

TOWN OF PENNEY FARMS, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

TOWN OF PENNEY FARMS, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

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TOWN OF PENNEY FARMS, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

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INTRODUCTORY SECTION

TOWN OF PENNEY FARMS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2021

MAYOR - COUNCILMAN

Adrian Andrews

VICE MAYOR

Mickey Taylor

TOWN COUNCIL

Paul Sabin

Tom Deville

Elizabeth Ryder

TOWN MANAGER

David Cooper

TOWN CLERK

Anita Cooper

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Town Council
Town of Penney Farms, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Penney Farms, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Penney Farms, Florida, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

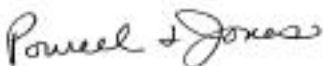
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Penney Farms, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the Town of Penney Farms, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Penney Farms, Florida's internal control over financial reporting and compliance.



POWELL & JONES
Certified Public Accounts
June 29, 2022

TOWN OF PENNEY FARMS, FLORIDA
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Town of Penney Farms (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized as applicable, and reported as either governmental or business-type activities. Governmental activities include basic services such as fire control, public works, parks and recreation, community development and general governmental administration. The Town's water, sewer and solid waste management services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into any amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town's has one major governmental fund, the General Fund. A budgetary comparison is presented for this fund. Statements for the Town's proprietary funds follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

- The MD&A is intended to serve as an introduction to the Town's basic financial statements and to explain the significant changes in financial position and differences in operation between the current and prior years.

Town as a Whole

Government-wide Financial Statements

Net Position at September 30, 2021 and 2020

	Governmental	Business-type	Total Government	
	Activities	Activities	2021	2020
Assets				
Cash and investments	\$ 735,624	\$ 404,773	\$ 1,140,397	\$ 1,104,179
Other assets	78,917	24,713	103,630	190,831
Capital assets	1,073,082	4,637,660	5,710,742	5,358,813
Internal balances	160,904	(160,904)	-	-
Total assets	<u>2,048,527</u>	<u>4,906,242</u>	<u>6,954,769</u>	<u>6,653,823</u>
Liabilities				
Current liabilities	209,853	52,649	262,502	235,152
Long-term liabilities	4,438	510,526	514,964	532,767
Total liabilities	<u>214,291</u>	<u>563,175</u>	<u>777,466</u>	<u>767,919</u>
Net Position				
Net investment in capital assets	1,073,082	4,107,341	5,180,423	4,809,273
Restricted	25,357	183,259	208,616	211,098
Unrestricted	735,797	52,467	788,264	865,533
Total net assets	<u>\$ 1,834,236</u>	<u>\$ 4,343,067</u>	<u>\$ 6,177,303</u>	<u>\$ 5,885,904</u>

The Town's Net Position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets, which represents 83% of total Net Position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted Net Position \$788,264 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in Net Position. The increase in Governmental Activities Net Position is due primarily to revenues exceeding expenditures. The decrease during the year through Business-type Activities Net Position is due mainly to depreciation expense.

**Changes in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020**

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Revenues				
Program revenues				
Charges for services	\$ 19,386	\$ 315,447	\$ 334,833	\$ 379,272
Grants and contributions	497,502	-	497,502	118,078
General revenues				
Taxes	322,029	-	322,029	323,507
State shared revenues	96,895	-	96,895	85,670
Other general revenues	58,047	12,456	70,503	31,287
Total revenues	<u>993,859</u>	<u>327,903</u>	<u>1,321,762</u>	<u>937,814</u>
Expenses				
General government	274,769	-	274,769	257,469
Public safety	11,484	-	11,484	12,776
Transportation	130,122	-	130,122	149,483
Parks and recreation	25,476	-	25,476	26,887
Health and human services	-	-	-	-
Water and solid waste	-	120,285	120,285	120,797
Sewer	-	449,579	449,579	451,240
Interest	-	18,648	18,648	13,691
Total expenses	<u>441,851</u>	<u>588,512</u>	<u>1,030,363</u>	<u>1,032,343</u>
Change in net position	552,008	(260,609)	291,399	(94,529)
Beginning net position	1,282,228	4,603,676	5,885,904	5,980,433
Ending net position	<u>\$ 1,834,236</u>	<u>\$ 4,343,067</u>	<u>\$ 6,177,303</u>	<u>\$ 5,885,904</u>

Taxes provide 32% of the revenues for Governmental Activities, while state shared revenues and grants provided 59%. Most of the Governmental Activities resources are spent for General Government 62%, Transportation 29%, Recreation 5%, and Public Safety 3%.

