CITY OF DUNNELLON, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2025

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Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Dunnellon, Florida

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of September 30, 2025, and the respective changes in financial position 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the City of Dunnellon adopted Governmental Accounting Standards Board Statement No. 101, Compensated Absences, during the year ended September 30, 2025. As a result, beginning net position was restated to properly recognize and measure liabilities for compensated absences in accordance with the new guidance. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Other Information

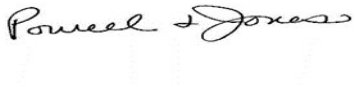
Management is responsible for the other information included in the annual report. The other information comprises the schedule of expenditures of federal awards but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based

on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated May 22, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunnellon, Florida's internal control over financial reporting and compliance.



Powell and Jones CPA
Lake City, Florida
May 22, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Dunnellon's (the City) financial performance provides an overview of the City's financial activities for the year ended September 30, 2025. Please read it in conjunction with the City's basic financial statements, which begin on page 14.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14-15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City as a whole financially better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, we show the City in the following activities:

- Governmental activities - All of the City's basic services are reported here, including the police, general administration, streets and parks, property taxes, franchise fees, gas taxes, fines, and state and county-shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 16. The fund financial statements provide detailed information about the Governmental Funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's two types of governmental funds use the same accounting approaches.

- Governmental funds - All of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 17 and 19.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Special Risk Pension Trust Fund. The City's fiduciary information is reported in a separate Statement of Net Position and Statement of Changes in Net Position on pages 20 and 21 respectively. The Fiduciary Fund Financial Statements are not presented as part of the Government-wide Financial Statements because the resources of this fund are not available to support the City's programs. Fiduciary Funds represent trust responsibilities of the government. However, these assets are restricted in purpose and do not represent discretionary assets of the government.

THE CITY AS A WHOLE

	Governmental	
	2025	2024
Revenues	$ 4,797,753	$ 4,656,230
Expenses	$ 2,663,853	$ 2,631,591

To aid in the understanding of the Statement of Activities some additional explanation is given. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, occupational licenses, and plumbing/electric inspections
Public safety	Accident responses, police fines for traffic and parking violations, Department of Justice grants
Physical environment	Grave opening and closing, burial lot purchases, sanitation activities, and trash removal
Transportation	Gasoline Taxes
Culture and recreation	City beach user fees

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Activities

Total Governmental revenues increased by 3.0 percent in the current year.

Net Position

For the years ended September 30, 2025 and 2024, Net Position changed as follows:

	Governmental Activities	
	2025	2024
Beginning net position	$15,458,302	$13,433,663
Restatement - Implementation of GASB 101	(3,500)	-
Beginning net position, restated	15,454,802	13,433,663
Change in net position	2,133,900	2,021,139
	$17,588,702	$15,454,802

This reflects an increase of 13.8 percent for governmental activities over the prior year.

THE CITY'S FUNDS

The following schedule of Assets and Liabilities presents a summary of the City's Assets and Liabilities for the fiscal year ended September 30, 2025 and 2024.

Assets

	Governmental Activities	
	2025	2024
Current Assets	$ 10,393,453	$ 9,880,769
Net pension asset	2,972,232	2,792,662
Capital Assets, Net of Accumulated Depreciation	6,749,298	6,152,658
Total Assets	$ 20,114,983	$ 18,826,089
Deferred outflows	$ 220,269	$ 385,043

Capital assets for governmental activities have increased 9.7 percent over the prior year.

Liabilities

	Governmental Activities	
	2025	2024 (Restated)
Current Liabilities	$ 225,726	$ 316,221
Due to other funds	52,052	-
Unearned Revenue	46,965	562,965
Long-term Liabilities	1,427,004	1,612,500
Total Liabilities	$ 1,751,747	$ 2,491,686
Deferred Inflows	$ 994,803	$ 1,264,644

Total liabilities for governmental activities decreased by 29.7 percent over the prior year, primarily due to the recognition of unearned revenues from prior years related to ARPA and routine bond payments.

The following schedule presents a summary of general, special revenue, and expenses for the fiscal year ended September 30, 2025 and 2024.

	Governmental	
	2025	2024
Program Revenues		
Charges for Services	$ 391,675	$ 431,781
Capital Grants and Contributions	533,925	330,290
General Revenues		
Taxes	2,811,307	2,854,104
Licenses and permits	157,841	192,366
Fines and forfeitures	22,938	15,925
State-shared	270,866	298,625
Investment income	330,957	376,580
Miscellaneous	278,244	156,559
	$ 4,797,753	$ 4,656,230

Governmental revenue increased 3.0 percent when compared with the prior year. Charges for Services decreased 9.3 percent. Taxes decreased 1.5 percent. State-shared Revenue decreased 9.3 percent.

Operating Expenses

Governmental	
2025	2024
$ 2,663,853	$ 2,631,591

Governmental activities expenses increased by 1.2 percent over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues for the year were higher than budget amounts by 34 percent or $1,109,136.

Total General Fund expenditures for the year were less than budgeted amounts by 21 percent or $934,314.

CAPITAL ASSETS

As of September 30, 2025, the City had $6,749,298 invested in capital assets including police equipment, buildings, park facilities, roads (See table below). This represents a net increase of $596,640 or 9.7 percent, over the prior year.

	Governmental Activities	
	2025	2024
Capital Assets	$ 8,943,695	$ 8,899,145
Construction in Progress	1,225,189	413,482
Right-to-use lease assets	61,743	61,743
Less Accumulated Depreciation and amortization	(3,481,329)	(3,221,712)
Total	$ 6,749,298	$ 6,152,658

This year's largest additions to capital assets were for improvements to infrastructure, primarily related to the Granada & Palmetto Way Roadway Project, which were incomplete and considered construction in progress as of year end.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Office at 20750 River Drive, Dunnellon, Florida.

Schonna McLean

Schonna McLean
Finance Officer

BASIC FINANCIAL STATEMENTS

CITY OF DUNNELLON, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 10,147,302
Receivables, net	214,087
Due from other governments	32,064
Net pension asset	2,972,232
Nondepreciable capital assets	4,389,504
Depreciable capital assets, net	2,332,334
Right-to-use lease assets, net	27,460
Total assets	20,114,983
DEFERRED OUTFLOWS	
Related to pensions and OPEB	220,269
LIABILITIES	
Accounts payable and accrued liabilities	225,726
Due to other funds	52,052
Unearned revenue	46,965
Long-term liabilities:	
Due within one year	228,628
Due in more than one year	1,198,376
Total liabilities	1,751,747
DEFERRED INFLOWS	
Related to pensions and OPEB	994,803
NET POSITION	
Invested in capital assets,	
Net of related debt	5,480,548
Restricted for:	
Public safety	25,646
Roads and streets, operations	72,250
Roads and streets, capital projects	716,394
Infrastructure	949,690
Cemetery perpetual care	119,980
Community redevelopment	1,574,659
Unrestricted	8,649,535
Total net position	$ 17,588,702

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Total Governmental Activities
Governmental activities				
General government	$ 1,017,666	$ 5,827	$ 533,925	$ (477,914)
Public safety	890,992	22,525	-	(868,467)
Physical environment	227,284	352,309	-	125,025
Transportation	345,293	-	-	(345,293)
Economic environment	107,615	-	-	(107,615)
Culture and recreation	17,729	11,014	-	(6,715)
Human services	57,274	-	-	(57,274)
Total governmental activities	$ 2,663,853	$ 391,675	$ 533,925	(1,738,253)
	General revenues			
	Taxes:			
	Property taxes			1,496,531
	Franchise taxes			207,562
	Public service taxes			638,588
	Fuel taxes			107,142
	Discretionary sales surtax			361,484
	State-shared revenues			270,866
	Licenses and permits			157,841
	Fines and forfeitures			22,938
	Investment income			330,957
	Miscellaneous			278,244
	Total general revenues			3,872,153
	Change in net position			2,133,900
	Net position at beginning of year, previously reported			15,458,302
	Restatement - Implementation of GASB 101			(3,500)
	Net position at beginning of year, restated			15,454,802
	Net position at end of year			$ 17,588,702

