City of Bonifay, Florida

FINANCIAL STATEMENTS

September 30, 2025

	Page

INTRODUCTORY SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Bonifay, Florida

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

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, on pages 5 through 11, schedule of employer's proportionate share of the net pension liability – Florida Retirement Systems Pension Plan, schedule of employer contributions – Florida Retirement Systems Pension Plan, schedule of employer's proportionate share of the net pension liability – Health Insurance Subsidy Program and schedule of employer contributions – Health Insurance Subsidy Program, on pages 52 through 56, 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, Local Government Audits, Rules of the Auditor General of the State of Florida, and neither schedule is a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2026

As management of the City of Bonifay, Florida (the "City"), we offer readers of the City's financial statements this narrative overview of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at September 30, 2025 by $34,935,705 (net position). Net investment in capital assets was $33,199,495; $1,057,940 was restricted as to its use and the City had unrestricted net position of $678,270.

The City's total net position increased by $3,746,786 during the year ended September 30, 2025. This increase is due in part to an increase in grant funded projects during fiscal year 2025.

City Highlights

The City continues to work diligently to make infrastructure improvements to the City of Bonifay. The City was awarded funds for the Old School Rehabilitation project. The City was awarded Rural Infrastructure Funds to improve drainage on the southside of the City. The City was also awarded funding for park improvements, including funding for upgrades to playground equipment that are compliant with the Americans with Disabilities Act. These funds will benefit not only the City, but passersby as they travel to the area. The City hosts a variety of events such as the Northwest Florida Championship Rodeo, the Down Home Street Festival, and more in which people from all over visit. The City has held meetings to gain community input on their priorities for the federally funded Recreation Center project, which is currently in the design stages. The City was also recently awarded $2.5 million for a new Stormwater Park which has been constructed and making a positive impact on the stormwater runoff.

The City was the recipient of American Rescue Plan Act (ARPA) and Stormwater Park Grant funding and the City expended $1,705,766 in fiscal year 2025.

Using this Annual Report

The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

This MD&A is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and resulting net position. Over time, increases or decreases in net position may sefrve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include such functions as general government, public safety, transportation, physical environment, and culture and recreation.

The Government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and Fuel Tax Fund. Data from the other governmental funds are combined into an aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget and is presented as part of the fund financial statements on page 18. The governmental fund financial statements can be found on pages 14 - 18 of this report.

Proprietary Funds

The City maintains three enterprise funds which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 19 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 24 - 51 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets exceed liabilities by $11,147,967, for fiscal year 2025, as compared to $6,870,361, for fiscal year 2024.

Statement of Net Position

The following schedule reflects the condensed statements of net position:

	Governmental Activities		Business-type Activities		Primary Government Total	
September 30,	**2025**	2024	**2025**	2024	**2025**	2024
Assets						
Current assets	**$ 2,243,434**	$ 3,462,640	**$ 2,015,224**	$ 1,890,002	**$ 4,258,658**	$ 5,352,642
Capital assets, net	**11,305,986**	6,540,036	**27,322,092**	28,052,390	**38,628,078**	34,592,426
Total assets	**13,549,420**	10,002,676	**29,337,316**	29,942,392	**42,886,736**	39,945,068
Deferred Outflows of Resources						
Deferred outflows related to pension	**848,417**	15,730	**286,023**	5,582	**1,134,440**	21,312
Liabilities						
Current liabilities	**2,208,297**	3,148,045	**528,042**	596,299	**2,736,339**	3,744,344
Non-current liabilities	**895,371**	-	**5,258,320**	5,033,117	**6,153,691**	5,033,117
Total liabilities	**3,103,668**	3,148,045	**5,786,362**	5,629,416	**8,890,030**	8,777,461
Net Position						
Net investment in capital assets	**11,163,990**	6,540,036	**22,035,505**	22,727,378	**33,199,495**	29,267,414
Restricted	**240,235**	193,365	**817,705**	866,660	**1,057,940**	1,060,025
Unrestricted (deficit)	**(256,258)**	136,960	**934,528**	724,520	**678,270**	861,480
Total net position	**$ 11,147,967**	$ 6,870,361	**$ 23,787,738**	$ 24,318,558	**$ 34,935,705**	$ 31,188,919

Statement of Activities

The following schedule compares the revenues and expenses for the current year to the prior year change in net position:

	Governmental Activities		Business-type Activities		Primary Government Total	
Fiscal years ended September 30,	**2025**	2024	**2025**	2024	**2025**	2024
Revenues						
Program Revenues						
Charges for services	**$ 15,180**	$ 1,378,384	**$ 3,863,010**	$ 3,345,035	**$ 3,878,190**	$ 4,723,419
Operating grants and contributions	**32,619**	53,429	**-**	-	**32,619**	53,429
Capital grants and contributions	**4,417,750**	-	**-**	-	**4,417,750**	-
General Revenues						
Property taxes	**367,337**	342,971	**-**	-	**367,337**	342,971
Sales taxes	**352,887**	340,612	**-**	-	**352,887**	340,612
Gasoline taxes	**72,853**	69,418	**-**	-	**72,853**	69,418
Utility taxes	**417,278**	410,764	**-**	-	**417,278**	410,764
Franchise taxes	**314,670**	308,121	**-**	-	**314,670**	308,121
Other taxes	**151,973**	162,438	**-**	-	**151,973**	162,438
Interest income	**-**	94,638	**16,564**	11,776	**16,564**	106,414
Gain on disposition of assets	**26,111**	-	**-**	-	**26,111**	-
Unrealized gain on investments	**-**	-	**4,074**	15,156	**4,074**	15,156
Miscellaneous	**525,471**	299,995	**20,226**	19,097	**545,697**	319,092
Total revenues	**6,694,129**	3,460,770	**3,903,874**	3,391,064	**10,598,003**	6,851,834
Expenses						
General government	**1,283,200**	765,410	**-**	-	**1,283,200**	765,410
Public safety	**1,473,063**	1,147,118	**-**	-	**1,473,063**	1,147,118
Transportation	**540,234**	562,933	**-**	-	**540,234**	562,933
Physical environment	**39,948**	37,920	**-**	-	**39,948**	37,920
Culture and recreation	**119,077**	187,322	**-**	-	**119,077**	187,322
Sanitation	**-**	-	**669,725**	691,632	**669,725**	691,632
Water	**-**	-	**1,039,577**	944,055	**1,039,577**	944,055
Sewer	**-**	-	**1,686,393**	1,628,971	**1,686,393**	1,628,971
Total expenses	**3,455,522**	2,700,703	**3,395,695**	3,264,658	**6,851,217**	5,965,361
Excess (deficiency) of revenues over (under) expenses	**3,238,607**	760,067	**508,179**	126,406	**3,746,786**	886,473
Transfers, net	**1,038,999**	627,482	**(1,038,999)**	(627,482)	**-**	-
Change in net position	**4,277,606**	1,387,549	**(530,820)**	(501,076)	**3,746,786**	886,473
Net position, beginning of year	**6,870,361**	5,482,812	**24,318,558**	24,819,634	**31,188,919**	30,302,446
Net position, end of year	**$ 11,147,967**	$ 6,870,361	**$ 23,787,738**	$ 24,318,558	**$ 34,935,705**	$ 31,188,919

Financial Analysis of the City's Funds

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2025, the City's governmental funds reported a combined ending fund balance of $103,932. Of this amount, there were funds restricted for capital improvement of $240,235 leaving an unassigned deficit balance of ($136,303)

Proprietary Funds

The City's proprietary funds provide the same type of information found in government-wide business-type financial statements, but in more detail.

Proprietary fund net position as of September 30, 2025, was $23,787,738. $22,035,505, was invested in capital assets net of related debt, $817,705, was restricted primarily for capital improvements and debt service, and unrestricted net position was $934,528.

General Fund Budgetary Highlights

Budgeted revenues exceeded general fund revenues by $1,996,268, and actual expenditures exceeded budgeted expenditures by $1,849,242.

Capital Assets and Debt Activity

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025 amounts to $38,628,078 (net of accumulated depreciation), which is an increase of $4,035,652 over the prior year. The capital assets activity for the year is detailed in Note 2 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year. The City scrapped several aging assets during the year that were fully depreciated for both its governmental activities and its business-type activities during fiscal year 2025. The City expended resources to acquire $5,198,204 in capital asset additions during the year, with approximately $4.6 million of these additions being infrastructure improvements to streets and utilities.

Long-Term Debt - As of September 30, 2025, the City had $5,428,583 in financed purchases, notes payable, and revenue bonds payable. The long-term debt activity for the year is detailed in Note 2 to the financial statements. The City's total debt increased by $103,571 due to new debt issued during the year to cover the cost for rehabilitation of the City's water distribution system.

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City Clerk, City of Bonifay, 301 N. Etheridge Street, Bonifay, Florida, 32425, telephone (850) 547-4238.

