
Operating Income (Loss)	$ 3,315,601	$ 391,959	$ (760,657)	$ 2,946,903
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	3,609,553	279,408	1,083,190	4,972,151
Connection Fees	3,339,241	-	-	3,339,241
(Increase) Decrease in Accounts Receivable, Net	(100,480)	(60,218)	14,926	(145,772)
(Increase) Decrease in Inventories	(72,495)	-	13,206	(59,289)
Net Increase in Customer Deposits	148,062	-	(4,362)	143,700
Increase (Decrease) in Accounts Payable Suppliers	920,377	19,580	(637,303)	302,654
Increase(Decrease) Other	207,802	40,331	1,982,092	2,230,225
Increase (Decrease) in Accrued Payroll and Compensated Absences	44,833	(50,893)	36,900	30,840
Total Adjustments	8,096,893	228,208	2,488,649	10,813,750
Net Cash Provided (Used) by Operating Activities	$ 11,412,494	$ 620,167	$ 1,727,992	$ 13,760,653

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

An allowance for uncollectible accounts has been provided for at September 30, 2023 in the amount of $76,000.

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

Note 1 - Summary of Significant Accounting Policies

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

The City's financial statements are prepared in accordance with 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.

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.

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.

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.

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, 2023, 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, 2023, 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.

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, 2023. 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, 2023.

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.

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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.

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.

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.

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, 2023:

The Florida Prime is rated by Standard and Poors as AAAm. The weighted average days to maturity of the Florida Prime as of September 30, 2023, was 60 days.

		Investment Maturity (in years)	
Deposit/Investment Type	Fair Value	Less than 1 year	5+ Years
Florida Prime	$ 28,637,303	$ 28,637,303	$ -
Florida Prime 2	8,638,270	8,638,270	
FL SAFE	26,122,003	26,122,003	
Bank Demand Deposit Account	1,777,510	1,777,510	-
	$ 65,175,086	$ 65,175,086	$ -

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, 2023.

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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	$ 14,058,618
Special Revenue Fund	Unrestricted	16,923,937
CRA Fund	Unrestricted	1,169,650
Impact Fee Fund	Unrestricted	8,225,269
Proprietary Funds	Unrestricted	14,875,179
Proprietary Funds	Restricted	11,697,984
Total Pooled Cash and Investments		$ 66,950,637

Note 3 - Receivables

The receivables and related allowances for uncollectibles at September 30, 2023 were as follows:

	Receivables	Allowance for Uncollectibles	Net
General Fund	$ 407,703	$ -	$ 407,703
Special Revenue Fund	-	-	-
Impact Fee Fund	-	-	-
Enterprise Funds	1,784,767	(76,000)	1,708,767
Total	$ 2,192,470	$ (76,000)	$ 2,116,470

Note 4 - Capital Assets

Governmental activities' capital asset activity for the fiscal year ending September 30, 2023, was as follows:

	Beginning Balance 10/1/2022	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifying Asset Adjustments	Ending Balance 9/30/2023
Governmental Activities					
Non-Depreciable Assets					
Land and Improvements	$ 3,881,843	$ 14,662	$ -	$ -	$ 3,896,505
Depreciable Assets					
Buildings and Improvements	22,038,634	183,634	-	-	22,222,268
Improvements Other than Buildings	7,140,981	231,472	-	-	7,372,453
Equipment	8,451,490	788,545	593,927	-	8,646,108
Infrastructure	23,332,696	4,781,247	-	-	28,113,943
Subscription Assets	-	2,372,357	-	-	2,372,357
Construction in Progress	1,514,485	2,131,797	2,666,299	-	979,983
Total at Historical Cost	66,360,129	10,503,714	3,260,226	-	73,603,617
Less Accumulated Depreciation for					
Land and Land Improvements	-		-	-	-
Buildings and Improvements	5,279,026	763,935	-	-	6,042,961
Improvements Other than Buildings	3,847,073	280,963	-	-	4,128,036
Equipment	5,132,067	470,996	559,617	-	5,043,446
Subscription Asset	-	219,565	-		219,565
Infrastructure	12,815,213	615,900	-	-	13,431,113
Total Accumulated Depreciation	27,073,379	2,351,359	559,617	-	28,865,121
Capital Assets, Net	$ 39,286,750	$ 8,152,356	$ 2,700,609	$ -	$ 44,738,497

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 shall transfer 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.

Note 4 - Capital Assets (continued)

Depreciation was charged to the governmental activities as follows:

General Government	
Administration	$ 281,542
Other General Government	14,751
Total General Government	296,293
Public Safety	
Fire Department	-
Police Department	392,358
Protective Inspection	16,756
Total Public Safety	409,114
Public Works	
Streets	916,178
Equipment Maintenance	17,212
Parks and Facility Management	402,003
Total Public Works	1,335,393
Culture and Recreation	
Library	90,994
Total Culture and Recreation	90,994
Total	$ 2,131,794

Business-Type activities' capital asset activity for the fiscal year ending September 30, 2023, was as follows:

	Beginning Balance 10/1/2022	Additions/ Transfers In	Deletions/ Transfers Out	Reclassifying Asset Adjustments	Ending Balance 9/30/2023
Business-Type Activities:					
Non-Depreciable Assets					
Land and Improvements	$ 2,864,000	$ -	$ -	$ -	$ 2,864,000
Depreciable Assets					
Buildings and Improvements	31,857,765	11,155,734	-	-	43,013,499
Equipment	7,224,667	819,941	507,838	-	7,536,770
Infrastructure	85,298,514	7,274,894	201,481	-	92,371,927
Construction in Progress	11,137,904	3,999,680	11,079,421	-	4,058,163
Total at Historical Cost	138,382,850	23,250,249	11,788,740	-	149,844,359
Less Accumulated Depreciation for Buildings and Improvements and Infrastructure	54,080,903	4,400,543	210,229	-	58,271,217
Equipment	2,912,384	571,050	280,593	-	3,202,841
Total Accumulated Depreciation	56,993,287	4,971,593	490,822	-	61,474,058
Capital Assets, Net	$ 81,389,563	$ 18,278,656	$ 11,297,918	$ -	$ 88,370,301

Note 5 – Leases

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

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

The City 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

Note 5 – Leases (continued)

The City recorded an initial lease receivable of $2,145,109 with additions of $21,290 and deletions of $194,629 during Fiscal Year 2023. The ending lease receivable balance was $1,971,771. 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.