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	General Fund	Tax Increment Financing District Fund	Total Governmental Funds
Assets			
Cash and investments	$ 8,435,766	$ 1,711,536	$ 10,147,302
Accounts receivable, net	211,533	2,554	214,087
Due from other governments	32,064	-	32,064
Total assets	$ 8,679,363	$ 1,714,090	$ 10,393,453
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 81,833	$ 134,420	$ 216,253
Accrued liabilities	4,462	5,011	9,473
Due to other funds	52,052	-	52,052
Unearned revenue	46,965	-	46,965
Total liabilities	185,312	139,431	324,743
Fund balances			
Restricted for:			
Public safety	25,646	-	25,646
Roads and streets, operations	72,250	-	72,250
Roads and streets, capital projects	716,394	-	716,394
Infrastructure	949,690	-	949,690
Cemetery perpetual care	119,980	-	119,980
Community redevelopment	-	1,574,659	1,574,659
Committed for:			
Public safety	605,667	-	605,667
Infrastructure	1,808,014	-	1,808,014
Capital projects	184,156	-	184,156
Roads and streets, reserve	100,000	-	100,000
Tree fund	1,847	-	1,847
Unassigned	3,910,407	-	3,910,407
Total fund balances	8,494,051	1,574,659	10,068,710
Total liabilities and fund balances	$ 8,679,363	$ 1,714,090	$ 10,393,453

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2025

Fund balances - total governmental funds		$ 10,068,710
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Other assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Net pension asset		2,972,232
Governmental capital and right-to-use lease assets are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is $10,168,884 and the accumulated depreciation is $3,447,046. Net right-to-use lease assets were $27,460.		6,749,298
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in governmental funds.		
OPEB obligations	22,507	
Special risk pension obligations	197,762	220,269
Long-term liabilities are not due and payable in the current period, and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year end consist of:		
Revenue bonds payable	(1,268,750)	
OPEB payable	(30,880)	
Leases payable	(35,417)	
Compensated absences	(91,957)	(1,427,004)
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in governmental funds.		
OPEB obligations	(41,309)	
Special risk pension obligations	(953,494)	(994,803)
Total net position of governmental activities		$ 17,588,702

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2025

	General Fund	Tax Increment Financing District Fund	Total Governmental Funds
Revenues			
Taxes	$ 2,348,503	$ 462,804	$ 2,811,307
Licenses and permits	157,841	-	157,841
Intergovernmental revenues	804,791	-	804,791
Charges for service	391,675	-	391,675
Fines and forfeitures	22,938	-	22,938
Miscellaneous revenue	686,839	28,862	715,701
Total revenues	4,412,587	491,666	4,904,253
Expenditures			
Current:			
General government	939,861	-	939,861
Public safety	1,126,927	-	1,126,927
Physical environment	223,783	-	223,783
Transportation	220,955	-	220,955
Economic environment	-	100,936	100,936
Human services	17,469	-	17,469
Culture and recreation	56,658	-	56,658
Capital outlay			
General government	97,406	-	97,406
Public safety	17,464	-	17,464
Transportation	581,620	-	581,620
Economic environment	-	266,267	266,267
Debt service			
Principal payments	187,780	-	187,780
Total expenditures	3,469,923	367,203	3,837,126
Excess of revenues over expenditures	942,664	124,463	1,067,127
Fund balances at beginning of year	7,551,387	1,450,196	9,001,583
Fund balances at end of year	$ 8,494,051	$ 1,574,659	$ 10,068,710

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Excess of revenues over expenditures - governmental funds		$ 1,067,127
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some expenses related to other assets reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. Also, recognition of certain obligations related to prior and subsequent periods are not recognized in the statement of activities.		
Net change in special risk net pension asset		179,570
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense:		
Expenditures for capital assets	962,757	
Current year depreciation and amortization	(259,617)	
Sale of capital assets	(106,500)	596,640
Some expenses related to debt reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. Also, recognition of certain obligations related to prior and subsequent periods are not recognized in the statement of activities.		
Net change in compensated absences	(1,164)	
Revenue bond payments	175,000	
Net change in lease liability	12,780	
Net change in OPEB liability	(1,120)	185,496
Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.		
Net change in deferred outflows/inflows		105,067
Change in net position of governmental activities		$ 2,133,900

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
September 30, 2025

	Pension Trust Funds
Assets	
Cash and investments	$ 5,742,148
Due from Other Governments	52,052
Total assets	$ 5,794,200
Net position	
Restricted for:	
Pension benefits	$ 5,794,200
Total net position	$ 5,794,200

See notes to financial statements

CITY OF DUNNELLON, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended September 30, 2025

	Pension Trust Funds
Additions	
Contributions	
Employer	$ 70,043
State	52,052
Employees	79,681
Total contributions	201,776
Net investment income	483,846
Total additions	685,622
Deductions	
Pension benefit payments and refunds	109,496
General and administrative	37,418
Total deductions	146,914
Change in net position	538,708
Net position at beginning of year	5,255,492
Net position at end of year	$ 5,794,200

See notes to financial statements.

NOTE 1. DESCRIPTION OF FUNDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity - The City of Dunnellon (the City) is a Florida municipality governed by an elected five-member City Council. The City provides services to its citizens including sanitation, police protection, parks and recreation, streets, and other general governmental activities. The City was established by Laws of Florida 71-616.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds administered by the City Council of the City and its component unit in accordance with governmental accounting standards. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Financial accountability is present if the City Council appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended component unit. The financial activity of the City of Dunnellon, Florida Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established by Ordinances #00-3 and #2011-07 as provided in Chapter 163, *Florida Statutes*, for the fostering of economic development in the downtown area of the City. The City Council serves as the Agency's governing board. The Agency is fiscally dependent on the City, and the City Council approves the Agency's annual budget as a component of the City's budget. The Agency is presented as a governmental special revenue fund.

1. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support . The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated automatically and certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

At year end the City had no proprietary funds.

2. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds - Governmental funds are used to account for all or most of a government's general activities. The City operates the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund

The Tax Increment Financing District Fund is used to account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Pension trust funds are used to account for assets held by the City in a trustee capacity. The types of fiduciary funds used by the City are the general employees' pension trust fund and the special risk employees' pension trust fund.

Summary of Significant Accounting Policies

The City conforms all significant accounting policies to generally accepted accounting principles applicable to government units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

Budgeting

The annual operating budget serves as legal authorization for expenditures and the proposed means of financing them. The 2025 annual operating budget was prepared for all funds, except the pension trust funds, which are not budgeted annually by the City Council.

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.

- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.

- The City Clerk is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Council. The budgetary data presented is in agreement with the originally adopted budget.

- Budgets are adopted on a basis consistent with generally accepted accounting principles. Total budgeted fund expenditures within the governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Encumbrance accounting is not used by the City.

Investments

The City accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Under this provision, investments are recorded at fair value on the balance sheets. Investment income, including changes in the fair value of investments, is reported as revenue in the statements of revenues, expenses, and changes in fund balances.

In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the investments within the pension trust funds are stated at market value.

Receivables

Governmental receivables are comprised generally of amounts due from customers. Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts. Other receivables in the General Fund consist primarily of franchise fees and receivables from miscellaneous services.

Payables

Accounts Payable in the Governmental Funds consists primarily of amounts due to vendors.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category. The first is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year. The second is deferred outflows on Other Post Employment Benefits (OPEB).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of these items, which are related to pensions. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Due from Other Governments

Due from other governments primarily represents amounts due from the State of Florida or Marion County for shared revenues or costs. Due from Other Governments is considered to be fully collectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical cost, except $249,192 of assets in the general fund, acquired prior to 1975, which are valued at estimated historical cost. Donated capital assets are valued at their acquisition value at the time of acquisition. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Plant, buildings, and improvements	10 - 40 years
Machinery, vehicles, and equipment	5 - 7 years
Infrastructure	30 years

Construction interest cost is generally not capitalized, and there was no such interest expensed during the fiscal year.

The City has opted out of retroactively recording and depreciating major infrastructure assets.

Expenditures for ordinary repairs and maintenance are charged to expense as incurred.

Transfers

Transfers are recognized in the accounting period in which the interfund receivable or payable arises.