September 30, 2025	Primary Government Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,087,961	$ 503,385	$ 1,591,346
Receivables, net	79,870	547,947	627,817
Grant receivable	849,667	-	849,667
Restricted assets			
Cash and cash equivalents	225,936	515,779	741,715
Investments	-	448,113	448,113
Capital assets			
Non-depreciable	9,152,745	963,007	10,115,752
Depreciable, net	2,153,241	26,359,085	28,512,326
Total assets	13,549,420	29,337,316	42,886,736
Deferred Outflows of Resources			
Deferred outflows related to pensions	848,417	286,023	1,134,440
Liabilities			
Accounts payable	909,318	30,700	940,018
Accrued liabilities	35,769	28,171	63,940
Payable from restricted assets			
Accrued interest	-	12,231	12,231
Customer deposits	-	133,956	133,956
Unearned revenue	1,194,415	-	1,194,415
Non-current liabilities			
Due within one year			
Compensated absences	44,042	32,650	76,692
Financed purchases	24,753	-	24,753
Notes payable	-	106,034	106,034
Revenue bonds payable	-	184,300	184,300
Due in more than one year			
Financed purchases	117,243	-	117,243
Notes payable	-	1,769,197	1,769,197
Net pension liability	778,128	262,067	1,040,195
Revenue bonds payable	-	3,227,056	3,227,056
Total liabilities	3,103,668	5,786,362	8,890,030
Deferred Inflows of Resources			
Deferred inflows related to pensions	146,202	49,239	195,441
Net Position			
Net investment in capital assets	11,163,990	22,035,505	33,199,495
Restricted	240,235	817,705	1,057,940
Unrestricted (deficit)	(256,258)	934,528	678,270
Total net position	$ 11,147,967	$ 23,787,738	$ 34,935,705

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

City of Bonifay, Florida
Statement of Activities

For the year ended September 30, 2025		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 1,283,200	$ 12,903	$ 32,619	$ 236,911
Public safety	1,473,063	1,977	-	-
Transportation	540,234	300	-	4,110,899
Physical environment	39,948	-	-	-
Culture and recreation	119,077	-	-	69,940
Total governmental activities	3,455,522	15,180	32,619	4,417,750
Business-type activities				
Sanitation	669,725	987,283	-	-
Water	1,039,577	1,396,309	-	-
Sewer	1,686,393	1,479,418	-	-
Total business-type activities	3,395,695	3,863,010	-	-
Total primary government	$ 6,851,217	$ 3,878,190	$ 32,619	$ 4,417,750

General revenues and transfers
Taxes
Property taxes
Sales taxes
Gasoline taxes
Utility taxes
Franchise taxes
Other taxes
Interest income
Gain on disposition of assets
Unrealized gain on investments
Miscellaneous
Transfers, net
Total general revenues
Change in net position
Net position, beginning of year
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,000,767)	$ -	$ (1,000,767)
(1,471,086)	-	(1,471,086)
3,570,965	-	3,570,965
(39,948)	-	(39,948)
(49,137)	-	(49,137)
1,010,027	-	1,010,027
-	317,558	317,558
-	356,732	356,732
-	(206,975)	(206,975)
-	467,315	467,315
1,010,027	467,315	1,477,342
367,337	-	367,337
352,887	-	352,887
72,853	-	72,853
417,278	-	417,278
314,670	-	314,670
151,973	-	151,973
-	16,564	16,564
26,111	-	26,111
-	4,074	4,074
525,471	20,226	545,697
1,038,999	(1,038,999)	-
3,267,579	(998,135)	2,269,444
4,277,606	(530,820)	3,746,786
6,870,361	24,318,558	31,188,919
$ 11,147,967	$ 23,787,738	$ 34,935,705

September 30, 2025		General Fund		Nonmajor Fund Fuel Tax Fund		Total Governmental Funds
Assets						
Cash and cash equivalents	$	1,087,961	$	-	$	1,087,961
Accounts receivable		929,537		-		929,537
Due from other funds		-		14,299		14,299
Restricted assets						
Cash and cash equivalents		-		225,936		225,936
Total assets	$	2,017,498	$	240,235	$	2,257,733
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$	909,318	$	-	$	909,318
Accrued liabilities		35,769		-		35,769
Unearned revenue		1,194,415		-		1,194,415
Due to other funds		14,299		-		14,299
Total liabilities		2,153,801		-		2,153,801
Fund balances						
Restricted		-		240,235		240,235
Unassigned (deficit)		(136,303)		-		(136,303)
Total fund balances (deficit)		(136,303)		240,235		103,932
Total liabilities and fund balances	$	2,017,498	$	240,235	$	2,257,733

City of Bonifay, Florida
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2025

Total fund balances - governmental funds		$ 103,932
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 14,195,832	
Less accumulated depreciation	(2,889,846)	11,305,986
Deferred outflow of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		848,417
Deferred inflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(146,202)
Long-term liabilities, including net pension liability, compensated absences and notes payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability	$ (778,128)	
Compensated absences	(44,042)	
Financed purchases	(141,996)	(964,166)
Net position of governmental activities		$ 11,147,967

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

For the year ended September 30, 2025	General Fund	Nonmajor Fund Fuel Tax Fund	Total Governmental Funds
Revenues			
Taxes	$ 1,464,713	$ 72,853	$ 1,537,566
Licenses and permits	12,228	-	12,228
Intergovernmental	4,607,955	-	4,607,955
Charges for services	35,572	-	35,572
Fines and forfeitures	10,333	-	10,333
Interest income	-	537	537
Miscellaneous	382,955	-	382,955
Total revenues	6,513,756	73,390	6,587,146
Expenditures			
Current			
General government	710,952	-	710,952
Public safety	1,490,941	-	1,490,941
Transportation	456,193	26,520	482,713
Physical environment	41,113	-	41,113
Culture and recreation	160,168	-	160,168
Capital outlay	5,149,607	-	5,149,607
Total expenditures	8,008,974	26,520	8,035,494
Excess (deficiency) of revenues over (under) expenditures	(1,495,218)	46,870	(1,448,348)
Other Financing Sources (Uses)			
Debt proceeds	141,996	-	141,996
Proceeds from sale of capital assets	26,111	-	26,111
Transfers in	1,038,999	-	1,038,999
Net other financing sources (uses)	1,207,106	-	1,207,106
Net change in fund balances	(288,112)	46,870	(241,242)
Fund balances, beginning of year	151,809	193,365	345,174
Fund balances (deficit), end of year	$ (136,303)	$ 240,235	$ 103,932

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2025

Net change in fund balances - total governmental funds	$	(241,242)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		5,105,209
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of net position.		(339,259)
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.		(141,996)
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.		(13,463)
Changes in deferred outflows and deferred inflows related to pension liability do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(91,643)
Change in net position of governmental activities	$	4,277,606

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

City of Bonifay, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Postive (Negative)
Revenues				
Taxes	$ 1,515,777	$ 1,515,777	$ 1,464,713	$ (51,064)
Licenses and permits	10,000	10,000	12,228	2,228
Intergovernmental	3,719,912	6,799,827	4,607,955	(2,191,872)
Charges for services	33,937	33,937	35,572	1,635
Fines and forfeitures	6,017	6,017	10,333	4,316
Miscellaneous	144,466	144,466	382,955	238,489
Total revenues	5,430,109	8,510,024	6,513,756	(1,996,268)
Expenditures				
General government	755,866	755,866	710,952	44,914
Public safety	1,528,295	1,528,295	1,490,941	37,354
Transportation	418,319	418,319	456,193	(37,874)
Physical environment	44,308	44,308	41,113	3,195
Culture and recreation	184,986	184,986	160,168	24,818
Capital outlay	127,328	3,207,243	5,149,607	(1,942,364)
Debt service				
Principal	20,500	20,500	-	20,500
Interest	215	215	-	215
Total expenditures	3,079,817	6,159,732	8,008,974	(1,849,242)
Excess (deficiency) of revenues over (under) expenditures	2,350,292	2,350,292	(1,495,218)	(3,845,510)
Other Financing Sources (Uses)				
Debt proceeds	-	-	141,996	141,996
Proceeds from sale of capital assets	-	-	26,111	26,111
Transfers in	601,102	601,102	1,038,999	437,897
Net other financing sources (uses)	601,102	601,102	1,207,106	606,004
Net change in fund balance	2,951,394	2,951,394	(288,112)	(3,239,506)
Fund balance, beginning of year	151,809	151,809	151,809	-
Fund balance (deficit), end of year	$ 3,103,203	$ 3,103,203	$ (136,303)	$ (3,239,506)

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

	Business-type Activities - Enterprise Funds			
September 30, 2025	Sanitation	Water	Sewer	Total
Assets				
Current assets				
Cash and cash equivalents	$ 143,373	$ 259,166	$ 100,846	$ 503,385
Receivables, net	130,489	209,844	207,614	547,947
Restricted assets				
Cash and cash equivalents	-	240,571	275,208	515,779
Investments	-	-	448,113	448,113
Total current assets	273,862	709,581	1,031,781	2,015,224
Noncurrent assets				
Land and construction in progress	7,952	510,817	444,238	963,007
Capital assets, net of depreciation	-	3,543,962	22,815,123	26,359,085
Total noncurrent assets	7,952	4,054,779	23,259,361	27,322,092
Total assets	281,814	4,764,360	24,291,142	29,337,316
Deferred Outflows of Resources				
Deferred outflows related to pensions	-	149,345	136,678	286,023
Liabilities				
Current liabilities				
Accounts payable	199	17,873	12,628	30,700
Accrued liabilities	-	19,668	8,503	28,171
Compensated absences	310	15,734	16,606	32,650
Notes payable	-	36,298	69,736	106,034
Total current liabilities	509	89,573	107,473	197,555
Current liabilities payable from restricted assets				
Accrued interest	-	5,618	6,613	12,231
Customer deposits	-	133,956	-	133,956
Revenue bonds payable	-	41,000	143,300	184,300
Total current liabilities payable from restricted assets	-	180,574	149,913	330,487