FUND FINANCIAL INFORMATION

Governmental Funds

General Fund

The Town's General Fund is the main operating fund of the Town. It is used to account for all financial resources that are not restricted by State or Federal laws, Town Ordinances or other externally imposed requirements. As of September 30, 2021, total assets were \$975,435, and total liabilities were \$209,350. The ending fund balance was \$766,085, of which \$740,728 is unassigned and \$25,357 is restricted.

During the year ended September 30, 2021, total expenditures of \$888,267 exceeded total revenues of \$677,845 by \$122,182. The year's net decrease in fund balance was \$122,182 for the General Fund. This increase in revenues were largely driven by a grants received, continued increased building permit activity, and receipt of ad valorem taxes which were not fully expended during the year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2021, the Town had \$5,710,743 invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities and lines. This amount represents a net increase (additions, deductions, and depreciation) of \$351,930 over last year.

Capital Assets at September 30, 2021 and 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
Land	\$ 9,200	\$ 5,050	\$ 14,250	\$ 14,250
Buildings and improvements	890,383	7,476,833	8,367,216	8,261,388
Construction in progress	625,125	-	625,125	89,208
Equipment	241,222	92,719	333,941	268,941
Subtotal	1,765,930	7,574,602	9,340,532	8,633,787
Accumulated depreciation	(692,848)	(2,936,941)	(3,629,789)	(3,274,974)
Capital assets, net	<u>\$ 1,073,082</u>	<u>\$ 4,637,660</u>	<u>\$ 5,710,743</u>	<u>\$ 5,358,813</u>

Debt Outstanding

At year-end, the Town had \$530,319 in bonds outstanding versus \$549,540 last year, a decrease of \$19,221.

Debt Outstanding at September 30, 2021 and 2020

	Governmental Activities	Business- Type Activities	Totals	
			2021	2020
Compensated absences	\$ 4,931	\$ -	\$ 4,931	\$ 2,721
Revenue bonds	-	530,319	530,319	549,540
	<u>\$ 4,931</u>	<u>\$ 530,319</u>	<u>\$ 535,250</u>	<u>\$ 552,261</u>

More detailed information on the Town long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets

- The current unemployment rate for the Town was 3.9%. This is an increase from the prior year's rate of 2.9%.
- The estimated official population for the Town in 2021 was 853.
- The Town currently has a millage rate of 4.75%.

REQUEST FOR INFORMATION

This financial report is designed to present users with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning this report or requests for additional information should be addressed to the Town Manager, P. O. Box 1041, Penney Farms, Florida 32079, or by calling (904) 529-9078.

BASIC FINANCIAL STATEMENTS

TOWN OF PENNEY FARMS, FLORIDA

STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 735,624	\$ 221,514	\$ 957,138
Accounts receivable - net	-	24,713	24,713
Due from other governmental units	78,917	-	78,917
Internal balances	160,904	(160,904)	-
Total current assets	975,445	85,323	1,060,768
Restricted assets			
Cash	-	183,259	183,259
Total restricted assets	-	183,259	183,259
Noncurrent assets			
Non-depreciable capital assets	634,325	5,050	639,375
Depreciable capital assets, net	438,757	4,632,610	5,071,367
	<u>1,073,082</u>	<u>4,637,660</u>	<u>5,710,742</u>
Total assets	\$ 2,048,527	\$ 4,906,242	\$ 6,954,769
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 754	\$ -	\$ 754
Unearned revenue	208,606	-	208,606
Total current liabilities (payable from current assets)	209,360	-	209,360
Current liabilities (payable from restricted assets)			
Deposits	-	27,214	27,214
Accrued interest payable	-	5,642	5,642
Compensated absences - current portion	493	-	493
Loan payable - current portion	-	19,793	19,793
Total current liabilities (payable from restricted assets)	493	52,649	53,142

(continued)