	Principal and Interest Expected to Maturity		
	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 177,589	$ 19,064	$ 196,654
2025	186,418	17,206	203,623
2026	147,145	15,526	162,671
2027	137,621	14,123	151,744
2028	131,400	12,784	144,184
2028 - 2033	539,290	46,110	585,400
2033 - 2038	468,019	21,751	489,770
2038 - 2049	186,149	8,424	194,573
TOTAL	1,973,631	154,988	2,128,619
Less (PV discount)			(156,848)
Lease Receivable			$ 1,971,771

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

Note 6 – Subscription Liabilities (continued)

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

	Principal and Interest Expected to Maturity		
	Governmental Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 560,883	$ 3,041	$ 563,924
2025	224,061	1,243	225,304
2026	224,243	1,061	225,304
2027	224,427	877	225,304
2028	174,130	735	174,864
2028 - 2033	872,837	1,484	874,322
TOTAL	2,280,581	8,441	2,289,022
Less (PV discount)			(84,820)
Lease Receivable			$ 2,204,202

Note 7 - Long-Term Debt

Long-term debt activity for the fiscal year ending September 30, 2023 is as follows:

Governmental Activities	Beginning Balance 10/1/2022	Increases	Decreases	Ending Balance 9/30/2023	Amounts Due Within One Year
Notes and Leases Payable					
Bond Payable, JP Morgan Chase Bank, N.A. (City Hall Project)	$ 5,716,531	$ -	$ 461,597	$ 5,254,934	$ 472,417
Total Notes and Leases Payable	5,716,531	-	461,597	5,254,934	472,417
Other Liabilities					
Net OPEB Obligations	14,924,231	1,466,540	513,080	15,877,691	-
Compensated Absences	1,256,384	516,696	387,549	1,385,531	425,950
Total Long-term Liabilities Governmental Activities	$ 21,897,146	$ 1,983,236	$ 1,362,226	$ 22,518,156	$ 898,367

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, 2023, are as follows:

	Principal	Interest
2024	472,417	117,639
2025	483,490	106,436
2026	494,823	94,970
2027	506,422	83,235
2028 to 2033	3,297,782	237,122
Total	$ 5,254,934	$ 639,402

Note 7 - Long-Term Debt (continued)

	Beginning Balance 10/01/22	Increases	Decreases	Ending Balance 09/30/23	Amounts Due Within One Year
Business-Type Activities					
Bonds Payable, BB&T Series	$ 2,810,750	$ -	$ 679,796	$ 2,130,954	$ 737,915
Total Bond Payable	2,810,750	-	679,796	2,130,954	737,915
EPA Loan to Utility Fund (SRF)	11,635,067	746,423	1,215,934	11,165,556	1,184,708
Total Bonds and Notes Payable	14,445,817	746,423	1,895,730	13,296,510	1,922,623
Other Liabilities					
Compensated Absences	616,533	172,432	149,714	639,251	102,280
Total Long-Term Business-Type Activities	$ 15,062,350	$ 918,855	$ 2,045,444	$ 13,935,761	$ 2,024,903

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 for an amount of $6,188,840 of which they took disbursements in the amount of $5,135,947 in prior years and $746,423 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.

Note 7 - Long-Term Debt (continued)

The following repayment schedule is based on funds draw down as of September 30, 2023.

Year	Principal	Interest Rate	Interest Amount	Total EPA Loan Service Requirement
2024	1,395,635	0% - 2.12%	110,826	1,506,461
2025	1,417,987	0% - 2.12%	87,243	1,505,230
2026	1,440,815	0% - 2.12%	63,158	1,503,973
2027	1,464,130	0% - 2.12%	38,559	1,502,689
2028	1,487,939	0% - 2.12%	13,435	1,501,374
2029	346,856	0.00%	-	346,856
2030	346,856	0.00%	-	346,856
2031	346,856	0.00%	-	346,856
2032	346,856	0.00%	-	346,856
2033	346,856	0.00%	-	346,856
2034	346,856	0.00%	-	346,856
2035	346,856	0.00%	-	346,856
2036	346,856	0.00%	-	346,856
2037	346,856	0.00%	-	346,856
2038	346,856	0.00%	-	346,856
2039-2046	490,490	0.00%	-	490,490
	$ 11,165,556		$ 313,221	$ 11,478,777

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

Note 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
2024	694,834	2.20%	43,081	737,915
2025	710,205	2.20%	27,710	737,915
2026	725,915	2.20%	11,995	737,910
	$ 2,130,954		$ 82,786	$ 2,213,740

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

Year	Principal	Interest	Total
2024	2,090,469	153,907	2,244,376
2025	2,128,192	114,953	2,243,145
2026	2,166,730	75,153	2,241,883
2027	1,464,130	38,559	1,502,689
2028	1,487,939	13,435	1,501,374
2028-2039	3,959,050	-	3,959,050
	$ 13,296,510	$ 396,007	$ 13,692,517

The City is in compliance with all significant debt requirements.