(Continued)

	Business-type Activities - Enterprise Funds			
September 30, 2025	Sanitation	Water	Sewer	Total
Noncurrent liabilities				
Notes payable	-	924,230	844,967	1,769,197
Revenue bonds payable	-	1,028,556	2,198,500	3,227,056
Net pension liability	-	137,322	124,745	262,067
Total noncurrent liabilities	-	2,090,108	3,168,212	5,258,320
Total liabilities	509	2,360,255	3,425,598	5,786,362
Deferred Inflows of Resources				
Deferred inflows related to pensions	-	25,801	23,438	49,239
Net Position				
Net investment in capital assets	7,952	2,024,695	20,002,858	22,035,505
Restricted	-	100,997	716,708	817,705
Unrestricted	273,353	401,957	259,218	934,528
Total net position	$ 281,305	$ 2,527,649	$ 20,978,784	$ 23,787,738

City of Bonifay, Florida
Statement of Revenues, Expenses and Changes in Fund Position – Proprietary Funds

	Business-type Activities - Enterprise Funds			
For the year ended September 30, 2025	Sanitation	Water	Sewer	Total
Operating Revenues				
Charges for services	$ 987,283	$ 1,325,387	$ 1,479,418	$ 3,792,088
Utility tax	-	70,922	-	70,922
Total operating revenues	987,283	1,396,309	1,479,418	3,863,010
Operating Expenses				
Salaries	310	328,276	246,198	574,784
Taxes and licenses	-	24,569	17,987	42,556
Retirement expense	-	57,126	47,208	104,334
Health insurance	-	90,162	62,501	152,663
Other insurance	-	36,383	87,756	124,139
Utilities	-	62,059	174,150	236,209
Repairs and maintenance	-	57,702	92,067	149,769
Bad debts	2,621	5,812	4,306	12,739
Depreciation	-	136,591	686,702	823,293
Gas and oil	-	17,270	10,165	27,435
Postage	3,811	3,890	6,940	14,641
Contractual services	662,983	34,708	34,596	732,287
Chemicals and lab fees	-	17,311	56,898	74,209
Operating supplies	-	53,973	41,573	95,546
Miscellaneous	-	46,171	32,810	78,981
Total operating expenses	669,725	972,003	1,601,857	3,243,585
Operating income (loss)	317,558	424,306	(122,439)	619,425
Non-Operating Revenues (Expenses)				
Interest income	-	21	16,543	16,564
Interest expense	-	(67,574)	(84,536)	(152,110)
Unrealized gain on investments	-	-	4,074	4,074
Miscellaneous	43	14,818	5,365	20,226
Total non-operating revenues (expenses)	43	(52,735)	(58,554)	(111,246)
Income Before Transfers	317,601	371,571	(180,993)	508,179
Transfers out	(213,000)	(473,499)	(352,500)	(1,038,999)
Change in net position	104,601	(101,928)	(533,493)	(530,820)
Net position, beginning of year	176,704	2,629,577	21,512,277	24,318,558
Net position, end of year	$ 281,305	$ 2,527,649	$ 20,978,784	$ 23,787,738

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

	Business-type Activities - Enterprise Funds			
For the year ended September 30, 2025	Sanitation	Water	Sewer	Total
Operating Activities				
Receipts from customers, users and others	$ 980,570	$ 1,399,830	$ 1,490,281	$ 3,870,681
Payments to suppliers	(726,612)	(525,603)	(666,455)	(1,918,670)
Payments to employees	(310)	(314,827)	(230,622)	(545,759)
Net cash provided by operating activities	253,648	559,400	593,204	1,406,252
Noncapital Financing Activities				
Net transfers in (out)	(213,000)	(473,499)	(352,500)	(1,038,999)
Miscellaneous	43	14,818	5,365	20,226
Net cash used in noncapital financing activities	(212,957)	(458,681)	(347,135)	(1,018,773)
Capital and Related Financing Activities				
Bond principal payments	-	(39,000)	(135,900)	(174,900)
Note principal payments	-	(45,661)	(72,363)	(118,024)
Interest payments	-	(63,996)	(89,099)	(153,095)
Proceeds from long-term debt	-	254,499	-	254,499
Acquisition and construction of capital assets	-	(62,000)	(30,995)	(92,995)
Net cash provided by (used in) capital and related financing activities	-	43,842	(328,357)	(284,515)
Investing Activities				
Redemption (purchase) of investments	-	-	(99,420)	(99,420)
Unrealized gain on investments	-	-	4,074	4,074
Interest received	-	21	16,543	16,564
Net cash provided by (used in) investing activities	-	21	(78,803)	(78,782)
Net increase (decrease) in cash and cash equivalents	40,691	144,582	(161,091)	24,182
Cash and cash equivalents, beginning of year	102,682	355,155	537,145	994,982
Cash and cash equivalents, end of year	$ 143,373	$ 499,737	$ 376,054	$ 1,019,164
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and cash equivalents - current assets	$ 143,373	$ 259,166	$ 100,846	$ 503,385
Cash and cash equivalents - restricted assets	-	240,571	275,208	515,779
Cash and cash equivalents, end of year	$ 143,373	$ 499,737	$ 376,054	$ 1,019,164

(Continued)

	Business-type Activities - Enterprise Funds			
For the year ended September 30, 2025	Sanitation	Water	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ 317,558	$ 424,306	$ (122,439)	$ 619,425
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization	-	136,591	686,702	823,293
Changes in operating assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	(6,670)	(5,813)	10,863	(1,620)
Deferred outflows related to pensions	-	(146,950)	(133,491)	(280,441)
Increase (decrease) in liabilities				
Accounts payable	(56,930)	(18,153)	2,502	(72,581)
Accrued payroll liabilities	-	(1,493)	27	(1,466)
Other accrued liabilities	-	(314)	-	(314)
Compensated absences	(310)	(1,231)	857	(684)
Customer deposits	-	9,334	-	9,334
Net pension liability	-	137,322	124,745	262,067
Deferred inflows related to pensions	-	25,801	23,438	49,239
Total adjustments	(63,910)	135,094	715,643	786,827
Net cash provided by (used in) operating activities	$ 253,648	$ 559,400	$ 593,204	$ 1,406,252

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bonifay, Florida (the "City"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's basic financial statements.

Reporting Entity

The City was created by a special act on June 3, 1921 as adopted by the Legislature of Florida at its eighteenth regular session and incorporated into the laws of the State of Florida Chapter 8920-(No. 525). The City is a political subdivision of the State of Florida and operates under an elected City Council. The City provides police and fire protection, general government, recreation, and public works services to its residents. In addition, the City provides water, sewer, and sanitation services. The financial statements of the City include the funds required to account for those financial activities that are related to the City and are controlled by or dependent upon the City's legislative body.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of this criterion, it was determined that there were no other entities subject to consideration for inclusion in the City's financial statements.

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, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenues 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.

The 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 60 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when they are collectible within 90 days of the end of the current fiscal period.

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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.

The City reports the following major proprietary funds:

The *Sanitation Fund* accounts for all activity related to providing sanitation services to its citizens.

The *Water Fund* accounts for all activity related to providing water services to its citizens.

The *Sewer Fund* accounts for all activity related to providing sewer services to its citizens.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with GAAP for the General Fund. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the City's policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within government function categories. Transfers of appropriations between government function categories require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

Excess of Expenditures over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations within the transportation and capital outlay functions of the general fund by $37,874 and $1,942,364 respectively. The excess expenditures were funded by unanticipated revenues.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits

Compensated Absences

The City's vacation pay policies allow an employee to accumulate up to a maximum of 240 hours of unused vacation time, which will be paid to the employee in the event of termination of employment. The City's sick pay policies allow an employee to accumulate up to a maximum of 240 hours of unused sick leave. However, there is no provision for payment of sick leave to the employee in the event of termination of employment. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. The liability for these amounts in the government-wide statements consists of unpaid, accumulated annual leave balances.