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements of governmental funds. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

Prior to August 1999, no accrual was made for unpaid vacation since City policy did not allow for carryover of vacation time unless by special permission from City Council. For all employees, (who are not within a union bargaining unit) they may accumulate and carry over a maximum of twenty work days. An accrual has been made for unpaid sick pay under the City's policy to pay an employee in good standing 50% of all unused sick pay, upon retirement or voluntary resignation. Employees with 25 years or more of service in good standing will receive 100% of accrued sick pay upon retirement. There is a $5,000 maximum of unused sick pay.

In accordance with GASB Statement No. 101, compensated absences are recognized as a liability when leave is attributable to services already rendered, it accumulates, and it is more likely than not to be used or otherwise paid.

The liability is measured using pay rates in effect at the financial statement date. Salary-related payments that are directly and incrementally associated with payments for leave are included in the measurement of the liability. These include applicable employer payroll taxes and employer contributions to defined contribution plans. Employer contributions to defined benefit pension and other postemployment benefit (OPEB) plans are not included in the compensated absences liability and are recognized separately in accordance with applicable standards.

The Government uses a last in, first out (LIFO) flow assumption for purposes of determining which leave balances are expected to be used or paid.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and 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 municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2025 was 5.3557 mills.

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

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

All taxes are assessed on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the 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. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest up to 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest of 0-18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.
The City does not accrue its portion of the County held tax sale certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Franchise Fees

Continuing franchise fees are reported as revenues as the fees are earned and become receivable from the franchise.

Capital Grants and Contributions

Accounts receivable from other governments include amounts due from grantors. Program and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

Fund Balances

A. Governmental Funds

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's general procedure, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2025, fund balances are composed of the following:

Restricted for:	
Public safety	$ 25,646
Roads and streets, operations	72,250
Roads and streets, capital projects	716,394
Infrastructure	949,690
Community redevelopment	1,574,659
Cemetery perpetual care	119,980
Committed for:	
Public safety	605,667
Infrastructure	1,808,014
Capital projects	184,156
Roads and streets, reserve	100,000
Tree fund	1,847
Unassigned	3,910,407
	$ 10,068,710

When an expenditure is incurred for purposes to which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

NOTE 2. CASH DEPOSITS AND INVESTMENTS

For the fiscal year ending September 30, 2025, the City is required to utilize the financial statement disclosure standard issued by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which required additional disclosures concerning investment and deposit risk as stated below.

Pooled Cash and Investments

The City maintains a cash and investment pool, which carries substantially all cash and investments of the City and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying financial statements as "Cash and Investments". The cash and investments of the pension trust funds are held separately from those other funds of the City.

Cash Deposits

Chapter 280 of the *Florida Statutes* requires, in general, that all public deposits (including those of the City) be made in qualified public depositories within the state of Florida. Per statute, no qualified public depository may hold public deposits exceeding 10% of that qualified public depository's total deposits received in this state, or 10% of the total public deposits held by all qualified public depositories of the same type. Additionally, no qualified public depository may accept or retain any public deposit in excess of deposit insurance limits unless it pledges eligible collateral having a market value equal to 50% of the public deposits held by the depository.

In the event of a default or insolvency of a qualified public depository, the loss to public depositors shall be satisfied, first through any applicable deposit insurance and then through the sale of securities pledged by the defaulting depository. If the loss to public depositors is not covered by such insurance or the proceeds of such sale, the State Treasurer shall provide coverage of the

remaining loss by assessment against the other qualified public depositories of the same type as the depository in default.

All of the City's cash deposits (excluding investments) at September 30, 2025, were held by qualified public depositories within the state of Florida and are considered to be fully insured. The total book balance of bank deposits as of September 30, 2025, was $8,505,023.

Restricted Cash

Customer deposits, renewal and replacement, and unspent use benefit fees are shown as restricted cash due to legal limitations imposed on them.

Investments

Investments are recorded in all funds of the City at fair value. The deposits and investments of the pension trust funds are held separately from those of other City funds and are recorded at fair value.

The City's investment policy allows the City to invest surplus money in instruments provided by *Florida Statutes*. Among them are U.S. Treasury bills, bonds, notes and their derivatives, federal agency securities, local government surplus trust fund, domestic time deposits, bankers acceptance notes, repurchase agreements, federal securities trusts, collateralized mortgage obligations, assets-backed securities, taxable and tax-exempt securities, and mortgage securities mutual funds.

As of September 30, 2025, the City had the following investments and maturities:

Investments	Fair Value
State Board of Administration (SBA)	
Local Government Surplus Funds Trust Fund	$ 183,902
Pension Funds	
Florida Municipal Pension Trust Fund - Firefighters and Police Officers (FMIvT)	4,328,573
Florida Municipal Pension Trust Fund - General Employees (CitiStreet)	1,413,575
Total	5,742,148
Cash deposits	4,352,641
Total cash and investments	$10,278,691
As shown on the accompanying financial statements as:	
Cash and investments - government-wide	$10,147,302
Cash and investments - fiduciary funds	5,742,148
Total cash and investments	$15,889,450

State Board of Administration

Investments placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Sections 218.405 and 218.417, *Florida Statutes,* is not registered with the Securities and Exchange Commission. The local investments operate under the guidelines established by Section 218.415, *Florida Statutes.* The City's investments in the Pool, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of September 30, 2025, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities.

Florida Municipal Pension Trust Fund – Police and Firefighters Pension Fund

Fixed Income Fund:	Fitch Rating
Broad Market High Quality Bond Fund	AAf/S4
Core Plus Fixed Income Fund	Not Rated
Equity Funds:	
Diversified Large Cap Equity Portfolio	Not Rated
Diversified Small to Mid Cap Equity Portfolio	Not Rated
International Equity Portfolio	Not Rated
Core Real Estate Portfolio	Not Rated

Florida Municipal Pension Trust Fund – General Employees' Pension Fund

Fixed Income Funds:	Fitch Rating
Vanguard Federal Money Market	Not Rated
Vanguard Interm-Term Bond Index Adm	Not Rated
Vanguard Total Bond Market Index Adm	Not Rated
Vanguard Long-term U.S. Treasury Adm	Not Rated

Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB Statement No. 40 requires that interest rate risk be stated using a prescribed method.

Florida Municipal Pension Trust Fund – Police and Firefighters Pension Fund

Fixed Income Funds:	Modified Duration	WAM
Broad Market High Quality Bond Fund	5.56 years	7.10 years
Core Plus Fixed Income Fund	5.52 years	5.76 years

Florida Municipal Pension Trust Fund – General Employees' Pension Fund

	Interest Rate Risk Information in Years	
	Effective Duration	WAM
Fixed Income Funds:		
Vanguard Federal Money Market (FMFXX)	*	*
Vanguard Retirement Savings Trust	*	*
Vanguard Total Bond Market Index Adm (VBTLX)	6.26	8.70
Vanguard Intermediate Term Investment Grade Adm (VFIDX)	6.21	7.20
Vanguard Total International Bond Index Adm (VTABX)	7.14	8.70
Lifestyle Funds:		
Vanguard Wellington Adm (VWENX)	6.60	10.20
Vanguard Target Retirement Income (VITRX)	5.54	7.27
Vanguard Target Retirement 2020 (VITWX)	5.72	7.53
Vanguard Target Retirement 2025 (VRIVX)	6.10	8.11
Vanguard Target Retirement 2030 (VTTWX)	6.53	8.77
Vanguard Target Retirement 2035 (VITFX)	6.53	8.77
Vanguard Target Retirement 2040 (VIRSX)	6.52	8.77
Vanguard Target Retirement 2045 (VITLX)	6.51	8.77
Vanguard Target Retirement 2050 (VTRLX)	6.51	8.77
Vanguard Target Retirement 2055 (VFFVX)	6.51	8.77
Vanguard Target Retirement 2060 (VFTSX)	6.51	8.77
Vanguard Target Retirement 2065 (VFTSX)	6.51	8.77

State Board of Administration Investments

Surplus Funds Trust Fund Investment Pool	39 day average

Concentration Risk

If 5% or more of the total assets of the portfolio are invested with issuer, that information per issuer and the percentage of total assets are to be disclosed excluding investments issued or guaranteed by the U.S. government and investments in mutual funds or pools. Since the City's pension funds are invested in pooled funds, the City is excluded from this disclosure.