TOWN OF PENNEY FARMS, FLORIDA

STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Other liabilities			
Noncurrent portion compensated absences	4,438	-	4,438
Noncurrent portion loan payable	-	510,526	510,526
Total long-term liabilities	4,438	510,526	514,964
Total liabilities	214,291	563,175	777,466
NET POSITION			
Invested in capital assets net of related debt	1,073,082	4,107,341	5,180,423
Unrestricted	735,797	52,467	788,264
Restricted	25,357	183,259	208,616
Total net position	1,834,236	4,343,067	6,177,303
Total liabilities and net position	\$ 2,048,527	\$ 4,906,242	\$ 6,954,769

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes In Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental Activities							
General government	\$ 274,769	\$ -	\$ -	\$ -	\$ (274,769)	\$ -	\$ (274,769)
Public safety	11,484	-	-	-	(11,484)	-	(11,484)
Transportation	130,122	19,386	-	497,502	(38,989)	-	(38,989)
Culture/recreation	25,476	-	-	-	(25,476)	-	(25,476)
Total governmental activities	441,851	19,386	-	497,502	(350,718)	-	(350,718)
Business-type activities							
Water and solid waste services	120,285	127,496	-	-	-	7,211	7,211
Sewer services	449,579	187,951	-	-	-	(261,628)	(261,628)
Interest on long-term activities	18,648	-	-	-	-	(18,648)	(18,648)
Total business-type activities	588,512	315,447	-	-	-	(273,065)	(273,065)
Total government	1,030,363	334,833	-	497,502	(350,718)	(273,065)	(623,783)
				General revenues			
				Taxes	322,029	-	322,029
				Sales and use taxes	49,011	-	49,011
				Licenses and permits	52,023	-	52,023
				State shared revenues	47,884	-	47,884
				Interest	518	344	862
				Miscellaneous	5,506	12,112	17,618
				Total general revenues	476,971	12,456	489,427
				Change in net position	552,008	(260,609)	291,399
				Net position beginning	1,282,228	4,603,676	5,885,904
				Net position ending	\$ 1,834,236	\$ 4,343,067	\$ 6,177,303

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA

**GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2021**

	General Fund	CDBG Fund	Total
ASSETS			
Cash	\$ 735,614	\$ 10	\$ 735,624
Due from other funds	160,904	-	160,904
Due from other governmental units	78,917	-	78,917
Total assets	\$ 975,435	\$ 10	\$ 975,445
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 744	\$ 10	\$ 754
Unearned revenues	208,606	-	208,606
Total liabilities	209,350	10	209,360
 FUND BALANCE			
Restricted for:			
General government	25,357	-	25,357
Unassigned	740,728	-	740,728
Total fund balance	766,085	-	766,085

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of capital assets	1,765,930
Accumulated depreciation	(692,848)
	1,073,082

Long-term liabilities, including compensated absences are not due and payable and therefore are not reported in the funds.

Net position of governmental activities	(4,931)
	\$ 1,834,236

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2021**

	General Fund	CDBG Fund	Total
REVENUES			
Taxes	\$ 322,029	\$ -	\$ 322,029
Licenses and permits	52,023	-	52,023
Intergovernmental revenue	247,319	316,014	563,333
Charges for services	19,386	-	19,386
Contributions	31,064	-	31,064
Miscellaneous	5,506	-	5,506
Interest	518	-	518
Total revenues	<u>677,845</u>	<u>316,014</u>	<u>993,859</u>
EXPENDITURES			
Current expenditures			
General government	268,579	-	268,579
Public safety	10,843	-	10,843
Transportation	115,706	-	115,706
Culture/recreation	14,168	-	14,168
Capital outlay			
General government	105,828	-	105,828
Transportation	240,424	316,014	556,438
Culture/recreation	44,479	-	44,479
Total expenditures	<u>800,027</u>	<u>316,014</u>	<u>1,116,041</u>
Excess of revenues over expenditures	(122,182)	-	(122,182)
Fund balance at beginning of year	888,267	-	888,267
Fund balance at end of year	<u>\$ 766,085</u>	<u>\$ -</u>	<u>\$ 766,085</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2021

Net change in fund balance - total governmental funds \$ (122,182)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets

706,745

Less current year depreciation

(30,345)

676,400

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in compensated absences

(2,210)