Pensions

The City began participating in The Florida Retirement System (the "System") in July 2024. The System's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Florida and is included in the State's Annual Comprehensive Financial Report.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand as well as demand deposits, investments and certificates of deposit with original maturities of three months or less.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Receivables and Unbilled Revenue - Proprietary Fund

Provisions for uncollectible utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses. An amount for unbilled revenue is recorded in the water and sewer funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

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

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. It is the City's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Investments

The City is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time in:

1. The Local Government Surplus Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in section 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in section 280.02, Florida Statutes.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Investments (continued)

Investments are stated at fair value, except for certificates of deposit, which are carried at amortized cost, in accordance with GASBC Section I50: Investments. U.S. Treasury notes and U.S. Agency and instrumentalities obligations are valued at quoted market. The reported value of the Local Government Surplus Funds Trust Fund Investment Pool's Prime account ("Prime") is shown at share value as it meets the criteria to be "2A-7 Like" at September 30, 2025. The City invests funds throughout the year in the Prime account, administered by the State Board of Administration ("SBA"), under the regulator oversight of the State of Florida. Throughout the year and as of September 30, 2025, the SBA contained certain floating and variable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments were purchased to add relative value to its portfolio. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base. The investments with the SBA represented less than 1% of the City's investment portfolio at September 30, 2025.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and a cost of at least $5,000.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items with an acquisition date after October 1, 2003. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	30 – 40 years
Improvements	10 – 15 years
Equipment	5 – 10 years
Office equipment	3 – 5 years

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 has one (1) item that qualifies for reporting as deferred outflows of resources, the deferred outflows related to pensions, are reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the pension liability in future reporting years.

In addition to liabilities, the statement of net 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 one (1) item that qualifies for reporting as deferred inflows of resources, the deferred inflows related to pensions, are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Unearned Revenue

Unearned revenue, reported in the governmental funds balance sheet, represents grant funding received before eligibility requirements are met. The governmental funds report unearned revenues from Stormwater and other infrastructure grants.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *provisions* of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they *are* either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance (continued)

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of *other* governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making *authority*. The governing Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the *City* for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a *proprietary* fund's principal ongoing operations. The principal operating revenues of the Water, Sewer and Sanitation Departments are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2026. See Note 8 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There were no significant impacts from implementing this statement.

GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. There were no significant impacts from implementing this statement.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The City maintains its deposits with "Qualified Public Depositories" as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. The City's Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Investments were comprised of the following:

September 30,		2025
Reported at fair value:		
U.S. Government and Agency Securities	$	448,113

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investments are held by the counterparty(s), or by their respective trust departments, but not in the City's name. Consequently, these investments are exposed to custodial credit risk. The City has no policy on custodial credit risk.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City has limited its interest rate risk by investing in low risk instruments with a maturity of 60 months or less. At September 30, 2025, the City held the following investments:

	Fair Value	Maturities (in years) Less than 1	1-2 Years	2-3 Years	3-5 Years
U.S. Government and Agency Securities	$ 448,113	$ 134,682	$ 85,858	$ 166,699	$ 60,874

Credit risk – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

Concentration risk – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments. Credit quality risk results from potential default of investments that are not financially sound.

Investment Type	Credit Rating	Concentration Risk at Fair Value	Percentage of Total Investments*
US Treasury Bond	Aa1	$ 448,113	100 %

* Excludes treasury notes, money market funds and SBA. SBA meets the criteria to be recognized as a "2A-7 like" investment company.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the codification are described as follows:

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the City's financial assets carried at fair value by level within the valuation hierarchy as of September 30, 2025:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2025				
US Government and Agency Securities	$ 448,113	$ 448,113	$ -	$ -

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Restricted Cash and Investments

Restricted cash and investments are comprised of the following:

	Governmental Activities	Business-type Activities
Cash		
Restricted to customer deposits	$ -	$ 130,662
Restricted to street improvements	225,936	-
Restricted to utility improvements	-	352,620
Restricted to debt service	-	32,497
Total	$ 225,936	$ 515,779
Investments		
Restricted to debt service and capital improvements	$ -	$ 448,113

Accounts Receivable

The City deems all governmental fund amounts collectible therefore an allowance for doubtful accounts is not necessary. All account receivables are shown net of allowances for uncollectible accounts for enterprise funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2025, were as follows:

	General Fund	Sanitation Fund	Water Fund	Sewer Fund	Total
Taxes	$ 25,925	$ -	$ -	$ -	$ 25,925
Grants	849,667	-	-	-	849,667
Accounts	53,945	130,489	209,844	207,614	601,892
Total	$ 929,537	$ 130,489	$ 209,844	$ 207,614	$ 1,477,484

The principal sources of accounts receivable were comprised of tax revenues due to the City from the State of Florida and receivables arising from utility services (water, sewer, and sanitation). The City grants credit to customers, substantially all of whom are local residents and businesses.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 80,303	$ -	$ -	$ 80,303
Construction-in-progress	4,471,839	4,600,603	-	9,072,442
Capital assets, not being depreciated	4,552,142	4,600,603	-	9,152,745
Capital assets, being depreciated				
Buildings and improvements	2,882,935	150,367	-	3,033,302
Machinery and equipment	1,751,749	354,239	(96,203)	2,009,785
Capital assets, being depreciated	4,634,684	504,606	(96,203)	5,043,087
Less accumulated depreciation for				
Buildings and improvements	(1,207,685)	(117,783)	-	(1,325,468)
Machinery and equipment	(1,439,105)	(221,476)	96,203	(1,564,378)
Total accumulated depreciation	(2,646,790)	(339,259)	96,203	(2,889,846)
Total capital assets, being depreciated, net	1,987,894	165,347	-	2,153,241
Governmental activities capital assets, net	$ 6,540,036	$ 4,765,950	$ -	$ 11,305,986

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated				
Land	$ 521,589	$ -	$ -	$ 521,589
Construction in progress	441,418	-	-	441,418
Capital assets, not being depreciated	963,007	-	-	963,007
Capital assets, being depreciated:				
Buildings and plant	37,844,347	-	-	37,844,347
Furniture, vehicles and equipment	860,502	92,995	(4,921)	948,576
Total capital assets, being depreciated	38,704,849	92,995	(4,921)	38,792,923
Less accumulated depreciation	(11,615,466)	(823,293)	4,921	(12,433,838)
Total capital assets being depreciated, net	27,089,383	(730,298)	-	26,359,085
Business-type activities capital assets, net	$ 28,052,390	$ (730,298)	$ -	$ 27,322,092

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

For the year ended September 30,	2025
Governmental activities	
General government	$ 156,813
Public safety	153,724
Transportation	2,595
Culture and recreation	26,127
Total depreciation expense – governmental activities	$ 339,259
Business-type activities	
Water	$ 136,591
Sewer	686,702
Total depreciation expense – business-type activities	$ 823,293

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

Notes Payable

	Business-type Activities
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of $1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	$ 16,899
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of $1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	19,614
Florida Department of Environmental Protection – A loan to cover the cost of drinking water system upgrades. The loan is expected to be payable in semiannual principal installments of $12,175 plus accrued interest at 1.27%. The loan matures May 15, 2033 and is secured by a lien on utility system revenues.	156,561
Florida Department of Environmental Protection - A loan to cover the cost for rehabilitation of the City's water distribution system. The loan in payable in semiannual installments with the first payment due February 15, 2025. An interest rate will be determined at the closing of the loan.	731,379
Florida Department of Environmental Protection - A loan to cover the cost for rehabilitation of the City's water distribution system. The loan in payable in semiannual installments with the first payment due August 15, 2024. An interest rate will be determined at the closing of the loan.	34,125
Florida Department of Environmental Protection – A loan to cover the cost of wastewater system upgrades. The loan is payable in semiannual principal installments of $37,847 plus accrued interest at 0.46%. The loan matures July 15, 2038 and is secured by a lien on utility system revenues.	916,653
Total	$ 1,875,231

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Bonds Payable

		Business-type Activities
Water and Sewer Revenue Bonds – 1990 Series, authorized and issued $1,498,100, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	$	319,100
Water and Sewer Revenue Bonds – 1990 Series, authorized and issued $427,600, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.		91,700
Water and Sewer Revenue Bonds – 2005 A Series, authorized and issued $1,436,300, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.		899,856
Water and Sewer Revenue Bonds – 2005 B Series, authorized and issued $246,700, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.		169,700
Water and Sewer Revenue Bonds – 2012 Series, authorized and issued 2,389,000, interest at 2.75%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.		1,931,000
Total	$	3,411,356

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Debt service requirements on notes and bonds payable at September 30, 2025 are as follows:

	Business-type Activities			
	Notes Payable		Revenue Bonds Payable	
For the years ending September 30,	Principal	Interest	Principal	Interest
2026	$ 106,034	$ 6,915	$ 184,300	$ 122,597
2027	141,547	7,161	189,900	114,962
2028	151,561	6,266	199,800	107,021
2029	152,362	5,357	220,800	98,671
2030	153,172	4,442	103,000	89,299
2031-2035	657,809	11,525	572,000	391,794
2036-2040	383,837	1,371	675,000	287,545
2041-2045	128,909	-	715,000	162,958
2046-2050	-	-	445,000	74,212
2051-2053	-	-	196,000	15,650
Less remaining funds available for use	-	-	(89,444)	-
Total	1,875,231	43,037	3,411,356	1,464,709
Current portion	(106,034)	(6,915)	(184,300)	(122,597)
Payable after one year	$ 1,769,197	$ 36,122	$ 3,227,056	$ 1,342,112

Financed Purchases

The City has entered into multiple financed purchase agreements for equipment that qualify as finance leases for accounting purposes.