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).

The City's pension expense totaled $2,965,480 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2023.

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.

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:

Class, Initial Enrollment, and Retirment Age/Years of Service:	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 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 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 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.

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 $1,324,090 for year ended September 30, 2023.

Pension Costs

At September 30, 2023, the City reported a liability of $10,864,118 for its proportionate share of the FRS 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, 2023. 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2023, the City's proportion was 0.027264736%, which was a decrease of 0.000179560% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the City recognized pension expense of ($1,728,577). 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	$ 1,020,048	$ -
Changes in Actuarial Assumptions	708,214	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	453,716	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	139,118	1,746,556
City Contributions Subsequent to the Measurement Date	343,104	-
Total	$ 2,664,200	$ 1,746,556

Note 8 - Employee Retirement Systems and Pension (continued)

The $2,664,200 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, 2023. 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
2024	(272,108)
2025	(672,595)
2026	1,350,065
2027	117,765
2028	51,413
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	3.25%, 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.

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)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.60%	2.60%	1.10%
Fixed Income	19.80%	4.40%	4.40%	3.20%
Global Equity	54.00%	8.80%	7.30%	17.80%
Real Estate (Property)	10.30%	7.40%	6.30%	15.70%
Private Equity	11.10%	12.00%	8.90%	26.30%
Strategic Investments	3.80%	6.20%	5.90%	7.80%
Totals	100.00%			
Assumed Inflation - Mean			2.40%	1.30%

(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.

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)	$ 18,558,154	$ 10,864,118	$ 4,427,167

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, 2023, 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 Statues. 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 $129,192 for the year ended September 30, 2023.

Note 8 - Employee Retirement Systems and Pension (continued)

Pension Costs

At September 30, 2023, the City reported a liability of $3,361,565 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, 2022, through June 30, 2023, relative to the total employer contributions received from all participating employers. At June 30, 2023, the City's proportion was 0.021166765%, which was a decrease of 0.000014842% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the City recognized pension expense of $1,236,903 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	$ 49,211	$ 7,890
Changes in Actuarial Assumptions	88,375	291,291
Net Difference Between Projected and Actual Earnings on HIS Program Investments	1,736	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	50,090	249,374
City Contributions Subsequent to the Measurement Date	38,076	-
Total	$ 227,488	$ 548,555

The $227,488 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, 2023. 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
2024	$ (72,792)
2025	(76,502)
2026	(83,576)
2027	(88,401)
2028	(35,677)
Thereafter	(2,195)

Note 8 - Employee Retirement Systems and Pension (continued)

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:

HIS Actuarial Assumptions	
Inflation	2.40 % per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.54%

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. The actuarial assumptions used in the June 30, 2022 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 3.54% 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	2.65%	3.65%	4.65%
Council's Proportionate Share of the HIS Plan Net Pension Liability	$ 3,835,021	$ 3,361,565	$ 2,969,101

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, 2023, was $1,013,933. 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.

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, 2023, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	34
Active Employees	156
	190

Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the City's total OPEB liability was September 30, 2023. The measurement period for OPEB cost was October 1, 2021 to September 30, 2022. The components of the City's net OPEB liability are as follows:

Total OPEB Liability	$	15,877,691
OPEB Plan Fiduciary Net Position		-
City's Net OPEB Liability	$	15,877,691
OPEB Plan Fidicuiary Net Position as a Percentage of Total OPEB Liability		0%

Note 10 - Other Post-Employment Benefits (continued)

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

Total OPEB Liability	Fiscal Year 2023
Service Cost	$ 839,269
Interest	627,271
Difference between Expected and Actual Experience	-
Change of Assumptions and Other Inputs	(193,573)
Benefit Payments	(319,507)
Net Change in Total OPEB Liability	953,460
Total OPEB Liability, Beginning	14,924,231
Total OPEB Liability, Ending	$ 15,877,691

Schedule of Deferred Inflows/Outflows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (10,326,220)
Changes of assumptions/inputs	9,604,145	(5,239,113)
Net difference between projected and actual investments	-	-
Total	$ 9,604,145	$ (15,565,333)

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

Year Ended September 30,	Amount
2024	$ (452,607)
2025	(452,607)
2026	(452,607)
2027	(452,607)
2028	(452,607)
Thereafter	(3,698,154)

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, 2023 was based on an actuarial valuation dated September 30, 2022, using the following actuarial assumptions:

Inflation	2.5% per annum
Discount Rate	2.15% 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 .5% 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	$13,502,000	$15,878,000	$19,088,000

Discount Rate and OPEB Liability Sensitivity to Discount Rate
The discount rate used to measure the total OPEB liability reported as of September 30, 2023 was 2.15%.

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
	3.09%	4.09%	5.09%
Total OPEB Liability	$18,995,000	$15,878,000	$13,432,000

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 April 16, 2024, the date the financial statements were available to be issued.