GASB 72, Fair Value Measurement and Application

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 amends the definitions of both fair value and investments, provides guidance for determining a fair value measurement for assets and liabilities required to be reported at fair value, provides guidance for applying fair value to certain investments, and provides additional disclosure for all fair value measurements. GASB 72 is effective for periods beginning after June 15, 2015.

The FMIvT, administered by the Florida League of Cities, Inc. is an interlocal government entity created under the laws of the State of Florida. The FMIvT is an Authorized Investment under § 163.01 *Florida Statutes*. The FMIvT is a Local Government Investment Pool (LGIP) and is considered an external investment pool for GASB reporting purposes. The City owns shares in one or more FMIvT portfolios. The City's investment is the FMIvT portfolio, not the individual securities held within each FMIvT portfolio.

GASB 72 requires the City to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires the City to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. The new disclosures are in addition to the disclosures currently required by GASB Statements No. 3, 31, 40, and 53 and should be organized by type of assets or liability instead of reporting entity segment.

GASB 72 establishes a three-tier fair value hierarchy:

Level 1 Inputs – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

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

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

The following information has been prepared for each FMIvT fund or portfolio:

<u>FMIvT Broad Market High Quality Bond Fund</u>
This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

<u>FMIvT Core Plus Fixed Income Fund</u>
This fund invests in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of these funds are not publicly quoted. These underlying funds invest in a variety of financial investments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments. Members should consider reporting shares of this fund as level 3, since the value is based on unobservable inputs.

FMIvT High Quality Growth Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Large Cap Diversified Value Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Russell 1000 Enhanced Index Portfolio

This portfolio invests in a single underlying fund, the Intech U.S. Broad Enhanced Plus Fund, LLC (Intech Fund), shares of which are not publicly quoted. The Intech Fund invests mainly in domestic stocks, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Intech Fund investment are determined based on the net asset value provided by the Intech Fund, which was calculated in accordance with generally accepted accounting principles. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Diversified Small to Mid Cap Equity Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 1, since the value is based on market-corroborated data,

FMIvT International Equity Portfolio

This portfolio invests in a single underlying fund, the Investec International Dynamic Equity Fund, LLC (Investec Fund), shares of which are not publicly quoted. The Investec Fund invests in stocks sold on U.S. and international exchanges, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Investec Fund investment are determined based on the net asset value provided by the Investec Fund, which was calculated in accordance with generally accepted accounting principles. Members should consider reporting these shares as level 2 since the value is based on market-corroborated data.

NOTE 3. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2025 were as follows:

	Accounts	Due from Other Governmental Units	Total
Governmental activities:			
General	$ 214,087	$ 32,064	$ 246,151

Payables

Payables at September 30, 2025 were as follows:

	Accounts	Accrual Liabilities	Due to other funds	Total
Governmental activities:				
General	$ 81,833	$ 4,462	$ 52,052	$ 138,347
Tax Increment Financing District	134,420	5,011	-	139,431
	$ 216,253	$ 9,473	$ 52,052	$ 277,778

NOTE 4. Change in Accounting Principle / Restatement of Beginning Net Position

Effective October 1st 2024, the City of Dunnellon adopted Governmental Accounting Standards Board Statement No. 101, Compensated Absences. This statement updates the accounting and financial reporting requirements for compensated absences. Implementation of the standard required the City to restate beginning net position to properly recognize and measure liabilities for compensated absences in accordance with the new guidance.

The effect of the restatement on beginning net position is as follows:

	Governmental Activities
Beginning net position, as previously reported	$15,458,302
Adjustment to compensated absences liability under GASB 101	(3,500)
Beginning net position, as restated	$15,454,802

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	$ 3,270,815	$ -	$ (106,500)	$ 3,164,315
Construction in progress	413,482	811,707	-	1,225,189
Total capital assets not being depreciated	3,684,297	811,707	(106,500)	4,389,504
Capital assets being depreciated:				
Buildings	682,343	-	-	682,343
Improvements other than buildings	2,682,160		-	2,682,160
Furniture, equipment and machinery	2,263,827	151,050	-	2,414,877
Total capital assets being depreciated	5,628,330	151,050	-	5,779,380
Less accumulated depreciation:	(3,204,353)	(242,693)	-	(3,447,046)
Total capital assets being depreciated, net	2,423,977	(91,643)	-	2,332,334
Right-to-use lease assets	61,743	-	-	61,743
Less accumulated amortization:	(17,359)	(16,924)	-	(34,283)
Right-to-use lease assets, net	44,384	(16,924)	-	27,460
Governmental activities capital assets, net	$ 6,152,658	$ 703,140	$ (106,500)	$ 6,749,298

Depreciation / amortization expense:	
Governmental activities	
General government and administration	$ 73,245
Public safety	63,586
Physical environment	1,887
Transportation	120,671
Culture and recreation	228
Total depreciation / amortization expense - governmental activities	$ 259,617

NOTE 6. LONG-TERM LIABILITIES

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Revenue bonds payable	$ 1,443,750	$ -	$ (175,000)	$ 1,268,750	$ 175,000
Compensated absences	90,793	1,164	-	91,957	36,783
OPEB payable	29,760	1,120	-	30,880	-
Lease liability	48,197	-	(12,780)	35,417	16,845
Total Governmental Activities	$ 1,612,500	$ 2,284	$ (187,780)	$ 1,427,004	$ 228,628

A. Governmental Activities

Telecommunications Revenue Bonds

On November 18, 2010, the City closed on bond issues from Regions Bank in the amounts of $3,300,000 and $2,200,000 with terms ranging to 15 years. These proceeds were utilized to

construct the City's telecommunications utility. Although certain general revenues were pledged on this debt, the City anticipated full repayment to be made from future telecommunications revenues. In November 2012, the City refinanced the bond in the amount of $2,200,000, extending repayment from five years to 10 years, with an interest rate of 3.20%, requiring a down payment of $275,000. The City was also issued a line of credit from Regions Bank in the amount of $1,850,000 with the terms due in one year. These proceeds were utilized to cover operating expenses of the City's telecommunications utility. At September 30, 2013 the balance on this loan was $1,650,000. In November 2012, the City signed an extension which required a down payment of $200,000 with the remaining balance plus interest due on November 1, 2013. On March 31, 2014, the City signed a settlement agreement which restructured the debt to a total amount due of $3,468,750. A new payment schedule provided for a payment of $200,000 due no later than April 1, 2014, followed by another payment of $75,000 due no later than September 1, 2014. Subsequent payments in the amount of $43,750 shall be paid quarterly beginning on December 31, 2014 and continue through and including December 31, 2032. The effective interest rate is 0.0%. The terms of this arrangement are contingent upon timely payments. Maturity on this bond agreement for the years ending September 30, is as follows:

September 30	Principal	Interest	Total
2026	$ 175,000	$ -	$ 175,000
2027	175,000	-	175,000
2028	175,000	-	175,000
2029	175,000	-	175,000
2030	175,000	-	175,000
2031-2033	393,750	-	393,750
	$ 1,268,750	$ -	$ 1,268,750

This debt service is budgeted and paid from General Fund revenues.

Lease Liabilities

The City has leases which are in excess of one year and do not transfer ownership of the underlying assets to the City. These agreements have created an intangible right to use those assets therefore the City has capitalized these assets and recorded a corresponding liability. Right-to-use assets are amortized on a straight-line basis over the life of the related agreement. Right-to-use liabilities are amortized over the life of the related agreement using the agreed upon discount rate or prime rate. The balance of the right-to-use assets and their accumulated amortization can be found in the preceding capital asset note. A summary of the nature of these assets and length of terms as of September 30, 2025 is as follows:

Right-to-Use Asset Description	Term	Lease Liability	Monthly Payment	Interest Rate
Xerox B8055 Copier Lease	48 Months	$ 3,150	$ 149	8.50%
Body Camera Equipment Lease	60 Months	26,781	1,127	8.50%
Xerox C8045 Copier Lease	48 Months	3,559	136	8.50%
SendPro C200 Mailing Equipment Lease	60 Months	1,928	57	8.50%
		35,417		

Future principal and interest payments required for these leases as of September 30, 2025 are as follows:

Year	Principal	Interest	Total
2026	$16,845	$ 789	$17,634
2027	17,101	385	17,486
2028	1,304	58	1,362
2029	167	2	169
Total	$35,417	$1,234	$36,651

Additional Information:

There were no outflows of resources recognized in the reporting period for variable payments or other payments not previously included in the measurement of the lease liability.