The present value of the future minimum lease payments are as follows:

For the years ending September 30,	Governmental Activities
2026	$ 34,516
2027	34,516
2028	34,516
2029	34,515
2030	34,515
Total minimum payments	172,578
Less: amount representing interest	(30,582)
Present value of minimum lease payments	$ 141,996
Gross asset value	$ 141,996
Accumulated depreciation	(20,760)
Net asset value	$ 121,236

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities

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

	Beginning Balance	Additions*	Reductions*	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 30,579	$ 13,463	$ -	$ 44,042	$ 44,042
Financed purchases	-	141,996	-	141,996	24,753
Net pension liability	-	778,128	-	778,128	-
Governmental activities long-term liabilities	$ 30,579	$ 933,587	$ -	$ 964,166	$ 68,795
Business-type activities					
Compensated absences	$ 33,334	$ -	$ (684)	$ 32,650	$ 32,650
Notes payable from direct borrowings	1,738,756	254,499	(118,024)	1,875,231	106,034
Net pension liability	-	262,067	-	262,067	-
Revenue bonds payable	3,586,256	-	(174,900)	3,411,356	184,300
Business-type activities long-term liabilities	$ 5,358,346	$ 516,566	$ (293,608)	$ 5,581,304	$ 322,984

*Compensated absence additions and reductions are reported net.

Interfund Activity

Operating Transfers	Transfers In	Transfers Out	Net
Major Funds			
General fund	$ 1,038,999	$ -	$ 1,038,999
Sanitation	-	(213,000)	(213,000)
Water	-	(473,499)	(473,499)
Sewer	-	(352,500)	(352,500)
Total	$ 1,038,999	$ (1,038,999)	$ -

Interfund transfers are generally used to meet cash demands necessary to pay operating expenditures or to fund capital projects. These amounts should be repaid during the next fiscal year. The general fund owed the fuel tax fund $14,299 at year end due to fuel taxes being deposited in the general fund.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	$ 11,305,986	$ 27,322,092	$ 38,628,078
Outstanding debt related to capital assets	(141,996)	(5,286,587)	(5,428,583)
Net investment in capital assets	$ 11,163,990	$ 22,035,505	$ 33,199,495

Note 3: RETIREMENT PLANS

Florida Retirement System Pension Plan

Substantially all full-time City employees are participants in the System, a defined benefit, cost sharing, multiple employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement. The plan covers full-time employees of various governmental units within the State of Florida.

The System's funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due (see rates below). Level percentages of payroll employer contribution rates established by state law are determined using the entry-age actuarial funding method.

The System provides for those employees hired prior to July 1, 2011 vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. For Special Risk Class members, normal retirement is age 55 with at least six years of Special Risk service, or twenty-five years of Special Risk service, regardless of age, or age 52 with 25 years of Special Risk service and up to four years of active duty wartime service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. For those employees hired on or after July 1, 2011, the System provides for vesting of benefits after eight years of credible service. Normal retirement benefits are available to these employees who retire at or after age 65 with eight years of service or thirty-three years regardless of age. For Special Risk Class members, normal retirement is age 60 with at least eight years of Special Risk service, or thirty years of Special Risk service, regardless of age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees-14.03%, DROP Program-22.02%, special risk employees-35.19%, senior management-33.24% and elected officials-54.57%. The rate applied to employee salaries for employee contributions was 3.00% for all classifications with the exception of DROP program participants who do not make contributions.

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

The City's contributions to the System Pension Plan ("Pension Plan") for the years ended September 30, 2025 and 2024 were $168,390 and $18,809 respectively, and equal to the actuarially determined contributions for the year. The City's contributions to the Retiree Health Insurance Subsidy Program ("HIS") for the years ended September 30, 2025 and 2024 were $22,202 and $2,503 respectively, and equal to the actuarially determined contributions for the year. These contributions were paid by their due date. Total payroll for the City employees covered by the Pension Plan and HIS was $1,089,837 for the year ended September 30, 2025. The City's total payroll was $1,553,095 for the same period.

The City has no responsibility to the System other than to make the periodic payments required by State Statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing Florida Division of Retirement, P O Box 9000, Tallahassee, FL 32315-9000.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2025, the City reported a liability of $758,688 for its proportionate share of the collective net pension liability for the Pension Plan. The net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the Pension Plan relative to the total employer contributions of all participating employers. At June 30, 2025, the System's proportion of the Pension Plan was 0.002445%.

For the year ended September 30, 2025, the City recognized pension expense of $77,078. At September 30, 2025, the City reported deferred outflows and deferred inflows of resources related to the Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 81,036	$ -
Changes of assumptions	88,103	-
Net difference between projected and actual earnings on pension plan investments	-	126,671
Changes in proportion and difference between employer contributions and proportionate	616,712	-
Employer contributions subsequent to the measurement date	41,239	-
Total	$ 827,090	$ 126,671

$41,239 of deferred outflows resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

The balance of deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

For the years ending September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense, Net
2026	$ 167,202	$ (25,334)	$ 141,868
2027	167,202	(25,334)	141,868
2028	167,202	(25,334)	141,868
2029	167,202	(25,334)	141,868
2030	117,043	(25,335)	91,708
Total	$ 785,851	$ (126,671)	$ 659,180

Actuarial assumptions. The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Investment rate of return*	6.70%
Projected salary increases	3.50%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2025 for the Pension Plan were based on the results of an investigation of the economic and demographic experience for the System based upon participant data for the period July 1, 2018 to June 30, 2023.

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

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate (property)	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
Total	100%			

Note: (1) As outlined in the Pension Plan's investment policy
* Includes assumed rate of inflation of 2.40%

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

Sensitivity of the City*'s proportionate share of the net pension liability to changes in the discount rate*. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70% for the Pension Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.70%) or 1-percentage point higher (7.70%) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
City's proportionate share of collective pension liability	$ 1,488,913	$ 758,688	$ 146,478

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the System* prepared as of June 30, 2025. The auditor's report dated January 9, 2026 on the total pension liability, total deferred outflows of resources, total deferred

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2025 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Health Insurance Subsidy Program

Chapter 112, Florida Statutes, established the HIS, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Contributions to the HIS plan are included in contributions to the Pension Plan noted above. The Pension Plan contributes 2.00% of each covered employee's salary to the HIS Plan.

Eligible retirees and beneficiaries receive a monthly HIS payment of $7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $45 and a maximum payment of $225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2025, the City reported a liability of $281,507 for its proportionate share of the collective net pension liability. For the Health Insurance Subsidy program ("HIS Plan"), the net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the HIS Plan relative to the total employer contributions of all participating employers. At June 30, 2025, the System's proportion of the HIS Plan was 0.002196%.

For the year ended September 30, 2025, the City recognized HIS Plan pension expense of $45,430. At September 30, 2025, the City reported deferred outflows and deferred inflows of resources related to the HIS Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,680	$ 447
Changes of assumptions	2,492	68,089
Net difference between projected and actual earnings on pension plan investments	-	234
Changes in proportion and difference between employer contributions and proportionate	298,103	-
Employer contributions subsequent to the measurement date	5,075	-
Total	$ 307,350	$ 68,770

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

$5,075 of deferred outflows resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026.

Amounts reported as deferred outflows and deferred inflows of resources related to the HIS Plan will be recognized in the pension's expense as follows:

For the years ending September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense, Net
2026	$ 52,117	$ (10,938)	$ 41,179
2027	52,117	(10,938)	41,179
2028	52,117	(10,938)	41,179
2029	52,117	(10,936)	41,181
2030	52,117	(10,879)	41,238
Thereafter	41,690	(14,141)	27,549
Total	$ 302,275	$ (68,770)	$ 233,505

The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Investment rate of return*	5.20%
Projected salary increases	3.50%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2024 for the HIS Plan were based on the results of an investigation of the economic and demographic experience for the Florida Retirement System ("FRS") based upon participant data for the period July 1, 2018 to June 30, 2023.

Mortality rates were based on the Generational PUB-2010 with Projected Scale MP-2021.

The long-term expected rate of return for the HIS Plan investments was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

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

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

Sensitivity of the City*’s proportionate share of the net pension liability to changes in the discount rate*. The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 5.20% for the HIS Plan as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.20%) or 1-percentage point higher (6.20%) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
City's proportionate share of collective pension liability	$ 317,444	$ 281,507	$ 251,367

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued System Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the System* prepared as of June 30, 2025. The auditor’s report dated January 9, 2026 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2025 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Note 4: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Note 5: DEFINED CONTRIBUTION RETIREMENT PLAN

The City has established a noncontributory, defined contribution retirement plan under Internal Revenue Code Section 457(b). This plan covers all full-time employees of the City who have completed at least 12 months of service and are at least 18 years of age. The amount of contribution each plan year is by the City Council at their discretion. The total contribution to the plan for the year ended September 30, 2025 was $32,450.

Note 6: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, worker’s compensation claims, errors and omissions, and natural disasters for which the City carries commercial insurance effectively transferring substantially all risk.