Change in net assets of governmental activities

\$ 552,008

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
ASSETS			
Current assets			
Cash	\$ 171,316	\$ 50,198	\$ 221,514
Accounts receivable	9,585	15,128	24,713
Due from other funds	-	227,452	227,452
Total current assets	180,901	292,778	473,679
Restricted assets			
Cash	136,638	46,621	183,259
Total restricted assets	136,638	46,621	183,259
Noncurrent assets			
Fixed assets			
Land	5,050	-	5,050
Buildings and Improvements	897,941	6,578,892	7,476,833
Equipment	44,981	47,738	92,719
Allowance for depreciation	(663,277)	(2,273,665)	(2,936,942)
Total fixed assets	284,695	4,352,965	4,637,660
Total assets	\$ 602,234	\$ 4,692,364	\$ 5,294,598
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Due to other funds	388,356	-	388,356
Total current liabilities	388,356	-	388,356

(continued)

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
Current liabilities			
(payable from restricted assets)			
Deposits	\$ 27,214	\$ -	\$ 27,214
Accrued interest payable	-	5,642	5,642
Loan payable - current portion	-	19,793	19,793
Total current liabilities			
(payable from restricted assets)	<u>27,214</u>	<u>25,435</u>	<u>52,649</u>
Long-term liabilities			
Loan payable	-	510,526	510,526
Total long-term liabilities	<u>-</u>	<u>510,526</u>	<u>510,526</u>
Total liabilities	<u>\$ 415,570</u>	<u>\$ 535,961</u>	<u>\$ 951,531</u>
NET POSITION			
Invested in capital assets net of related debt	284,695	3,822,646	4,107,341
Unrestricted	(234,669)	287,136	52,467
Restricted	136,638	46,621	183,259
Total net position	<u>186,664</u>	<u>4,156,403</u>	<u>4,343,067</u>
Total liabilities and net position	<u>\$ 602,234</u>	<u>\$ 4,692,364</u>	<u>\$ 5,294,598</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
OPERATING REVENUES			
Physical environment			
Water utility revenues			
Water utility services	\$ 99,882	\$ -	\$ 99,882
Garbage/solid waste services	26,153	-	26,153
Penalties/late fees	1,461	-	1,461
Total water-solid waste revenues	127,496	-	127,496
Sewer utility revenues			
Sewer utility services	-	187,284	187,284
Penalties/late fees	-	667	667
Total sewer utility revenues	-	187,951	187,951
Total physical environment			
Miscellaneous			
Interest	279	65	344
Other		12,112	12,112
Total miscellaneous	279	12,177	12,456
Total operating revenues	127,775	200,128	327,903
OPERATING EXPENSES			
Water utility and solid waste services			
Personnel Services	48,943		48,943
Operating expenses			
Depreciation	11,018		11,018
Professional services	10,367		10,367
Dues and subscriptions	428	-	428
Office supplies	1,022	-	1,022
Postage and freight	719		719
Repairs and maintenance	26,099	-	26,099
Utilities	8,292		8,292
Water tower maintenance	9,397	-	9,397
Other current obligations and charges	4,000	-	4,000
Total operating expenses	71,342	-	71,342
Total water utility and solid waste services	120,285	-	120,285

(continued)

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
Sewer utility services			
Personnel Services	\$ -	\$ 37,792	\$ 37,792
Operating expenses			
Depreciation	-	313,452	313,452
Accounting	-	2,000	2,000
Communications	-	2,195	2,195
Office supplies	-	108	108
Professional services	-	1,450	1,450
Repairs and maintenance	-	3,944	3,944
Utilities	-	4,891	4,891
CCUA bulk rate	-	83,747	83,747
Total operating expenses	<u>-</u>	<u>411,787</u>	<u>411,787</u>
Total sewer utility services	<u>-</u>	<u>449,579</u>	<u>449,579</u>
Total operating expenses	<u>120,285</u>	<u>449,579</u>	<u>569,864</u>
Operating gain (loss)	<u>7,490</u>	<u>(249,451)</u>	<u>(241,961)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	(18,648)	(18,648)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(18,648)</u>	<u>(18,648)</u>
OTHER FINANCING SOURCES AND USES			
Interfund transfers in/(out)	11,148	(11,148)	-
Total nonoperating revenues (expenses)	<u>11,148</u>	<u>(11,148)</u>	<u>-</u>
Change in net assets	18,638	(279,247)	(260,609)
Net assets, beginning of year	168,026	4,435,650	4,603,676
Net assets, end of year	<u>\$ 186,664</u>	<u>\$ 4,156,403</u>	<u>\$ 4,343,067</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