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Resources (Inflows)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Taxes				
Ad Valorem	$ 6,591,549	$ 6,591,549	$ 6,383,017	$ (208,532)
Communication Services	730,000	730,000	867,746	137,746
Utility Taxes	2,197,700	2,197,700	2,475,237	277,537
Business Tax	92,000	92,000	96,350	4,350
Total Taxes	9,611,249	9,611,249	9,822,350	211,101
Licenses and Permits				
Franchise Fees	1,796,000	1,796,000	1,879,886	83,886
Building Permits	700,000	700,000	2,061,811	1,361,811
Other	32,300	32,300	53,182	20,882
Total Licenses and Permits	2,528,300	2,528,300	3,994,879	1,466,579
Intergovernmental				
State Revenue Sharing	604,856	604,856	714,010	109,154
Mobile Home License	134,000	134,000	134,835	835
Half-Cent Sales Tax	1,333,136	1,333,136	1,535,072	201,936
Alcoholic Beverage License	17,000	17,000	16,998	(2)
Firefighter Supplement	-	-	-	-
School District Reimbursement for School Resource Officer	-	-	-	-
Federal FEMA Reimbursement	-	-	-	-
State FEMA Reimbursement	-	-	-	-
Federal Grants	-	-	-	-
State Grants	-	-	-	-
Total Intergovernmental	2,088,992	2,088,992	2,400,915	311,923

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Resources (Inflows) (continued)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Charges for Services				
Building Administrative	10,000	10,000	16,229	6,229
Code Enforcement	10,000	10,000	5,794	(4,206)
Library	2,000	2,000	776	(1,224)
Other	45,300	45,300	54,073	8,773
Payments in Lieu of Taxes	-	-	-	-
Administrative Fees	33,500	33,500	125,524	92,024
Proprietary Fund Reimbursed	1,550,514	1,550,514	1,550,514	-
Total Charges for Services	1,651,314	1,651,314	1,752,910	101,596
Fines and Forfeits				
Court Fees	66,000	66,000	48,954	(17,046)
Violations of Local Ordinances	20,000	20,000	136,200	116,200
Police Education	4,000	4,000	2,712	(1,288)
Confiscated Property	-	-	25	25
Total Fines and Forfeits	90,000	90,000	187,891	97,891
Miscellaneous				
Investment Income	80,000	80,000	583,547	503,547
Cemetery Sales	25,000	25,000	43,400	18,400
Surplus Property Sold	11,000	11,000	75,147	64,147
Contributions	-	-	6,577	6,577
Rents	-	-	25,970	25,970
FDOT Street Lighting	43,935	43,935	43,935	-
Other	45,016	45,016	181,451	136,435
Total Miscellaneous	204,951	204,951	960,027	755,076
Other Financing Sources				
City Hall Bond Issue	-	-	-	-
Operating Transfers	-	-	-	-
Total Other	-	-	-	-
Amounts Available for Appropriation	$ 16,174,806	$ 16,174,806	$ 19,118,972	$ 2,944,166

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Charges to Appropriations Outflows	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
General Government				
City Council				
Personnel Services	$ 118,968	$ 118,968	$ 126,366	$ (7,398)
Operating	16,700	16,700	18,727	(2,027)
Other Services and Charges	-	-	-	-
Contributions	74,000	74,000	30,300	43,700
City Council Total	209,668	209,668	175,393	34,275
Administration				
Personnel Services	558,386	558,386	490,900	67,486
Operating	447,050	447,050	378,937	68,113
Contributions	-	-	-	-
Capital Outlay	-	-	-	-
Contingencies	293,702	293,702	-	293,702
Administration Total	1,299,138	1,299,138	869,837	429,301
Human Resources				
Personnel Services	643,615	643,615	480,850	162,765
Operating	494,274	494,274	464,543	29,731
Capital Outlay	-	-	-	-
Human Resources Total	1,137,889	1,137,889	945,393	192,496
Finance				
Personnel Services	418,100	418,100	421,526	(3,426)
Operating	89,660	89,660	90,652	(992)
Capital Outlay	-	-	-	-
Finance Total	507,760	507,760	512,178	(4,418)
Information Technology				
Personnel Services	305,075	305,075	309,488	(4,413)
Operating	482,828	482,828	441,057	41,771
Capital Outlay	-	-	-	-
Information Technology Total	787,903	787,903	750,545	37,358
Economic Development				
Operating	55,000	55,000	50,000	5,000
Grants	-	-	-	-
Economic Development Total	55,000	55,000	50,000	5,000
Planning				
Personnel Services	417,697	417,697	376,994	40,703
Operating	126,275	126,275	151,239	(24,964)
Contributions	100,000	100,000	7,000	93,000
Planning Total	643,972	643,972	535,233	108,739
Total General Government	4,641,330	4,641,330	3,838,579	802,751

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Charges to Appropriations Outflows (continued)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Public Safety				
Police Dispatch				
Personnel Services	692,565	692,565	674,845	17,720
Other Services and Charges	3,200	3,200	3,200	-
Capital Outlay	163,825	163,825	-	163,825
Police Dispatch Total	859,590	859,590	678,045	181,545
Police Department				
Personnel Services	4,413,865	4,413,865	4,188,414	225,451
Operating	781,400	781,400	694,575	86,825
Other Services and Charges	-	-	-	-
Capital Outlay	40,000	40,000	167,241	(127,241)
Police Department Total	5,235,265	5,235,265	5,050,230	185,035
Fire Department				
Personnel Services	-	-	-	-
Operating	814,747	814,747	765,690	49,057
Capital Outlay	-	-	-	-
Other Services and Charges	-	-	-	-
Fire Department Total	814,747	814,747	765,690	49,057
Protective Inspections				
Personnel Services	737,625	737,625	724,489	13,136
Operating	165,900	165,900	501,116	(335,216)
Capital Outlay	65,000	65,000	63,055	1,945
Protective Inspections Total	968,525	968,525	1,288,660	(320,135)
Public Safety Total	7,878,127	7,878,127	7,782,625	95,502