Note 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

The City has active construction projects as of September 30, 2025. At year-end, the City's commitments with contractors are as follows:

Project	Contract Amount	Expended to Date	Estimated Remaining Commitment
Business-type Activities			
Memorial Field Project	$ 271,040	$ 160,094	$ 110,946
Fire Station Expansion Project	854,430	824,561	29,869
Old School Rehabilitation Project	362,839	236,911	125,928
Southside Drainage Project	1,233,000	842,268	390,732
Stormwater Pond DEP	2,500,000	1,705,659	794,341
Etheridge Street Project	680,000	277,000	403,000
Veterans Park Project	200,000	4,170	195,830
Treatment Plant Project	1,489,500	75,000	1,414,500
Weeks Street Repaving Project	1,967,647	49,191	1,918,456
Bonifay Rec Center Project	3,000,000	-	3,000,000
Total outstanding commitments	$ 12,558,456	$ 4,174,854	$ 8,383,602

Note 8: SUBSEQUENT EVENTS

On May 13, 2026, the Highway 79 Corridor Authority's (Authority) board voted to approve the transfer of the Authority to the City. The Authority is an independent special district and separate legal entity created by interlocal agreement among the City of Bonifay, Holmes County, and Washington County under Section 163.01, Florida Statutes. The Interlocal Agreement provides that the Authority may not be dissolved while Authority facilities are owned, operated, leased, or managed by the Authority or while Authority obligations remain outstanding, and that dissolution may occur only after disposition of Authority property and facilities and satisfaction of outstanding obligations in accordance with the agreement. The effective date and final terms of the transfer, including the disposition or assumption of assets, liabilities, commitments, and operations, had not been determined as of the date the financial statements were available to be issued. Because the transfer terms and effective date remain pending, the financial statement effect of the transfer cannot presently be estimated. No adjustments have been made to the September 30, 2025, financial statements as a result of this subsequent event.

Schedule of Employer's Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last One Fiscal Year

As of and for the year ended June 30,		2025
Employer's proportion of the net pension liability		0.002445%
Employer's proportionate share of the net pension liability	$	758,688
Employer's covered payroll*	$	985,021
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		77.02%
Plan fiduciary net position as a percentage of the total pension liability		87.26%

*Employer's covered payroll during the fiscal year is the total payroll paid to covered employees (not just pensionable payroll). The amounts for each fiscal year were determined as of June 30.

Schedule of Employer's Contributions
Florida Retirement Systems Pension Plan
Last Two Fiscal Years (1)

As of and for the year ended September 30,	2025	2024
Contractually required contribution**	$ 168,390	$ 18,809
Contributions in relation to the actuarially determined contribution	(168,390)	(18,809)
Contribution deficiency (excess)	$ -	$ -
Employer's covered payroll*	$ 1,089,837	$ 123,224
Contributions as a percentage of covered payroll	15.45%	15.26%

(1) This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

*Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The amounts for each fiscal year were determined for the year ended September 30.

**The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year.

Schedule of Employer's Proportionate Share of the Net Pension Liability
Health Insurance Subsidy Program
Last One Fiscal Year

As of and for the year ended June 30,		2025
Employer's proportion of the net pension liability		0.002196%
Employer's proportionate share of the net pension liability	$	281,507
Employer's covered payroll*	$	985,021
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		28.58%
Plan fiduciary net position as a percentage of the total pension liability		6.36%

*Employer’s covered payroll during the fiscal year is the total payroll paid to covered employees (not just pensionable payroll). The amounts for each fiscal year were determined as of June 30.

Schedule of Employer's Contributions
Health Insurance Subsidy Program
Last Two Fiscal Years (1)

As of and for the year ended September 30,	2025	2024
Contractually required contribution**	$ 22,202	$ 2,503
Contributions in relation to the actuarially determined contribution	(22,202)	(2,503)
Contribution deficiency (excess)	$ -	$ -
Employer's covered payroll*	$ 1,089,837	$ 123,224
Contributions as a percentage of covered payroll	2.04%	2.03%

(1) This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

*Employer’s covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The amounts for each fiscal year were determined for the year ended September 30.

**The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer’s contributions in the pension plan’s schedule of changes in fiduciary net position during the period that coincides with the employer’s fiscal year.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Note 1: FLORIDA RETIREMENT SYSTEMS (FRS)

The following actuarial assumptions changed in 2025:

- None.

Note 2: HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

The following actuarial assumptions changed in 2025:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

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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*

Honorable Mayor and Members of the City Council
City of Bonifay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bonifay, Florida, (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City of Bonifay's Responses to Findings

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members of the City Council
Bonifay, Florida

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

Opinion on Each Major Federal Program and Major State Project

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

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

Basis for Opinion on Each Major Federal Program and Major State Project

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General of the State of Florida we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2026

City of Bonifay, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2025

Federal Agency Pass-through Grantor Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Payments to Subrecipients
U.S. Department of Energy				
Passed through Florida Department of Agriculture and Consumer Services				
State Energy Program	81.041	DE-FOA-0000052	$ 69,940	$ -
U.S. Environmental Protection Agency				
Passed through Florida Department of Environmental Protection				
Drinking Water State Revolving Fund	66.468	DW 300142	1,752,459	-
Drinking Water State Revolving Fund	66.468	DW 300141	72,048	-
ALN 66.468/Department total			1,824,507	$ -
Clean Water State Revolving Fund	66.458	DW 300161	140,556	-
Department total			1,965,063	$ -
U.S. Department of Treasury				
Passed through Florida Department of Environmental Protection				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19 23FRP18	1,705,766	-
Total Expenditures of Federal Awards			$ 3,740,769	$ -

-Continued-

State Agency Pass-through Grantor Program Title	CSFA Number	Contract/Grant Number	Expenditures	Payments to Subrecipients
Florida Department of Law Enforcement				
State Assistance for Fentanyl Eradication (S.A.F.E.) in Florida	71.122		$ 32,619	$ -
Florida Department of Transportation				
Local Transportation Project	55.039	G1395, G1396, G1397	16,397	-
Florida Department of Commerce				
Regional Community Development and Infrastructure	40.042	D0268	190,763	-
Regional Community Development and Infrastructure	40.042	D0240	236,911	-
Regional Community Development and Infrastructure	40.042	D0298	452,909	-
Total CSFA 40.042 and Florida Department of Commerce			880,583	-
Total Expenditures of State Financial Assistance			$ 929,599	$ -

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state spending of the City of Bonifay, Florida (the "City") and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent the financial position of the City.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a de minimis indirect cost rate. For the year ended September 30, 2025, the City did not elect to use this rate.

Note 3: LOAN AND LOAN GUARANTEES

The City did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ended September 30, 2025.

Note 4: SUB-RECIPIENTS

During the year ended September 30, 2025 the City had no subrecipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2025.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

Note 7: FEDERAL AND STATE PASS-THROUGH FUNDS

The City is also the sub-recipient of federal and state funds that have been subjected to testing and are reported as expenditures and listed as federal or state pass-through funds. Federal awards and state financial assistance other than those indicated as “pass-through” are considered direct.

Section I – Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Type of auditor's report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No
4. Identification of major programs	

Assistance Listing Number	Federal Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

5. Dollar threshold used to distinguish between type A and type B programs	$1,000,000
6. Auditee qualified as low-risk under 2CFR 200.520	No

State Projects

1. Type of Auditor's report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with Florida Single Audit Act?	None noted
4. Identification of major programs	

CFSA Number	State Project
40.042	Regional Community Development and Infrastructure

5. Dollar threshold used to distinguish between type A and type B programs	$300,000

Section II – Financial Statement Findings

2025-001 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance (Repeat)

Criteria – As described in §200.510(b)(3) of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida, the City must complete the schedule of expenditures of federal awards and state financial assistance and include Assistance Listing or CSFA numbers provided in federal or state awards and associated expenditures.

Condition – The external auditor's assistance was necessary to prepare the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida.

Cause – City personnel lack the skills and experience necessary to enable them to prepare the City's schedule of expenditures of federal awards and state financial assistance including note disclosures.

Effect – The finding could adversely affect the City's ability to prepare the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida.

Recommendation – We recommend that City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the schedule of expenditures of federal awards and state financial assistance.

Views of Responsible Officials and Planned Corrective Actions – The City is in agreement with the finding noted. The City will seek additional training and technical assistance for the accounting staff in the area of grants and contract accounting in an effort to resolve this condition.

2025-002 Written Policies and Procedures in Accordance with Uniform Guidance (Repeat)

Condition – The City does not have written procedures to implement the requirements of 2 CFR 200.305 or for determining the allowability of costs in accordance with Subpart E- Cost Principles and terms and conditions of the Federal award.

Criteria – Governmental entities receiving federal awards are required to maintain written policies, procedures, and standards as required by 2 CFR 200, Subparts D & E.

Cause – Management does not have written procedures that comply with Uniform Guidance.

Effect – This could adversely affect City personnel's ability to ensure costs are allowed under terms of federal awards and overall compliance with Uniform Guidance.