	Water and Solid Waste	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 127,651	\$ 195,905	\$ 323,556
Cash received for interest	279	65	344
Cash payments for employee services	(48,943)	(38,549)	(87,492)
Cash paid to suppliers	(60,324)	(98,335)	(158,659)
Net cash provided by operating activities	<u>18,663</u>	<u>59,086</u>	<u>77,749</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans from/(to) other funds	(12,681)	1,512	(11,169)
Transfers from/(to) other funds	11,148	(11,148)	-
Net cash used by financing activities	<u>(1,533)</u>	<u>(9,636)</u>	<u>(11,169)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES			
Principal payments	-	(19,221)	(19,221)
Interest paid on long-term debt	-	(16,071)	(16,071)
Net cash used for capital and related activities	<u>-</u>	<u>(35,292)</u>	<u>(35,292)</u>
Net increase in cash	17,130	14,158	31,288
Cash, beginning of year	290,824	82,661	373,485
Cash, end of year	<u>\$ 307,954</u>	<u>\$ 96,819</u>	<u>\$ 404,773</u>
Reported as:			
Cash	\$ 171,316	\$ 50,198	\$ 221,514
Cash, restricted	136,638	46,621	183,259
	<u>\$ 307,954</u>	<u>\$ 96,819</u>	<u>\$ 404,773</u>

(continued)

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

	Water and Solid Waste	Sewer	Total
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating gain (loss)	\$ 7,490	\$ (249,451)	\$ (241,961)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities			
Depreciation	11,018	313,452	324,470
(Increase) decrease in current assets:			
Accounts receivable	(1,797)	(4,158)	(5,955)
Increase (decrease) in current liabilities:			
Accrued liabilities	-	(757)	(757)
Deposits payable	1,952	-	1,952
Total adjustments	11,173	308,537	319,710
Net cash provided by operating activities	\$ 18,663	\$ 59,086	\$ 77,749

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Penney Farms (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The Town of Penney Farms, Florida is a municipal, political subdivision of the State of Florida created under the provisions of Chapter 165, *Florida Statutes*. The Town was incorporated as the Town of Penney Farms in 1927 by Laws of Florida, Chapter 13253 (1927). The Town operates under a Council-Manager form of government. Accordingly, it is controlled by the Florida Constitution and various *Florida Statutes* as well as its own local charter, ordinances and policies. It is governed by an elected Council, which appoints the Mayor. Pursuant to the Town's charter, the Manager is also appointed by the Council.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

B. Measurement Focus and Basis of Accounting - The basic financial statements of the Town are comprised of the following:

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

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and as applicable yearly, nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds - 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the

current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources.” Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

During the fiscal year ended September 30, 2021, the Town’s major governmental funds was its General Fund.

Proprietary Funds - The Town’s Enterprise Funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, expenditures or expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has only one governmental major fund and two proprietary major funds at year end.

1. **Governmental Major Funds:**
General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Proprietary Major Funds:**
The Town maintains its utility services in the following Enterprise Funds, each of which is classified as a major fund:
 - Water and Solid Waste Fund
 - Sewer Fund
3. **Non-current Governmental Assets/Liabilities:**
GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of Net Position.

D. Assets, Liabilities and Net Position or Equity

1. **Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
2. **Allowance for Doubtful Accounts** - The Town periodically provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2021, this allowance was \$0 based upon current anticipation of collectability. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2021.
3. **Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
4. **Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
5. **Restricted Assets** - Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account, and to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Also, certain Net Position of the Town are classified as restricted assets on the statement of Net Position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributions, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted Net Position and then from unrestricted Net Position.

6. **Fixed Assets** - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.
7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are reported at estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	10 - 40
Machinery and equipment	5
Street and related infrastructure	15 - 40

9. **Capitalization of Interest** - Interest related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent revenues not yet earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues.
11. **Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.
12. **Fund Balances – Governmental Funds –**

As of September 30, 2021, fund balances of the governmental funds are as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. There were no restricted fund balances at year end.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Council. The Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by the Council. There were no committed fund balances at year end.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under current practices, the assignment of amounts for specific purposes is approved by the Council.