No residual value guarantees or material sublease arrangements exist.

The City recognized $1,169 in lease expense related to short-term leases during the year.

The above leases did not have any significant terms which require additional disclosure.

NOTE 7. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS

Florida Municipal Pension Trust Fund (Defined Contribution Plan)

In January 1996, the City adopted the Florida Municipal Pension Trust Fund Pension Plan administered by the Florida League of Cities. The plan is available to all general employees hired beginning January 1, 1996, and who have remained employed for at least six months. The City will contribute 5% of the eligible employee's salary. Additionally, the City will contribute 1% for each 1% the employee contributes for a maximum of 10% of employer contribution.

Employee contributions are voluntary and have certain contribution limits. Vesting in the plan is determined by the number of years of service. Employees vest at 25% at two years of service increasing incrementally by 25% each year thereafter. Vesting of 100% occurs at five years.

At September 30, 2025, there were 8 active members in the plan.

Florida Municipal Pension Trust Fund (Defined Benefit Plan)

Plan Description

In January 1996, the City adopted the Florida Municipal Pension Trust Fund Pension Plan administered by the Florida League of Cities. The plan is available to all full-time police officers and full-time firefighters hired by the City beginning January 1, 1996. Eligibility becomes immediate after hire date.

The firefighters' and police officers' pension plan covers all full-time officers and firefighters. Members of the firefighters' and police officers' pension plan do not vest in their pension benefits until they have completed ten years of service. Firefighters and police officers that retire at the earlier age of fifty-five and have completed ten years of service, or age fifty-two and twenty-five years of credited service are entitled to a monthly retirement benefit, payable for life or a minimum of ten years, in an amount equal to 2% of their final monthly compensation for years served and purchased before October 1, 2011, and 2.5% of their final monthly compensation for years served and purchased after September 30, 2011. The plan also provides for death and disability benefits. Administrative costs are financed through investment earnings.

Contributions

Firefighters and police officers were required to contribute 1% of their annual salary to the plan for the year ended September 30, 2025. The City is required to contribute the remaining amounts necessary to fund the plan, using the actuarial determined amounts. Insurance excise taxes remitted by the state to the pension plan are available to offset City contributions up to the 1997 base amount. The increment above the base amount is to provide extra benefits to the firefighters and police officers.

As of the most recent actuarial reports dated October 1, 2024, the plan had the following number of participants:

Active	8
Retired, disabled, vested terminations and beneficiaries	17
Total number of participants	25

Annual Pension Costs and Net Pension Liability

Net Pension Liability as of September 30, 2025

Total pension liability	$ 1,382,780
Less fiduciary net position	(4,355,012)
Net pension liability (asset)	$ (2,972,232)

The City's annual pension costs and net pension obligation to the Firefighters' and Police Officers' Defined Benefit Plan based on the most recent actuarial information (valuation date October 1, 2024) was as follows:

Service cost	$ 90,314
Other recognized changes in net pension liability:	
Expected interest growth	(190,060)
Investment gain/loss	(37,122)
Demographic gain/loss	(130,694)
Employee contributions	(3,881)
Administrative expenses	31,160
Assumption changes	5,181
Pension expense (benefit)	$ (235,102)

DISCLOSURES RELATED TO THE PUBLIC SAFETY PENSION PLAN

Deferred Inflow and Outflow of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2024	$ 359,586	$ 1,222,902
Change due to:		
Amortization payments	(161,976)	(324,611)
Investment gain/loss	-	55,203
Demographic gain/loss	152	-
Balance as of September 30, 2025	$ 197,762	$ 953,494

Balance Equation

Net pension benefit as of September 30, 2024	$	(2,792,662)
Plus pension expense for the 2024/25 fiscal year		(235,102)
Minus employer contribution for the 2024/25 fiscal year		(52,052)
Plus change in balance of deferred outflows of resources		(161,824)
Minus change in balance of deferred inflows of resources		269,408
Net pension benefit as of September 30, 2025	$	(2,972,232)

Amortization Schedule for Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2025	$ 197,762	$ 953,494
Amount recognized in the 2025/26 pension expense:		
Investment gain/loss	149,183	109,650
Demographic gain/loss	4,845	135,539
Assumption changes	7,946	2,765
	$ 161,974	$ 247,954
Balance as of September 30, 2026	$ 35,788	$ 705,540
Amount recognized in the 2026/27 pension expense:		
Investment gain/loss	-	109,651
Demographic gain/loss	4,845	119,315
Assumption changes	7,946	2,765
	$ 12,791	$ 231,731
Balance as of September 30, 2027	$ 22,997	$ 473,809
Amount recognized in the 2027/28 pension expense:		
Investment gain/loss	-	99,113
Demographic gain/loss	4,845	108,491
Assumption changes	7,946	2,765
	$ 12,791	$ 210,369
Balance as of September 30, 2028	$ 10,206	$ 263,440
Amount recognized in the 2028/29 pension expense:		
Investment gain/loss	-	11,039
Demographic gain/loss	4,712	89,856
Assumption changes	4,469	2,765
	$ 9,181	$ 103,660
Balance as of September 30, 2029	$ 1,025	$ 159,780
Amount recognized in the 2029/30 pension expense:		
Investment gain/loss	-	-
Demographic gain/loss	987	73,499
Assumption changes	-	196
	$ 987	$ 73,695
Balance as of September 30, 2030	$ 38	$ 86,085

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balance as of September 30, 2024	$ 1,272,211	$ (4,064,873)	$ (2,792,662)
Change due to:			
Service cost	90,314	-	90,314
Expected interest growth	92,831	(282,891)	(190,060)
Unexpected investment income	-	(55,203)	(55,203)
Demographic experience	152	-	152
Employer contributions	-	(52,052)	(52,052)
Employee contributions	-	(3,881)	(3,881)
Benefit payments and refunds	(72,728)	72,728	-
Administrative expenses	-	31,160	31,160
Balance as of September 30, 2025	$ 1,382,780	$ (4,355,012)	$ (2,972,232)

Comparison of Net Pension Liability Using Alternative Discount Rates

	Discount Rate Minus 1.00%	7% Discount Rate	Discount Rate Plus 1.00%
Total pension liability	$ 1,553,845	$ 1,382,780	$ 1,241,016
Less fiduciary net position	(4,355,012)	(4,355,012)	(4,355,012)
Net pension liability	$ (2,801,167)	$ (2,972,232)	$ (3,113,996)

Historical Trend Information

Schedule of Net Pension Liability as a Percentage of Covered Payroll

Measurement Date	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (excess)	Funded Percentage	Covered Payroll	Net Pension Liability as a % of Covered Payroll
September 30, 2025	$ 1,382,780	$ 4,355,012	$ (2,972,232)	314.95%	$ 464,484	N/A
September 30, 2024	1,272,211	4,064,873	(2,792,662)	319.51%	429,308	N/A
September 30, 2023	1,668,002	3,418,798	(1,750,796)	204.96%	492,748	N/A
September 30, 2022	1,581,401	3,170,811	(1,589,410)	200.51%	448,139	N/A
September 30, 2021	1,433,700	3,681,006	(2,247,306)	256.75%	420,863	N/A
September 30, 2020	1,298,106	3,076,274	(1,778,168)	236.98%	343,316	N/A
September 30, 2019	1,180,554	2,893,779	(1,713,225)	245.12%	310,556	N/A
September 30, 2018	1,217,314	2,743,652	(1,526,338)	225.39%	417,838	N/A
September 30, 2017	1,333,148	2,414,303	(1,081,155)	181.10%	Not available	N/A
September 30, 2016	1,213,513	2,071,789	(859,276)	170.73%	429,146	N/A

Historical Trend Information (continued)

Fiscal Year	Service Cost	Expected Interest Growth	Unexpected Investment Income	Demographic Experience	Employer Contributions
2024/25	$ 90,314	$ (190,060)	$ (55,203)	$ 152	$ 52,052
2023/24	$ 83,480	$ (118,138)	$ (440,364)	$ (530,656)	$ (53,447)
2022/23	94,307	(105,743)	(52,681)	(55,525)	(59,608)
2021/22	85,486	(152,540)	745,923	15,442	(53,049)
2020/21	80,608	(120,205)	(383,293)	23,330	(59,628)
2019/20	65,116	(116,356)	14,120	(165)	(56,156)
2018/19	56,566	(104,150)	44,320	(147,795)	(49,689)
2017/18	75,032	(75,856)	(19,350)	(279,426)	(189,890)
2016/17	78,329	(57,649)	(154,836)	-	(64,055)
2015/16	78,329	(32,236)	(35,281)	(308,352)	(51,722)