Recommendation – We recommend that the City update its written policies, procedures, and standards of conduct to include all the required elements as provided in 2 CFR 200, Subparts D & E of the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions – Management is in agreement with the finding noted and is in the process of formally updating its written policies and procedures to ensure that they conform to the requirements contained in the Uniform Guidance.

Section III: Federal Award Findings

No such findings in the current year.

City of Bonifay
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Bonifay, Florida 32425
(850) 547-4238
Fax (850) 547-9014

Summary Schedule of Prior Year Audit Findings

2024-001 – Repeat finding in the current year

2024-002 – Finding was corrected in current year.

2024-003 – Repeat finding in current year

City of Bonifay
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Bonifay, Florida 32425
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Fax (850) 547-9014

Larry Cook, Mayor

James Sellers, Council Member
Eddie Dixon, Council Member
Shelley Carroll, Council Member
Rick Crews, Council Member

Corrective Action Plan

2025-001 Internal Controls over the Schedule of Expenditure of Federal and State Financial Assistance (Repeat)

Recommendation: We recommend that City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the schedule of expenditures of federal awards and state financial assistance.

Action Taken: The City will seek additional training and technical assistance for the accounting staff in the area of grants and contract accounting in an effort to resolve this condition.

Anticipated Completion: September 30, 2026

Responsible Party: Larry Cook, Mayor

2025-002 Uniform Guidance Written Policies, Procedures and Standards of Conduct – Management's Response (Repeat)

Recommendation: We recommend that the City update its written policies, procedures, and standards of conduct to include all the required elements as provided in 2 CFR 200, Subparts D & E of the Uniform Guidance.

Action Taken: Management is in the process of formally updating its written policies and procedures to ensure that they conform to the requirements contained in the Uniform Guidance.

Anticipated Completion: September 30, 2026

Responsible Party: Larry Cook, Mayor

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MANAGEMENT LETTER

Honorable Mayor and Members of the City Council
City of Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Bonifay, Florida (the "City") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 25, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Auditor's Report on Compliance for Each Major Federal Program and Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 25, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below in the "Tabulation of Uncorrected Audit Findings."

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	**2023-24 FY Finding No.**	**2022-23 FY Finding No.**
2025-001	2024-001	2023-001
2025-002	2024-003	2023-003

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we made recommendations in the accompanying Schedule of Findings and Questioned Costs.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2026

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH *LOCAL GOVERNMENT INVESTMENT POLICIES*

Honorable Mayor and Members of the City Council
City of Bonifay, Florida

We have examined the compliance of the City of Bonifay, Florida (the "City") with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. Management of the City is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all the material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies,* for the year ended September 30, 2025.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 25, 2026

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June 25, 2026

Honorable Mayor and Members of the City Council
City of Bonifay, Florida

We are pleased to present the results of our audit of the 2025 financial statements of the City of Bonifay, Florida (the "City").

This report to the Mayor and Members of the City Council summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the City's 2025 financial statements. We considered the City's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the City's personnel.

At Carr, Riggs & Ingram, L.L.C. (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Mayor, Members of the City Council, management and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us at 334-348-1439.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

As discussed with the Mayor and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by management, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, in order to express an opinion on the City's financial statements for the year ended September 30, 2025;

- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards;* and Uniform Guidance 2 CFR Part 200 in order to express an opinion on compliance with requirements applicable to each major federal program;

- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2 CFR Part 200 and the OMB Compliance Supplement;

- Communicate directly with the Members of the City Council and management regarding the results of our procedures;

- Address with the Members of the City Council and management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Members of the City Council and management; and

- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of the City for the year ended September 30, 2025, and have issued our report thereon dated June 25, 2026. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards* and the Uniform Guidance	As stated in our engagement letter dated January 30, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluating the adequacy and results of those services; and accepting responsibility for them.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and Carr, Riggs & Ingram L.L.C. Comments on Quality."

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the City and how they are disclosed.*	No such risks or exposures were noted.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the City's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.* • *Critical accounting policies and practices applied by the City in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	The significant accounting policies used by the City are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements: • GASB Statement No. 101*, Compensated Absences* (GASB 101) • GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) The adoption of GASB Statements 101 and 102 had no significant impact on the financial statements. We noted no transactions entered into by the City 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. Further, the disclosures in the City's financial statements are neutral, consistent, and clear

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	We encountered no significant difficulties in dealing with management in performing and completing our audit.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditor's report. This does not include those that came about based on incomplete facts or preliminary information.*	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None noted.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the City, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Council about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	See "Summary of Audit Adjustments" section.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	To our knowledge, there were no such consultations with other accountants.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	See the "Schedule of Findings and Questioned Costs" section of the financial statements.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Significant unusual accounting transactions *Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.*	No significant unusual accounting transactions were noted during the year.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Required Supplementary Information *The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
Supplementary Information in relation to the financial statements as a whole *The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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.

We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. 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. The Mayor, Members of the City Council, and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of property and equipment	The City depreciates property and equipment using the straight-line method.	X	The City depreciates property and equipment over their estimated useful lives which are based on the experience with similar assets and guidance provided by Section 1400: *Reporting on Capital Assets*, of the GASB Codification.	The City's recognition methods and disclosures appear appropriate.
Unbilled revenues	Management's estimate of unbilled revenues is projected using the October 2025 month's billing and the number of unbilled days as of period-end.	X	Management's estimate of unbilled revenues is projected using the October 2025 month's billing and the number of unbilled days as of period-end.	We examined the key assumptions used to develop the estimate and compared the estimate to subsequent billing evaluation reasonableness in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	The City does not have a written investment policy; however, the City held investments authorized under Florida Statutes Chapter 218.415. Investments are stated at fair value in accordance with GASB Statement No. 72	X	No significant judgements or estimates.	At year end, the City held investments authorized under Florida Statutes Chapter 218.415.
Defined benefit pension plan	The Board participates in the Florida Retirement System Pension Plan (FRS) and Health Insurance Subsidy Plan (HIS), a cost-sharing multiple-employer plan administered by Florida Retirement System. Florida Retirement System utilizes an independent actuary to provide an actuarial valuation report specific to each participating employer. This report provides each participating employer with estimates of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation as of June 30, 2025 with a measurement date of June 30, 2025 for the FRS plan and an actuarial valuation as of June 30, 2025 with a measurement date of June 30, 2025 for the HIS Plan.	We evaluated the assumptions used by the actuary in estimating the Board's proportionate share of the total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated absences	Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits. The City follows the provisions of Section C60: *Compensated Absences*, of the GASB Codification when reporting these liabilities.	X	The City estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	The City's policies are in accordance with all applicable accounting guidelines and GASB.

During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit. There were no passed (uncorrected) audit adjustments.

See attached schedule.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Corrected Audit Adjustments

Adjusting Journal Entries JE # 1
To adjust compensated absences for current year.

402-22910	ACCRUAL ACCOUNT	1,231.00	
403-535-12000-30	SALARIES REGULAR	857.00	
403-533-12000-30	SALARIES-REGULAR		1,231.00
403-22910	ACCRUAL ACCOUNT		857.00
Total		**2,088.00**	**2,088.00**

Adjusting Journal Entries JE # 11
To reclassify to correct grant account.

001-11600	AR - GRANTS	849,667.00	
001-3000-33182	MM-SRF DW300141/142	72,048.00	
001-3000-33182	MM-SRF DW300141/142	182,451.00	
001-3000-33182	MM-SRF DW300141/142	355,656.00	
402-530-533-58110	TRANSFER TO SEWER	72,048.00	
402-530-533-58110	TRANSFER TO SEWER	182,451.00	
001-11600	AR - GRANTS		355,656.00
001-19200	Deferred Revenue		849,667.00
001-3000-38110	TRANSFER - SEWER REVENUE		72,048.00
001-3000-38110	TRANSFER - SEWER REVENUE		182,451.00
402-20413	NOTE PAYABLE-LOAN 300141		72,048.00
402-20415	NOTE PAYABLE-LOAN 300142		182,451.00
Total		**1,714,321.00**	**1,714,321.00**

Adjusting Journal Entries JE # 14
To record depreciation.