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Charges to Appropriations Outflows (continued)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Public Works				
Stormwater Management				
Operating	52,000	52,000	20,601	31,399
Capital Outlay	50,000	50,000	-	50,000
Stormwater Management Total	102,000	102,000	20,601	81,399
Public Works Administration Road and Street Facilities				
Personnel Services	797,364	797,364	660,736	136,628
Operating	423,000	423,000	357,496	65,504
Capital Outlay	25,000	25,000	23,116	1,884
Street Facilities Total	1,245,364	1,245,364	1,041,348	204,016
Equipment Maintenance				
Personnel Services	340,024	340,024	331,757	8,267
Operating	62,325	62,325	47,804	14,521
Capital Outlay	75,500	75,500	-	75,500
Equipment Maintenance Total	477,849	477,849	379,561	98,288
Parks and Facility Management				
Personnel Services	871,008	871,008	819,964	51,044
Operating	337,500	337,500	287,213	50,287
Other Services and Charges	-	-	-	-
Capital Outlay	318,000	318,000	8,138	309,862
Parks and Facility Management Total	1,526,508	1,526,508	1,115,315	411,193
Public Works Total	3,351,721	3,351,721	2,556,825	794,896

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Charges to Appropriations Outflows (continued)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Library				
Personnel Services	344,338	344,338	268,643	75,695
Operating	88,625	88,625	74,735	13,890
Capital Outlay	36,000	36,000	31,270	4,730
Budget Reserves	32,316	32,316	-	32,316
Library Total	501,279	501,279	374,648	126,631
Transfers				
Transfers to other Funds	18,740	18,740	18,740	-
Total Transfers	18,740	18,740	18,740	-
Total Charges to Appropriations	16,391,197	16,391,197	14,571,417	1,819,780
Excess (Deficiency) of Resources and Fund Transfers Over Charges to Appropriations	(216,391)	(216,391)	4,547,555	4,763,946
Fund Balance - Beginning of Year	216,391	216,391	9,247,935	9,031,544
Fund Balance - End of Year	$ -	$ -	$ 13,795,490	$ 13,795,490

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.	$ 19,118,972
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.	$ 19,118,972

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

Actual amounts (budgetary basis) of charges to appropriations from the budgetary comparison schedule	$	14,571,417
Differences - budget to GAAP:		
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		18,740
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - General Fund	$	14,552,677

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended September 30, 2023

Resources (Inflows)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Intergovernmental				
Motor Fuel Taxes	$ 531,271	$ 531,271	$ 523,934	$ (7,337)
Local Option Sales Tax	3,000,000	3,000,000	3,519,013	519,013
8th Cent Motor Fuel Tax	170,601	170,601	212,851	42,250
State Grants	19,465,000	19,465,000	257,697	(19,207,303)
Gas Tax Refund	25,000	25,000	20,409	(4,591)
Total Intergovernmental	23,191,872	23,191,872	4,533,904	(18,657,968)
Miscellaneous				
Investment Income	96,000	96,000	741,788	645,788
Donations	-	-	-	-
Total Miscellaneous	96,000	96,000	741,788	645,788
Amount Available for Appropriation	23,287,872	23,287,872	5,275,692	(18,012,180)
Charges to Appropriations (Outflows)				
Expenditures				
Debt Service	590,180	590,180	590,153	27
Professional Services	-	-	6,993	(6,993)
Contractual Services	-	-	619,436	(619,436)
Capital Outlay	19,368,322	19,368,322	2,256,098	17,112,224
Transfers to Other Funds	13,100,000	13,100,000	-	13,100,000
Contingency	341,135	341,135	-	341,135
Reserves	-	-	-	-
Total Expenditures	33,399,637	33,399,637	3,472,680	29,926,957
Excess (Deficiency) of Resources over Charges to Appropriations	(10,111,765)	(10,111,765)	1,803,012	11,914,777
Fund Balance at Beginning of Year	10,111,765	10,111,765	15,490,553	5,378,788
Fund Balance at End of Year	$ -	$ -	$ 17,293,565	$ 17,293,565

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	$ 3,472,680
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	$ 3,472,680

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - CRA Fund
For the Year Ended September 30, 2023

	Budgeted Amount		Actual Amounts Budgetary	Variance with Final Budget Positive
Resources (Inflows)	Original	Final	Basis	(Negative)
Taxes				
Ad Valorem City	$ 328,685	$ 328,685	$ 328,685	$ -
Ad Valorem County	393,781	393,781	405,314	11,533
Total Taxes	722,466	722,466	733,999	11,533
Miscellaneous				
Interest Income	1,000	1,000	123,964	122,964
Total Miscellaneous	1,000	1,000	123,964	122,964
Amount Available for Appropriation	723,466	723,466	857,963	134,497
Charges to Appropriations (Outflows)				
Expenditures - Other Economic Environment				
Personnel Services	121,899	121,899	124,192	(2,293)
Professional Services	102,096	102,096	31,798	70,298
Contractual Services	55,807	55,807	20,690	35,117
Promotional Activities	5,000	5,000	3,028	1,972
Supplies	2,550	2,550	3,545	(995)
Telephone and Communications	3,200	3,200	3,267	(67)
Training and Dues	4,000	4,000	1,273	2,727
Incentives	100,000	100,000	25,000	75,000
Building Facade Grants	50,000	50,000	19,000	31,000
Miscellaneous	6,219	6,219	5,371	848
Transfers to Other Fund	-	-	-	-
Contingency and Reserves	-	-	-	-
Total General Government	450,771	450,771	237,164	213,607
Expenditures - Debt Service				
Debt Principal and Interest	-	-	-	-
Total Debt Service	-	-	-	-
Expenditures - Capital Outlay	930,000	930,000	184,778	745,222
Total Charges to Appropriations (Outflows)	1,380,771	1,380,771	421,942	958,829
Excess (Deficiency) of Resources over Charges to Appropriations	(657,305)	(657,305)	436,021	1,093,326
Fund Balance at Beginning of Year	657,305	657,305	706,968	49,663
Fund Balance at End of Year	$ -	$ -	$ 1,142,989	$ 1,142,989