Fiscal Year	Employee and Refunds	Benefit/ Payments and Refunds	Administrative Expenses	Changes in Benefit Terms	Assumption Changes
2024/25	$ (3,881)	$ -	$ 31,160	$ -	$ -
2023/24	$ (4,187)	$ -	$ 21,446	$ -	$ -
2022/23	(4,862)	-	22,726	-	-
2021/22	(4,734)	-	21,368	-	-
2020/21	(4,290)	-	19,421	-	(25,081)
2019/20	(3,752)	-	32,250	-	-
2018/19	(3,301)	-	17,162	-	-
2017/18	(2,914)	-	21,367	-	25,854
2016/17	(4,183)	(30,525)	10,040	-	-
2015/16	(3,810)	-	14,020	-	-

Historical Trend Information (continued)

Fiscal Year End	(1) Actuarially Determined Contribution	(2) Contributions Recognized By the Plan	(3) Difference Between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2025	$ -	$ 52,052	$52,052	$ 464,484	11.21%
September 30, 2024	$ -	$ 53,447	$53,447	$ 429,308	12.45%
September 30, 2023	-	59,608	59,608	492,748	12.10%
September 30, 2022	-	53,049	53,049	448,139	11.84%
September 30, 2021	-	59,628	59,628	420,863	14.17%
September 30, 2020	-	56,156	56,156	343,316	16.36%
September 30, 2019	-	49,689	49,689	310,556	16.00%
September 30, 2018	-	189,890	189,890	417,838	45.45%
September 30, 2017	-	64,055	64,055	Not available	Not available
September 30, 2016	-	51,722	51,722	429,146	12.05%

Other Pension Plan Information

The annual required contribution for the current year was determined as part of the October 1, 2024 actuarial valuation. The actuarial assumptions include the following:

- Interest (or Discount) Rate – 7.00% per annum (2.62% per annum is attributable to long-term inflation)
- Salary Increases – Plan compensation is assumed to increase at the rate of 4.00% per annum, unless actual plan compensation is known for a prior plan year.
- Cost-of-living increases – None assumed
- Mortality basis – Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Employee Mortality Table for annuitants, projected by Scale BB, as published in the Internal Revenue Service (IRS) for purpose of Internal Revenue Code (IRC) section 430; with generational improvements in mortality using Scale MP-2018.
- Retirement – Retirement is assumed to occur at the most valuable retirement age.
- Decrements – None assumed
- Future contributions – Contributions from the employer and employees are assumed to be made as legally required.
- Changes –No assumptions or methods have changed since the prior measurement date.

Determination of the Long-term Expected Rate of Return on Plan Assets

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	15.00%	1.60% per annum
Core plus	15.00%	2.10% per annum
U.S. large cap equity	25.00%	4.60% per annum
U.S. small cap equity	14.00%	5.50% per annum
Non-U.S. equity	21.00%	6.70% per annum
Core real estate	10.00%	5.00% per annum
Total or weighted arithmetic average	100.00%	4.38% per annum

Schedule of Changes in Pension Plan Net Position as of September 30, 2025

	Pension Trust Funds		
	General Employees	Special Risk	Total
Assets			
Cash and investments	$ 1,413,575	$ 4,328,573	$ 5,742,148
Due from other funds	-	52,052	52,052
Total assets	1,413,575	4,380,625	5,794,200
Net Position			
Restricted for:			
Pension benefits	1,413,575	4,380,625	5,794,200
Total net position	$ 1,413,575	$ 4,380,625	$ 5,794,200
Additions			
Contributions:			
Employer	$ 70,043	$ -	$ 70,043
State	-	52,052	52,052
Employee	73,083	6,598	79,681
Total contributions	143,126	58,650	201,776
Net investment income	145,752	338,094	483,846
Total Additions	288,878	396,744	685,622
Deductions			
Pension benefit payment and refunds	36,768	72,728	109,496
General and administrative	6,248	31,170	37,418
Total Deductions	43,016	103,898	146,914
Change in net position	245,862	292,846	538,708
Net position :			
Beginning of year	1,167,713	4,087,779	5,255,492
End of year	$ 1,413,575	$ 4,380,625	$ 5,794,200

Other Postemployment Benefits (OPEB)

Plan Description

The City has previously established and maintains an employee group health insurance plan (the Plan) that it makes available to eligible retirees in accordance with the State of Florida law and City ordinance. The Plan is a single employer, experience rated insurance plan that provides medical, dental and vision benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical, dental and vision benefits applicable to current

and future retirees and their eligible dependents. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Membership of each plan consisted of the following:

Date of Actuarial Valuation	10/1/2024
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	16
Total	16

Funding Policy

In prior years, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the City. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct City subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums. State of Florida Law prohibits the City from separately rating retirees and active employees specifically for medical plan benefits. The City, therefore, assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, generally accepted accounting principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Basis of Accounting

The OPEB is recorded in the government-wide financial statements and not in the governmental fund financial statements as it is not payable from current financial resources.

Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2025, the City recognized an OPEB expense of $3,637. Since the City's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

Total OPEB Liability – The City's total OPEB liability as of September 30, 2025 was determined by an actuarial valuation as of October 1, 2024 using September 30, 2025 as the measurement date. The actuarial assumptions used in the October 1, 2024 valuation were as follows:

Total OPEB Liability

Inflation	Same as healthcare cost trend rate
Salary Increases	3.00%
Discount Rate	4.50%
Initial Trend Rate	7.00%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	5

Mortality rates were based on the PUB-2010 mortality table with the MP 2020 mortality improvement scale.

The discount rate used to discount all future benefit payments is 4.50% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2024	$ 29,760
Changes for the year:	
Service cost	8,156
Expected interest growth	1,669
Demographic experience	(9,975)
Benefit payments	(1,694)
Assumption changes	2,964
Net changes	1,120
Reporting period ending September 30, 2025	$ 30,880

Sensitivity of the total OPEB liability to changes in the discount rate – 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-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current discount rate.

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Total other postemployment benefits liability	$ 33,640	$ 30,880	$ 28,420

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – 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 healthcare cost trend rates that are 1-percentage-point lower (6.00% to 4.00%) or 1-percentage-point higher (8.00% to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (6.00% to 4.00%)	Current Discount Rate (7.00% to 5.00%)	1% Increase (8.00% to 6.00%)
Total other postemployment benefits liability	$ 27,325	$ 30,880	$ 35,046

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At September 30, 2025, the City reported an amount of $30,880 for its OPEB liability.

The following are schedules of the Net OPEB Liability and the OPEB expenses for the fiscal year ended September 30, 2025:

Net OPEB Liability as of September 30, 2025

Total OPEB liability	$ 30,880
Less fiduciary net position	-
Net OPEB liability	$ 30,880

OPEB expense for the 2024/2025 fiscal year

Total OPEB Liability	
Service cost	$ 8,156
Other recognized changes in OPEB liability:	
Expected interest growth	1,669
Demographic experience	(7,399)
Benefit payments and refunds	(1,694)
Assumption changes	2,905
OPEB expense	$ 3,637

For the fiscal year ended September 30, 2025, the City recognized OPEB expense of $3,637. Also, the City did have deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

DEFERRED INFLOW AND OUTFLOW OF RESOURCES

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Balance as of September 30, 2024	$ 25,457	$ 41,742
Change due to:		
Amortization payments	(5,914)	(10,408)
Investment gain/loss	-	-
Demographic gain/loss	-	9,975
Assumption changes	2,964	-
Total Change	(2,950)	(433)
Balance as of September 30, 2025	$ 22,507	$ 41,309

NOTE 8. COMMITMENTS AND CONTINGENCIES

Grants and Loans

Under the terms of federal and state grants and loans, periodic audits are required and certain costs may be questioned as not allowable as expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will not be material.