Unassigned – all other spendable amounts.

As of September 30, 2021, fund balances are comprised of the following:

Restricted	\$ 25,357
Unassigned	740,728
Total fund balances	<u>\$ 766,085</u>

The restricted portion of fund balance represents monies received for building permits that have not been utilized for eligible expenses.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

“Total fund balances” of the Town’s governmental funds \$766,085 differs from “Net Position” of governmental activities \$1,834,236 reported in the statement of Net Position. This difference primarily results from the long-term economical focus of the statement of Net Position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,765,930
Accumulated depreciation	(692,848)
Total	<u>\$ 1,073,082</u>

Long-term debt transactions

Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balance at September 30, 2021, was:

Compensated absences	<u>\$ (4,931)</u>
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TOWN OF PENNEY FARMS, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

	Total Governmental Fund	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
ASSETS				
Cash and cash equivalents	\$ 735,624	\$ -	\$ -	\$ 735,624
Due from other funds	160,904	-	-	160,904
Due from other governments	78,917	-	-	78,917
Capital assets - net	-	1,073,082	-	1,073,082
Total assets	\$ 975,445	\$ 1,073,082	\$ -	\$ 2,048,527
LIABILITIES AND FUND BALANCES/NET POSITION				
Accounts payable	\$ 754	\$ -	\$ -	\$ 754
Unearned revenues	208,606	-	-	208,606
Compensated absences	-	-	4,931	4,931
Total liabilities	209,360	-	4,931	214,291
Fund balances/net position	766,085	1,073,082	(4,931)	1,834,236
Total liabilities and fund balance/net position	\$ 975,445	\$ 1,073,082	\$ -	\$ 2,048,527

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

The “net change in fund balances” for governmental funds (\$122,182) differs from the “change in net position” for governmental activities \$552,008 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas Net Position decrease by the amount of depreciation expense charges for the year.

Capital outlays	\$ 706,745
Depreciation expense	(30,345)
Difference	<u>\$ 676,400</u>

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in compensated absences	<u>\$ (2,210)</u>
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TOWN OF PENNEY FARMS, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities

	<u>Governmental Fund</u>	<u>Capital Related Items</u>	<u>Long-Term Debt Transactions</u>	<u>Statement of Activities</u>
Revenues				
Taxes	\$ 322,029	\$ -	\$ -	\$ 322,029
Licenses and permits	52,023	-	-	52,023
Intergovernmental	563,333	-	-	563,333
Charges for services	19,386	-	-	19,386
Miscellaneous	37,088	-	-	37,088
Total revenues	<u>\$ 993,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,859</u>
Expenditures				
Current expenditures				
General government	\$ 268,579	\$ 3,980	\$ 2,210	\$ 274,769
Public safety	10,843	641	-	11,484
Transportation	115,706	14,416	-	130,122
Culture/recreation	14,168	11,308	-	25,476
Capital outlay				
General government	421,842	(421,842)	-	-
Transportation	240,424	(240,424)	-	-
Culture/recreation	44,479	(44,479)	-	-
Total expenditures	<u>1,116,041</u>	<u>(676,400)</u>	<u>2,210</u>	<u>441,851</u>
Net change in fund balance	<u>(122,182)</u>	<u>676,400</u>	<u>(2,210)</u>	<u>552,008</u>
Fund balances at beginning of year	888,267	396,682	(2,721)	1,282,228
Fund balances at end of year	<u>\$ 766,085</u>	<u>\$ 1,073,082</u>	<u>\$ (4,931)</u>	<u>\$ 1,834,236</u>

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

1. On or before July 15, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Usually prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
5. Appropriations lapse at the end of the fiscal year.

The budget for the General Fund is adopted on a basis which does not differ materially from generally accepted accounting principles (GAAP). Budgetary data presented in the accompanying financial statements represents the final budget as amended for the fiscal year end.

NOTE 4. DEPOSITS AND INVESTMENTS

DEPOSITS

All funds collected by the Town are required to be deposited in accordance with the laws of the State of Florida, which authorize the Town to invest in the following:

- Direct obligations of, or obligations guaranteed by the U.S. Government;
- Interest-bearing time deposits or savings accounts in qualified institutions;
- Obligations of the Federal Farm Credit Banks;
- Obligations of the Federal National Mortgage Association; and
- The Local Government Surplus Funds Trust Fund.
- Other investments authorized by the Town Council.