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	$ 421,942
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	$ 421,942

City of Zephyrhills, Florida

Required Supplementary Information
Budgetary Comparison Schedule - Impact Fee Fund
For the Year Ended September 30, 2023

	Budgeted Amount		Actual Amounts	Variance with Final Budget
Resources (Inflows)	Original	Final	Budgetary Basis	Positive (Negative)
Impact Fees				
Transportation Impact Fees	$ 600,000	$ 600,000	$ 3,718,078	$ 3,118,078
Police Impact Fees	80,000	80,000	278,352	198,352
Fire Impact Fees	-	-	-	-
Park and Cultural Impact Fees	60,000	60,000	684,809	624,809
Total Impact Fees	740,000	740,000	4,681,239	3,941,239
Miscellaneous				
State Contribution Pretty Pond	-	-	-	-
Interest Income	7,400	7,400	347,207	339,807
Total Miscellaneous	7,400	7,400	347,207	339,807
Amount Available for Appropriation	747,400	747,400	5,028,446	4,281,046
Charges to Appropriations (Outflows)				
Expenditures - Public Works Roads and Streets				
Capital Outlay	1,200,000	1,200,000	2,628,710	(1,428,710)
Transfer to Other Fund	-	-	-	-
Contingency	778,720	778,720	-	778,720
Public Works Total	1,978,720	1,978,720	2,628,710	(649,990)
Expenditures - Public Safety				
Capital Outlay	367,497	367,497	93,468	274,029
Contractual Services	-	-	534,368	(534,368)
Transfer to Other Fund	-	-	-	-
Contingency	-	-	-	-
Total Public Safety	367,497	367,497	627,836	(260,339)
Expenditures - Parks and Recreation				
Capital Outlay	691,190	691,190	-	691,190
Transfer to Other Fund	-	-	-	-
Contingency	-	-	-	-
Total Parks and Recreation	691,190	691,190	-	691,190
Total Charges to Appropriations	3,037,407	3,037,407	3,256,546	(219,139)
Excess (Deficiency) of Resources over Charges to Appropriations	(2,290,007)	(2,290,007)	1,771,900	(4,061,907)
Fund Balance at Beginning of Year	2,290,007	2,290,007	5,906,444	(3,616,437)
Fund Balance at End of Year	$ -	$ -	$ 7,678,344	$ (7,678,344)

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	$ 3,256,546
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	$ 3,256,546

City of Zephyrhills, Florida

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2023

Florida Retirement System Pension Plan	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.000272647%	0.000270852%	0.000295446%	0.037913305%	0.036896700%	0.038666806%	0.037380409%	0.002149501%	0.030772788%
City's Proportionate Share of the Net Pension Liability	$ 10,864,118	$ 10,077,862	$ 2,231,758	$ 16,432,185	$ 12,706,073	$ 11,646,642	$ 11,056,874	$ 8,749,305	$ 3,974,718
City's Covered-Employee Payroll	$ 8,411,232	$ 7,715,111	$ 7,819,873	$ 8,554,108	$ 7,115,483	$ 7,200,895	$ 6,827,988	$ 6,128,532	$ 5,705,626
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	129.16%	130.62%	28.54%	192.10%	178.57%	161.74%	161.93%	142.76%	69.66%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	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	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.021166800%	0.021151900%	0.002208870%	0.024758627%	0.024150400%	0.024733200%	2.382665900%	0.003005484%	0.021462044%
City's Proportionate Share of the Net Pension Liability	$ 3,361,565	$ 2,240,327	$ 2,709,511	$ 3,022,988	$ 2,702,188	$ 2,617,787	$ 2,547,656	$ 2,585,031	$ 2,188,791
City's Covered-Employee Payroll	$ 8,411,232	$ 7,715,111	$ 7,819,873	$ 8,772,802	$ 8,117,769	$ 8,081,312	$ 7,613,600	$ 6,847,236	$ 6,511,208
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	39.97%	29.04%	34.65%	35.34%	33.29%	32.39%	33.46%	37.75%	33.62%
Plan Fiduciary Net Position as Percentage of the total Pension Liability	4.12%	4.81%	3.56%	3.00%	1.70%	2.15%	1.64%	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, 2023

Florida Retirement System Pension Plan	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 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	(1,324,090)	(1,187,158)	(1,069,002)	(1,292,889)	(1,161,824)	(1,134,207)	(982,209)	(921,616)	(773,394)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 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	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	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 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	(142,862)	(129,192)	(123,905)	(145,634)	(134,842)	(134,178)	(128,676)	(121,021)	(89,615)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 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	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, 2023

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service Cost	$ 839,269	$ 1,147,261	$ 632,622	$ 618,943	$ 579,239	$ 681,663
Interest	627,271	455,863	424,569	941,132	677,932	615,978
Difference between Expected and Actual Experience	-	(1,730,611)	-	(12,440,057)	-	-
Change of Assumptions and Other Inputs	(193,573)	(4,858,527)	740,402	8,211,226	5,288,121	(1,710,646)
Benefit Payments	(319,507)	(290,815)	(350,365)	(309,960)	(444,917)	(484,424)
Net Change in Total OPEB Liability	953,460	(5,276,829)	1,447,228	(2,978,716)	6,100,375	(897,429)
Total OPEB Liability, Beginning	14,924,231	20,201,060	18,753,832	21,732,548	15,632,173	16,529,602
Total OPEB Liability, Ending	$ 15,877,691	$ 14,924,231	$ 20,201,060	$ 18,753,832	$ 21,732,548	$ 15,632,173
Covered-Employee Payroll	$ 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	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, 2023 and 2022