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses is provided through the Florida League of Cities, Inc., and Preferred Government Insurance Trust for the following types of risk:

- Workers' Compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment
- Dishonesty bond

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

The City is covered for health insurance under a group policy with a commercial carrier with premiums reassessed annually.

NOTE 10. LITIGATION

The City is not currently a defendant in any significant pending or threatened litigation.

Note 11. RELATED PARTY TRANSACTIONS

The City evaluated its relationships and transactions for potential related party disclosures. During the fiscal year ended September 30, 2025, the City was not involved in any material related party transactions, and there were no amounts due to or due from related parties at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNNELLON, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Taxes			
Ad valorem	$ 1,094,264	$ 1,033,727	$ (60,537)
Local option gas tax	111,070	107,142	(3,928)
Discretionary sales surtax	93,310	361,484	268,174
Franchise tax:			
Electricity	244,042	207,562	(36,480)
Communication service tax	197,333	212,187	14,854
Utility tax :			
Electricity	303,526	393,949	90,423
Propane	29,163	32,452	3,289
Total taxes	2,072,708	2,348,503	275,795
Licenses and permits			
Professional and occupational	29,607	30,281	674
Building permits	152,368	108,223	(44,145)
Other licenses and permits	21,843	19,337	(2,506)
Total licenses and permits	203,818	157,841	(45,977)
Intergovernmental revenue			
State, federal and local grants	794	533,925	533,131
State shared revenues:			
State revenue sharing	72,123	72,579	456
Mobile home licenses	7,569	8,017	448
Alcoholic beverage licenses	6,281	1,946	(4,335)
Local government one-half cent sales tax	184,743	177,652	(7,091)
Motor fuel tax	15,725	8,889	(6,836)
Motor fuel tax rebate	1,605	1,783	178
Total intergovernmental revenue	288,840	804,791	515,951
Charges for services			
Copying and records search	4,820	5,827	1,007
Garbage and solid waste	288,714	319,156	30,442
Cemetery fees and lots	33,187	33,153	(34)
Transportation services	20,366	0	(20,366)
City beach user fees	5,100	11,014	5,914
Other miscellaneous charges	34,299	22,525	(11,774)
Total charges for services	386,486	391,675	5,189

See notes to financial statements.

(Continued)

CITY OF DUNNELLON, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended September 30, 2025

(Continued)

	Original and Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Fines and forfeitures			
Court fines	$ 8,897	$ 14,381	$ 5,484
Other fines	1,255	8,557	7,302
Total fines and forfeitures	10,152	22,938	12,786
Miscellaneous revenue			
Investment earnings	274,862	295,279	20,417
Planning and development	15,000	-	(15,000)
Legal expense pass through	4,000	-	(4,000)
Other miscellaneous	47,585	391,560	343,975
Total miscellaneous revenue	341,447	686,839	345,392
Total revenues	$ 3,303,451	$ 4,412,587	$ 1,109,136
Expenditures			
General government			
Legislative:			
Personnel services	$ 9,702	$ 9,235	$ 467
Operating expenses	78,496	37,482	41,014
Capital outlay	4,000	-	4,000
Debt service	175,000	175,000	-
Total legislative	267,198	221,717	45,481
Executive:			
Personnel services	-	-	-
Operating expenses	-	-	-
Capital outlay	28,153	29,488	(1,335)
Total executive	28,153	29,488	(1,335)
Financial and administrative:			
Personnel services	297,644	296,733	911
Operating expenses	89,967	76,730	13,237
Capital outlay	-	-	-
Total Financial and administrative	387,611	373,463	14,148
Legal counsel:			
Operating expenses	77,847	88,803	(10,956)
Comprehensive planning:			
Personnel services	59,250	98,207	(38,957)
Operating expenses	110,069	75,232	34,837
Capital outlay	3,500	-	3,500
Total comprehensive planning	172,819	173,439	(620)
Other general government:			
Personnel services	219,849	207,586	12,263
Operating expenses	117,733	62,633	55,100
Capital outlay	79,335	67,918	11,417
Total other general government	416,917	338,137	78,780
Total general government	1,350,545	1,225,047	125,498

See notes to financial statements.

(Continued)

CITY OF DUNNELLON, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2025
(Continued)

	Original and Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES *(continued)*			
Public safety			
Law enforcement:			
Personnel services	$ 907,261	$ 535,590	$ 371,671
Operating expenses	226,829	475,768	(248,939)
Capital outlay	143,500	17,464	126,036
Debt service - principal	29,972	12,780	17,192
Debt service - interest	677	-	677
Total law enforcement	1,308,239	1,041,602	266,637
Fire control:			
Operating expenses	8,926	9,513	(587)
Total fire control	8,926	9,513	(587)
Protective inspections:			
Personnel services	85,923	55,090	30,833
Operating expenses	47,004	38,186	8,818
Capital outlay	-	-	-
Total protective inspections	132,927	93,276	39,651
Total public safety	1,450,092	1,144,391	305,701
Physical environment			
Garbage and solid waste:			
Personnel services	2,566	2,521	45
Operating expenses	207,279	188,986	18,293
Total garbage and solid waste	209,845	191,507	18,338
Cemetery:			
Personnel services	32,640	24,230	8,410
Operating expenses	10,708	8,046	2,662
Total Cemetery	43,348	32,276	11,072
Total physical environment	253,193	223,783	29,410
Transportation			
Roads and streets:			
Personnel services	118,195	90,444	27,751
Operating expenses	167,638	130,511	37,127
Capital Outlay	976,147	581,620	394,527
Total transportation	1,261,980	802,575	459,405
Human services			
Animal control:			
Personnel services	2,566	2,521	45
Operating expenses	12,825	12,825	-
Total human services	15,391	15,346	45

See notes to financial statements.
(Continued)

CITY OF DUNNELLON, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2025
(Concluded)

	Original and Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
EXPENDITURES *(continued)*			
Human services			
Mosquito control:			
Personnel services	$ 1,287	$ 1,261	$ 26
Operating expenses	862	862	-
Total mosquito control	2,149	2,123	26
Culture and recreation			
Parks and recreation:			
Personnel services	31,093	23,244	7,849
Operating expenses	39,794	33,414	6,380
Capital Outlay	-	-	-
Total culture and recreation	70,887	56,658	14,229
Total expenditures	4,404,237	3,469,923	934,314
Excess of revenues over (under) expenditures	(1,100,786)	942,664	2,043,450
Other financing sources and (uses)			
Interfund transfers	-	-	-
Total other financing sources and (uses)			
Net change in fund balance	(1,100,786)	942,664	2,043,450
Fund balance at beginning of year	7,551,387	7,551,387	-
Fund balance at end of year	$ 6,450,601	$ 8,494,051	$ 2,043,450

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCING DISTRICT FUND
For the Fiscal Year Ended September 30, 2025

	Original and Final Budget	Actual Amounts	Variance With Budget Positive (Negative)
Revenues			
Taxes:			
Ad valorem	$ 462,017	$ 462,804	$ 787
Miscellaneous revenue:			
Miscellaneous	-	(6,816)	(6,816)
Interest	33,000	35,678	2,678
Total revenues	495,017	491,666	(3,351)
Expenditures			
Economic environment			
Industry development:			
Personnel services	126,384	85,197	41,187
Operating expenses	94,508	15,739	78,769
Capital outlay	785,090	266,267	518,823
Total expenditures	1,005,982	367,203	638,779
Excess of revenues over (under) expenditures	(510,965)	124,463	635,428
Fund balance at beginning of year	1,450,196	1,450,196	-
Fund balance at end of year	$ 939,231	$ 1,574,659	$ 635,428

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SEPTEMBER 30, 2025

I. Stewardship, Compliance, and Accountability

A. Budgetary information. The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the Finance Officer and City Clerk submit to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in September to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of a resolution.

4. The legal level of budgetary control is the department level; however, the City Clerk may transfer appropriations between departments. Surplus revenues not appropriated in the budget require formal motion by City Council for any municipal purpose.