All bank accounts and certificates of deposit of the Town are placed in banks that qualify as public depositories, pursuant to law (Florida Security Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the Town's funds are entirely insured throughout the fiscal year. As of September 30, 2021, the carrying amounts of these deposits were \$1,140,397.

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2020-21 fiscal year were levied in October 2020. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets:				
Non-depreciable:				
Land	\$ 9,200	\$ -	\$ -	\$ 9,200
Construction in progress	89,208	535,917	-	625,125
	<u>98,408</u>	<u>535,917</u>	<u>-</u>	<u>634,325</u>
Depreciable:				
Buildings and improvements	784,555	105,828	-	890,383
Equipment and vehicles	176,222	65,000	-	241,222
	<u>960,777</u>	<u>170,828</u>	<u>-</u>	<u>1,131,605</u>
Total capital assets	1,059,185	706,745	-	1,765,930
Less accumulated depreciation	<u>(662,503)</u>	<u>(30,345)</u>	<u>-</u>	<u>(692,848)</u>
Governmental activities; Capital assets, net	<u><u>\$ 396,682</u></u>	<u><u>\$ 676,400</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,073,082</u></u>
Business-type activities:				
Non-depreciable:				
Land	\$ 5,050	\$ -	\$ -	\$ 5,050
Depreciable:				
Equipment	92,719	-	-	92,719
Utility plant	7,476,833	-	-	7,476,833
	<u>7,569,552</u>	<u>-</u>	<u>-</u>	<u>7,569,552</u>
Total capital assets	7,574,602	-	-	7,574,602
Less accumulated depreciation	<u>(2,612,471)</u>	<u>(324,470)</u>	<u>-</u>	<u>(2,936,941)</u>
Business-type activities; Capital assets, net	<u><u>\$ 4,962,131</u></u>	<u><u>\$ (324,470)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,637,660</u></u>

Depreciation expense was charged to functions/programs of the Town as follows:

Government activities	
General government	\$ 3,980
Public safety	641
Transportation	14,416
Culture/recreation	11,308
Total depreciation expense - governmental activities	<u><u>\$ 30,345</u></u>
Business-type activities:	
Water utility	\$ 11,018
Sewer utility	313,452
Total depreciation expense - business-type activities	<u><u>\$ 324,470</u></u>

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2021, were as follows:

	<u>Total</u>
	<u>Receivables</u>
Governmental activities:	
General	\$ -
Business-type activities:	
Enterprise	24,713
	<u>\$ 24,713</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its enterprise funds' accounts receivable of \$0.

Payables

Payables at September 30, 2021 were as follows:

Governmental Activities:	
General	\$ 754
Business-type Activities:	
Enterprise	-
	<u>\$ 754</u>

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities for the year ended September 30, 2021 for governmental activities were as follows:

	Balance 10/1/2020	Increases	Decreases	Balance 9/30/2021	Due Within One Year
Compensated absences	<u>\$ 2,721</u>	<u>\$ 2,210</u>	<u>\$ -</u>	<u>\$ 4,931</u>	<u>\$ 493</u>

Enterprise Funds bonds outstanding at September 30, 2021, are summarized below:

\$700,000 dated April 19, 2011, Wastewater System Revenue Bond, collateralized by pledged revenues; sixty semiannual payments of \$17,646.22, including an interest rate of 1.45% and Grant Allocation Assessment rate of 1.45%. \$ 530,319

The Town is in compliance with all significant limitations and restrictions set forth by the bond indentures.