	2023	2022
Revenues		
Installation Fees	$ 912,813	$ 351,942
Water and Sewer Service	13,056,930	12,328,674
Miscellaneous Revenues	89,298	87,378
Total Revenues	14,059,041	12,767,994
Operating Expenses		
Administration		
Salaries	281,202	262,752
Employee Benefits	356,063	134,729
Professional Services	1,032,286	1,131,854
Education, Travel and Dues	6,674	6,694
Telephone	2,186	2,915
Office Supplies and Expenses	1,802	741
Operating Supplies	13	406
Property and Casualty Insurance	28,132	
Leases and Rents	2,522	2,469
Vehicle and Equipment Repair	392	211
Gas and Oil	230	499
Other	116,481	729
Depreciation	2,568	13,517
Administration Allocation from General Fund	1,203,481	1,372,755
Administration Allocation from Airport Fund	234,850	-
Other Expense Transfer to General Fund	-	-
Payment in Lieu of Taxes to General Fund	-	-
Total Expenses - Administration	3,268,882	2,930,271

City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Utility Fund Schedule of Operating Income (Loss) (continued)
For the Years Ended September 30, 2023 and 2022

	2023	2022
Operating Expenses (continued)		
Water Department		
Salaries	472,353	447,829
Overtime	34,045	28,984
Employee Benefits	333,558	269,593
Professional Services	131,236	96,556
Water Tank Maintenance	25,075	25,075
Property Tax	172	129
Education, Travel and Dues	13,049	15,416
Telephone	18,726	16,130
Electric	157,431	132,816
Other Utility Charges	171	171
Leases and Rentals	517	353
Repairs and Maintenance - Building	4,123	3,514
Repairs and Maintenance - Equipment	51,320	26,674
Repairs and Maintenance - Vehicles	17,624	15,439
Small Tools	7,811	7,301
Operating Supplies	32,009	31,697
Property and Casualty Insurance	36,878	-
Office Supplies and Postage	3,158	2,707
Uniforms	3,006	1,559
Chemicals and Chlorine Gas	25,204	17,650
Laboratory Analysis	25,634	4,233
Gas and Oil	49,498	48,200
Depreciation	1,359,191	1,687,287
Other	-	-
Total Expenses - Water Department	2,801,789	2,879,313

City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Utility Fund Schedule of Operating Income (Loss) (continued)
For the Years Ended September 30, 2023 and 2022

	2023	2022
Operating Expenses (Continued)		
Sewer Department		
Salaries	512,273	505,894
Overtime	55,270	49,084
Employee Benefits	271,633	214,048
Professional Services	170,089	12,619
Education, Travel and Dues	12,524	7,624
Telephone	12,718	12,011
Contract Hauling	126,578	91,397
Electric	463,911	420,163
Other Utility Charges	34,057	17,753
Repairs and Maintenance - Building	14,979	14,317
Repairs and Maintenance - Equipment	111,062	71,183
Repairs and Maintenance - Vehicles	24,754	20,194
Repairs and Maintenance - Infrastructure	44,630	41,030
Small Tools	9,036	5,292
Operating Supplies	30,426	27,768
Office Supplies and Postage	424	539
Property and Casualty Insurance	244,781	-
Uniforms	3,629	2,154
Chemicals and Chlorine Gas	210,877	154,579
Laboratory Analysis	26,230	20,648
Gas and Oil	44,348	43,676
Depreciation	2,247,794	2,237,712
Other	746	817
Total Expenses - Sewer Department	4,672,769	3,970,502
Total Operating Expenses	10,743,440	9,780,086
Total Operating Income (Loss)	$ 3,315,601	$ 2,987,908

City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Sanitation Fund Schedule of Operating Income (Loss)
For the Years Ended September 30, 2023 and 2022

	2023	2022
Revenues		
Service	$ 2,314,292	$ 2,035,436
Miscellaneous Revenues	28,817	27,654
Total Operating Revenues	2,343,109	2,063,090
Operating Expenses		
Salaries	440,774	444,965
Overtime	30,027	30,272
Employee Benefits	260,753	297,821
Education, Travel and Dues	1,863	1,329
Telephone	3,083	2,594
Landfill Fees	24,279	25,265
Repairs and Maintenance - Vehicles	219,276	168,539
Repairs and Maintenance - Equipment	6,662	18,783
Property and Casualty Insurance	77,128	-
Dumpsters and Recycle Bins	-	24,573
Operating Supplies	42,250	31,063
Gas and Oil	178,598	174,691
Depreciation	279,408	286,684
Professional Services	20,025	16,188
Tools, Small Equipment	2,894	3,479
Uniforms	4,672	3,008
Other	985	4,968
Administrative Expense Allocation from General Fund	327,033	400,000
Administrative Expense Allocation from Airport Fund	31,440	31,440
Payment in Lieu of Taxes to General Fund	-	-
Total Operating Expenses	1,951,150	1,965,662
Total Operating Income (Loss)	$ 391,959	$ 97,428

City of Zephyrhills, Florida

Other Supplementary Schedules (not required)
Airport Fund Schedule of Operating Income (Loss)
For the Years Ended September 30, 2023 and 2022