5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

CITY OF DUNNELLON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL RISK PENSION TRUST FUND
SCHEDULES OF NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL AND REQUIRED CONTRIBUTIONS
SEPTEMBER 30, 2025

Schedule of Net Pension Liability as a Percentage of Covered Payroll

Measurement Date	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (excess)	Funded Percentage	Covered Payroll	Net Pension Liability as a % of Covered Payroll
September 30, 2025	$ 1,382,780	$ 4,355,012	$ (2,972,232)	314.95%	$ 464,484	N/A
September 30, 2024	1,272,211	4,064,873	(2,792,662)	319.51%	429,308	N/A
September 30, 2023	1,668,002	3,418,798	(1,750,796)	204.96%	492,748	N/A
September 30, 2022	1,581,401	3,170,811	(1,589,410)	200.51%	448,139	N/A
September 30, 2021	1,433,700	3,681,006	(2,247,306)	256.75%	420,863	N/A
September 30, 2020	1,298,106	3,076,274	(1,778,168)	236.98%	343,316	N/A
September 30, 2019	1,180,554	2,893,779	(1,713,225)	245.12%	310,556	N/A
September 30, 2018	1,217,314	2,743,652	(1,526,338)	225.39%	417,838	N/A
September 30, 2017	1,333,148	2,414,303	(1,081,155)	181.10%	Not available	N/A
September 30, 2016	1,213,513	2,071,789	(859,276)	170.73%	429,146	N/A

Schedule of Required Contributions

Fiscal Year End	(1) Actuarially Determined Contribution	(2) Contributions Recognized By the Plan	(3) Difference Between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll	**Schedule of Investment Returns** Annual money-weighted Rate of Return
September 30, 2025	$ -	$ 52,052	$ 52,052	$ 464,484	11.21%	8.36%
September 30, 2024	-	53,447	53,447	429,308	12.45%	19.87%
September 30, 2023	-	59,608	59,608	492,748	12.10%	8.56%
September 30, 2022	-	53,049	53,049	448,139	11.84%	-13.26%
September 30, 2021	-	59,628	59,628	420,863	14.17%	19.38%
September 30, 2020	-	56,156	56,156	343,316	16.36%	6.18%
September 30, 2019	-	49,689	49,689	310,556	16.00%	9.63%
September 30, 2018	-	189,890	189,890	417,838	45.45%	7.09%
September 30, 2017	-	64,055	64,055	Not available	Not available	9.23%
September 30, 2016	-	51,722	51,722	429,146	12.05%	Not available

Includes contributions by excise tax on certain insurance policies collected by the State of Florida. The City is required to contribute to the balance of the ARC.

In each year, the City contribution was greater than required. The excess contribution was placed in the surplus contribution account.

The City obtains an actuarial report every two years. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

CITY OF DUNNELLON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2025

Measurement date	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Reporting period ending	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Total OPEB Liability									
Service cost	$ 8,156	$ 7,611	$ 945	$ 4,014	$ 5,237	$ 5,237	$ 4,475	$ 2,687	$ 2,671
Expected interest growth	1,669	554	1,440	1,974	1,254	987	1,057	915	637
Demographic experience	(9,975)	(3,497)	(17,656)	(431)	(12,880)	1,540	(17,343)	-	-
Benefit payments and refunds	(1,694)	(1,283)	(478)	(1,047)	(1,910)	(139)	(69)	(1,309)	(625)
Assumption changes	2,964	19,709	(6,204)	(13,775)	(1,133)	(1,246)	27,732	(294)	-
Net change in total OPEB liability	1,120	23,094	(21,953)	(9,265)	(9,432)	6,379	15,852	1,999	2,683
Total OPEB liability, beginning	29,760	6,666	28,619	37,884	47,316	40,937	25,085	23,086	20,403
Total OPEB liability, ending	$ 30,880	$ 29,760	$ 6,666	$ 28,619	$ 37,884	$ 47,316	$ 40,937	$ 25,085	$ 23,086
Covered - Employee Payroll	924,713	1,015,594	452,049	798,175	712,293	768,083	720,393	1,199,258	1,199,258
Sponsor's Total OPEB Liability as Percentage of Covered-Employee Payroll	3.34%	2.93%	1.47%	3.59%	5.32%	6.16%	5.68%	2.09%	1.93%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF DUNNELLON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2025

GRANTOR/PROGRAM TITLE	ALN	Grant Number	Award Amount	Expenditures
Federal Awards				
U.S. Department of the Treasury				
American Rescue Plan Act (ARPA)	21.027	Y5174	$ 921,571	$ 523,622
U.S. Federal Emergency Management Agency				
Hurricane Milton	97.036	Z4554	26,642	10,303
Total federal awards			$ 948,213	$ 533,925

See notes to Schedule of Expenditures of Federal Awards.

CITY OF DUNNELLON, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the City of Dunnellon, Florida, (the City) have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards by Title 2 U.S. Code of Federal Regulations (CFR) Part 200.

A. Reporting Entity

The reporting entity consists of the City of Dunnellon, Florida. The City includes a Schedule of Expenditures of Federal Awards in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

C. Subrecipients

The Schedule of Expenditures of Federal Awards is required to identify amounts passed through to subrecipients of grant funding. The City did not have any subrecipients of grant funding in the current year.

D. Indirect Cost Rate

The City did not elect to use the de minimis indirect cost rate for the fiscal year ended September 30, 2025.

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

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

To the City Council
City of Dunnellon, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Dunnellon, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 22, 2026.

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's internal control.

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

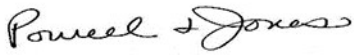
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Powell and Jones CPA
Lake City, Florida
May 22, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

MANAGEMENT LETTER

To the City Council
City of Dunnellon, Florida

In planning and performing our audit of the financial statements of the City of Dunnellon, Florida, for the year ended September 30, 2025, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter furnishes information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

AUDITOR GENERAL COMPLIANCE MATTERS

Financial Emergency Status - We have determined that the City of Dunnellon, Florida, did not meet any of the conditions described in Section 218.503(1), *Florida Statutes,* that might result in a financial emergency.

Property Assessed Clean Energy Programs (PACE) - As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.b and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

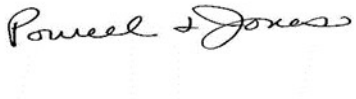
Dependent Special District – As required by Section 218.39(3)(c), Florida Statutes and Section 10.554(1)(i)6 Rules of the Auditor General, the Dunnellon Community Redevelopment Agency (CRA) reported:

Data Element	Reference	Comment
The total number of CRA employees compensated in the last pay period of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(a)	4
The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(b)	N/A
All compensation earned by or awarded to the CRA employees, whether paid or accrued, regardless of contingency.	Section 218.32(1)(e)(2)(c)	$ 49,528
Budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amended a final adopted budget under Section 189.016(6), Florida Statutes.	Section 218.32(1)(e)(3)	The CRA did not amend its budget.
Each construction project with a total cost of at least $65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project.	Section 218.32(1)(e)(2)(e)	$ -
All compensation paid or accrued to independent contractors.	Section 218.39(3)(c) /218.32(1)(e)2-3	$ -

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with our audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



Powell and Jones CPA
Lake City, Florida
May 22, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, *FLORIDA STATUTES*

To the City Council
City of Dunnellon, Florida

We have examined the City of Dunnellon, Florida's (the City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2025. We also examined the City's compliance with Sections 163.387(6) and (7), *Florida Statutes* regarding the Dunnellon Community Redevelopment Agency during the year ended September 30, 2025. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examinations 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 aforementioned requirements for the year ended September 30, 2025.

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

Powell and Jones

Powell and Jones CPA
Lake City, Florida
May 22, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

Communication with Those Charged with Governance

To the City Council
City of Dunnellon, Florida

We have audited the financial statements of the City of Dunnellon, Florida for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Dunnellon, Florida are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Dunnellon, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 22, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

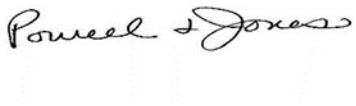
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Dunnellon, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Powell and Jones CPA
Lake City, Florida
May 22, 2026

City of Dunnellon Management Response To
Auditor's Management Letter Comment
Annual Audit FYE 9/30/25

Honorable Mayor and City Council
City of Dunnellon
Dunnellon, Florida

We have reviewed the audit report for the fiscal year ending September 30, 2025 including the management letter and are pleased there were no reportable findings. We believe the audit, as prepared and presented by Powell and Jones CPA, to be an accurate representation of the City's current financial status.

Schonna McLean

Schonna McLean
Finance Officer