402-533-49100-30	DEPRECIATION EXPENSE	136,591.00	
403-535-49100-30	DEPRECIATION EXPENSE	686,702.00	
402-16700	ALLOWANCE FOR DEPRECIATION		136,591.00
403-16700	ALLOWANCE FOR DEPRECIATION		686,702.00
Total		**823,293.00**	**823,293.00**

Adjusting Journal Entries JE # 16			
To adjust fund balance to actual.			
001-22910	ACCRUAL ACCOUNT	10,263.00	
401-27200	RETAINED EARNINGS	558.00	
403-27200	RETAINED EARNINGS	9,205.00	
403-535-49200-30	MISCELLANEOUS EXPENSE	75.00	
404-16100	LAND	10,000.00	
404-16210	WATER PLANT & EQUIPMENT	200,000.00	
404-16600	EQUIPMENT	871,917.00	
405-16210	WATER PLANT & EQUIPMENT	650,000.00	
406-16200	SEWER DISPOSAL PLANT	145,737.00	
408-16100	WATER LINE REPLACEMENT IMPROVE	681,120.00	
409-16210	WATER SYSTEM	542,120.00	
001-27200	FUND BALANCE-AUDITOR		10,188.00
001-511-49200-10	MISCELLANEOUS EXPENSE		75.00
401-534-49200-30	MISCELLANEOUS EXPENSE		558.00
403-20336	2012REVBONDS2,389,000 92-15&18		8,305.00
403-20417	NOTES PAYABLE-300160		975.00
404-16700	ACCUMULATED DEPRECIATION		48,000.00
404-27200	RETAINED EARNINGS		2,676,181.00
405-16700	ACCUMULATED DEPRECIATION		230,976.00
406-27200	RETAINED EARNINGS		145,737.00
Total		**3,120,995.00**	**3,120,995.00**

Adjusting Journal Entries JE # 18			
To adjust accrued interest.			
402-533-72600-30	INTEREST-LOAN 300110	175.00	
402-533-72610-30	INTEREST-LOAN 300111	199.00	
402-533-72620-30	INTEREST-LOAN 300140	670.00	
402-533-72620-30	INTEREST-LOAN 300140	584.00	
403-20305	ACCRUED INTEREST PAYABLE	2,613.00	
402-20305	ACCRUED INTEREST		1,628.00
403-535-72505-30	INTEREST-2,244,00092-15		2,613.00
Total		**4,241.00**	**4,241.00**

Adjusting Journal Entries JE # 21
To record CY activity for pensions.

402-29200	EXPENDITURE CONTROL (Deferred outflow)	143,650.00	
402-533-22000-30	FRS RETIREMENT EXPENSE	41,335.00	
403-29200	EXPENDITURE CONTROL (Deferred outflow)	130,493.00	
403-535-22000-30	FRS RETIREMENT EXPENSE	37,548.00	
402-29200	EXPENDITURE CONTROL (Deferred outflow)		2,814.00
402-29300	Net pension liability		137,322.00
402-29400	Deferred inflow related to pension		25,801.00
402-533-22000-30	FRS RETIREMENT EXPENSE		19,048.00
403-29200	EXPENDITURE CONTROL (Deferred outflow)		2,556.00
403-29300	Net pension liability		124,745.00
403-29400	Deferred inflow related to pension		23,438.00
403-535-22000-30	FRS RETIREMENT EXPENSE		17,302.00
Total		**353,026.00**	**353,026.00**

Adjusting Journal Entries JE # 22
To record deferred outflows for contributions subsequent to the measurement date.

402-29200	EXPENDITURE CONTROL (Deferred outflow)	6,114.00	
403-29200	EXPENDITURE CONTROL (Deferred outflow)	5,554.00	
402-533-22000-30	FRS RETIREMENT EXPENSE		6,114.00
403-535-22000-30	FRS RETIREMENT EXPENSE		5,554.00
Total		**11,668.00**	**11,668.00**

Adjusting Journal Entries JE # 33
To adjust accrued payroll.

001-21610	ACCRUED SALARIES	10,707.00	
402-21600	ACCRUED SALARIES	2,707.00	
403-21600	ACCRUED SALARIES	858.00	
001-513-12000-10	SALARIES-REGULAR		2,688.00
001-521-12000-20	SALARIES-REGULAR		5,344.00
001-539-12000-30	SALARIES-REGULAR		739.00
001-541-12000-40	SALARIES-REGULAR		1,433.00
001-575-12000-70	SALARIES-REGULAR		503.00
402-533-12000-30	SALARIES-REGULAR		2,707.00
403-535-12000-30	SALARIES REGULAR		858.00
Total		**14,272.00**	**14,272.00**

Adjusting Journal Entries JE # 34			
To adjust bad debt expense to zero for current year.			
401-11570	ALLOW FOR DOUBTFUL ACCTS	513.00	
402-11570	ALLOW FOR DOUBTFUL ACCTS	2,013.00	
403-11570	ALLOW FOR DOUBTFUL ACCOUNTS	1,187.00	
401-534-49300-30	PROVIDE FOR DOUBTFUL ACCTS		513.00
402-533-49300-30	PROVIDE FOR DOUBTFUL ACCTS		2,013.00
403-535-49300-30	PROVIDE FOR DOUBTFUL ACCTS		1,187.00
Total		**3,713.00**	**3,713.00**

Adjusting Journal Entries JE # 37			
To adjust unbilled revenues.			
401-3000-34341	GARBAGE REVENUE	37,779.00	
402-3000-34331	WATER REVENUE	48,530.00	
403-3000-34351	SEWER REVENUE RECEIPTS	8,108.00	
403-3000-34351	SEWER REVENUE RECEIPTS	36,829.00	
401-11510	UNBILLED ACCTS RECEIVABLE		37,779.00
402-11510	UNBILLED ACCTS RECEIVABLE		48,530.00
403-11500	UNBILLED ACCTS RECEIVABLE		8,108.00
403-11510	ACCOUNTS RECEIVABLE (NO JE)		36,829.00
Total		**131,246.00**	**131,246.00**

Adjusting Journal Entries JE # 39			
To record additions and disposals for proprietary funds.			
402-16610	WATER DEPT EQUIPMENT	62,000.00	
402-16700	ALLOWANCE FOR DEPRECIATION	1,387.00	
403-16600	EQUIPMENT	36,888.00	
403-16700	ALLOWANCE FOR DEPRECIATION	3,534.00	
402-16610	WATER DEPT EQUIPMENT		1,387.00
402-533-64000-30	EQUIPMENT		62,000.00
403-16600	EQUIPMENT		3,534.00
403-535-64000-30	EQUIPMENT		36,888.00
Total		**103,809.00**	**103,809.00**

Larry Cook, Mayor
301 J. Harvey Etheridge Street
Bonifay, FL 32425
Telephone: (850) 547-4238

City Council Members:
James W. Sellers
Shelley Carroll
Eddie Dixon
Rick Crews

June 25, 2026

Carr, Riggs & Ingram, L.L.C.
PO Box 311070
Enterprise, Alabama 36331

This representation letter is provided in connection with your audit of the financial statements of City of Bonifay (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison for the General Fund for the year ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 25, 2026, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 30, 2026, including our responsibility for the preparation and fair presentation of the financial statements (including journal entries) in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including journal entries) that are free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are in agreement with adjusting entries that you have proposed, and they have been posted to the accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the City or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of State Financial Assistance.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

19) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board Statement (GASBS) Nos. 103 and 104 as discussed in Note 1. The City is therefore

unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

20) We agree with the findings of specialists in evaluating the net pension liability and the related inflows and outflows and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

21) We believe that the actuarial assumptions and methods used to measure pension liabilities and related deferred inflows and outflows and costs for financial accounting purposes are appropriate in the circumstances.

Government-specific

22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23) We have a process to track the status of audit findings and recommendations.

24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

25) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

26) We have provided our views on reported findings, conclusions and recommendations, as well as our planned corrective action for the report.

27) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

28) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

29) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87 .

30) We have appropriately disclosed all information for conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with GASBS No. 91 .

31) We have appropriately disclosed identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASBS No. 94

32) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96 .

33) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

34) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101 .

35) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

36) As part of your audit, you assisted with

a) preparation of the financial statements and related notes including RSI and SI,

b) GASB 34 conversion entries,

c) Certain cash to accrual entries,

d) preparation of depreciation schedules,

e) preparation of the Annual Financial Report (AFR) and FHWA 536 Local Highway Finance Report (LHFR)

f) preparation of the Data Collection Form, and

g) any other non-audit services.

We acknowledge our responsibility as it relates to the above non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual (identified as Tracy Walker), who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those nonaudit services as noted above.

37) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

38) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

39) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

40) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.

41) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.

42) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

43) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

44) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

45) Provisions for uncollectible receivables have been properly identified and recorded.

46) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

47) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

48) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

49) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

50) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

51) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

52) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

53) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

54) With respect to the schedule of expenditures of federal awards (SEFA):

   a) We acknowledge our responsibility for presenting the SEFA in accordance with accounting principles generally accepted in the United States of America, and we believe the SEFA, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

   b) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

55) With respect to federal and state award programs:

   a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General (Florida Single Audit Act) of the including requirements relating to preparation of the schedule of expenditures of federal awards and state financial assistance (SEFA).

   b) We acknowledge our responsibility for preparing and presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance and Florida Single Audit Act, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

   c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

   d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and Florida Single Audit Act compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal/state agencies in the form of federal and state awards, federal/state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

   e) We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.

   f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.

h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards.

j) We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and the Florida Single Audit Act.

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

r) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

t) We have charged costs to federal and state awards in accordance with applicable cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the Florida Single Audit Act, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and Florida Single Audit Act.

56) We provide no post-retirement benefits to the City employees.

57) We are responsible for establishing the cost, estimated useful life, depreciation method and estimated salvage value for each asset included in the depreciation schedule. We have reviewed the depreciation schedule and accept the responsibility for adequacy and completeness of the schedule. We have responded fully to all inquiries made by you.

Signature: Lacy Cerol

Title: Mayor

Signature: Mary Walker

Title: HR/Finance Director