	2023	2022
Revenues		
Rental Income	$ 273,981	$ 272,323
Tie-Downs	11,374	10,221
Fuel and Oil Sales	1,012,044	885,172
Hangar Rental	458,405	469,207
Fuel Flowage Fees	3,976	4,448
Miscellaneous	29,483	34,521
Charges to Other Funds	285,030	50,180
Total Operating Revenues	2,074,293	1,726,072
Operating Expenses		
Salaries	332,142	280,599
Overtime	8,749	8,257
Employee Benefits	245,666	199,456
Professional Services	9,854	6,608
Administration Allocation from General Fund	20,000	20,000
Credit Card Processing	49,341	41,573
Advertising	349	366
Education, Travel and Dues	440	550
Telephone	3,349	4,757
Electricity	34,077	26,471
Water and Sewer	6,214	6,082
Refuse Disposal	657	523
Repairs and Maintenance - Vehicles	6,007	2,971
Repairs and Maintenance - Building	1,499	6,974
Repairs and Maintenance - Equipment	16,906	17,115
Repairs and Maintenance - Infrastructure	27,586	19,775
Gas and Oil for Resale	855,029	773,659
Vehicle Expense Gas and Oil	16,813	18,756
Operating Supplies	8,202	4,798
Office Supplies	584	438
Other Expenses	20,320	29,089
Property and Casualty Insurance	87,976	-
Depreciation	1,083,190	927,810
Total Operating Expenses	2,834,950	2,396,627
Total Operating Income (Loss)	$ (760,657)	$ (670,555)

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, 2023

Program Name	Federal Assistance Listing No./ State CSFA No.	Contract Number	Expenditures
Federal			
Federal Aviation Administration			
Taxiway A Rehabilitation Project			
(Construction Only)	FALN 20.106	3-12-0089-023-2021	2,169,948 *
Federal Aviation Administration			
CARES Act	FALN 20.106	3-12-0089-024-2022	59,000
		Sub Total: FALN 20.106:	2,228,948
Florida Department of Emergency Management			
Coronavirus State and Local Fiscal Recovery Funds	FALN 21.027	Y5328	57,570
	Total Federal Expenditures:		**$ 2,286,518**
State of Florida			
Florida Department of Environmental Protection			
Kossick & Fort King Water/Sewer Main Extension	CSFA 37.039	LPA0407	176,869
Florida Department of Environmental Protection			
South 301 Water/Wastewater Redevelopment	CSFA 37.039	LPQ0029	111,933
Florida Department of Environmental Protection			
Southwest Florida Water Management District			
Pasco Reclaimed Interconnect	CSFA 37.039	Q274	122,268
		Sub Total: CSFA 37.039	411,070
Florida Department of Environmental Protection			
Advanced Wastewater Treatment			
Reclaimed Water	CSFA 37.077	SRL WW510531	20,606
Florida Department of Environmental Protection			
Reclaimed Water Line Extension			
to Zephyr Lakes Estates	CSFA 37.077	SRL WW510550	118,285
		Sub Total: CSFA 37.077	138,891
Florida Department of Economic Opportunity			
Sarah Vande Berg Tennis Center Phase II	CSFA 40.038	HL135	95,238
Florida Dept. of Transportation-Joint Participation	Zephyrhills Municipal Airport		
Runway 1-19 Extension	CSFA 55.004	443359-1-94-01 GOZ22	862,153
Florida Dept.of Transportation-Joint Participation	Zephyrhills Municipal Airport		
Itinerant Apron	CSFA 55.004	449182-1-94-01 G1Z05	2,029,956
Florida Dept. of Transportation-Joint Participation	Zephyrhills Municipal Airport		
Airport Security Vehicles	CSFA 55.004	449182-1-94-01 2D58	32,812
		Sub Total: CSFA 55.004	2,924,922 *
Florida Department of Transportation			
South Avenue Extension	CSFA 55.039	G2I51	63,645
National Guard Entrance Road			
	Total State of Florida Expenditures:		**$ 3,633,765**
	Total Federal & State Expenditures:		**$ 5,920,283**

* Audited as major program

The accompanying notes are an integral part of this schedule

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, 2023

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, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. code of *Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Rules of the Auditor General* of the State of Florida. Because the Schedule presents only a selected portion of the operations of the City of Zephyrhills, 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.

6930 Gall Boulevard
Suite 200
Zephyrhills, FL 33542

813.788.2155
DGPerry.com

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, 2023, 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 April 16, 2024.

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
April 16, 2024

6930 Gall Boulevard
Suite 200
Zephyrhills, FL 33542

813.788.2155
DGPerry.com

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, 2023. 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, 2023.

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.



DGPerry
Zephyrhills, Florida
April 16, 2024

City of Zephyrhills, Florida

Other Reports and Schedules of Independent Auditors
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I – Summary of Auditors' Results

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 *Uniform Guidance and Chapter 10.656 Rules Of the Auditor General*	No

Section I – Summary of Auditors' Results (continued)

Identification of Major Programs

Federal:

CFDA Number	Name of Federal Projects
20.106	Federal Aviation Administration Taxiway A Rehab Project

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

State:

CSFA Number	Name of State Projects
55.004	Florida Department of Transportation Runway 1-19 Expansion, Fuel Farm Design, Rotating Airfield Beacon

Dollar threshold used to distinguish between type A and type B programs for state programs:	$750,000
Auditee qualified as a low risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal and State Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings Federal and State Projects

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

6930 Gall Boulevard
Suite 200
Zephyrhills, FL 33542

813.788.2155
DGPerry.com

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, 2023. 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, 2023.

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

DGPerry
Zephyrhills, Florida
April 16, 2024

DGPerry CPAs + Advisors

6930 Gall Boulevard
Suite 200
Zephyrhills, FL 33542

813.788.2155
DGPerry.com

Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Zephyrhills, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated April 16, 2024.

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 April 16, 2024, 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, 2023, 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, 2023. 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
April 16, 2024