The annual requirements to amortize water revenue bonds outstanding at September 30, 2021, are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 19,793	\$ 15,499	\$ 35,292
2023	20,381	14,911	35,292
2024	20,987	14,306	35,293
2025	21,610	13,682	35,292
2026	22,253	13,040	35,293
2027-2031	121,585	54,877	176,462
2032-2036	140,757	35,705	176,462
2037-2041	162,953	13,511	176,464
Total	<u>530,319</u>	<u>175,531</u>	<u>705,850</u>
Less current portion	<u>(19,793)</u>	<u>(15,499)</u>	<u>(35,292)</u>
	<u>\$ 510,526</u>	<u>\$ 160,032</u>	<u>\$ 670,558</u>

	<u>Balance October 1, 20120</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2021</u>	<u>Due Within One Year</u>
Bonds payable	<u>\$ 549,540</u>	<u>\$ -</u>	<u>\$ (19,221)</u>	<u>\$ 530,319</u>	<u>\$ 19,793</u>

The State of Florida Department of Environmental Protection Revolving Fund loan above contains provisions that in the event of default and subject to the rights of superior liens on the pledged revenues, the lender may request a court to appoint a receiver to manage the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the Town under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due and may accelerate the repayment schedule or increase the interest rate on the unpaid principal on the loan to as much as 1.667 times the loan interest rate.

The revenue bond ordinances require the establishment of the following accounts:

Reserve Fund - To maintain a debt service contingency reserve equal to the largest annual debt service requirement.

At September 30, 2021, sufficient funds were available in the Reserve Fund.

NOTE 9. PENSION PLAN

The Town has adopted a tax-sheltered retirement plan. This plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The Town makes contributions for eligible employees at ten percent of earnings. Eligibility extends to all full-time employees after six months of service. Full vesting accumulates after ten years of participation. Contributions for the year ended September 30, 2021, 2020, and 2019, respectively, were \$23,871, \$20,663, and \$25,688, respectively.

Since this is a defined contribution plan, there is no unfunded liability, normal cost, past or prior service cost, nor any current effects on pension costs under ERISA. None of the benefits exceed the total value of the pension fund since this is a defined contribution type plan. The plan is administered by the Town through a contractual agreement with a servicing company.

Eligible employees are also required to contribute a minimum of five percent of their earnings to an accompanying tax-sheltered retirement plan under Section 457(b) of the Internal Revenue Code.

NOTE 10. INTERFUND TRANSACTIONS

Interfund transfers consist of the following for the year ended September 30, 2021. Transfers from the Water and Sewer Funds to the General Fund were used to pay operating costs.

	<u>Transfer in</u>	<u>Transfer out</u>
Water and Solid Waste Fund	\$ 11,148	\$ -
Sewer Fund	-	11,148
	<u>\$ 11,148</u>	<u>\$ 11,148</u>

NOTE 11. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2021:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 160,904	\$ -
Water and Solid Waste	-	388,356
Sewer	227,452	-
	<u>\$ 388,356</u>	<u>\$ 388,356</u>

NOTE 12. CONTINGENT LIABILITIES

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

NOTE 13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks

have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 14. SUBSEQUENT EVENTS

1. In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Administration. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PENNEY FARMS, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Ad valorem taxes	\$ 75,818	\$ 72,354	\$ (3,464)
Sales and use taxes			
Local option gas tax/ alternative fuel	31,000	41,705	10,705
Infrastructure surtax	124,000	99,251	(24,749)
Franchise fees			
Electricity	37,000	37,110	110
Utility service taxes			
Electricity and propane	54,000	57,130	3,130
Communications services tax	13,000	14,479	1,479
Total taxes	<u>334,818</u>	<u>322,029</u>	<u>(12,789)</u>
Licenses and permits			
Building permits	7,500	50,714	43,214
Radon permits	300	1,285	985
Business license	50	24	(26)
Total licenses and permits	<u>7,850</u>	<u>52,023</u>	<u>44,173</u>
Intergovernmental			
State shared revenues			
General government			
Grant revenues	562,000	150,424	(411,576)
State revenue sharing	41,365	47,884	6,519
Mobile home licenses	-	99	99
Local government half-cent sales tax	43,300	48,912	5,612
County historical grant	30,000	-	(30,000)
Total Intergovernmental	<u>676,665</u>	<u>247,319</u>	<u>(429,346)</u>
Charges for services			
Transportation	23,500	19,176	(4,324)
Public safety	1,500	60	(1,440)
Culture/recreation	150	150	-
Total charges for services	<u>25,150</u>	<u>19,386</u>	<u>(5,764)</u>
Fines and forfeitures	100	-	(100)
(continued)			

TOWN OF PENNEY FARMS, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2021

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Miscellaneous			
Other miscellaneous			
Interest earnings	\$ 2,400	\$ 518	\$ (1,882)
Contributions	100	31,064	30,964
Other revenues	28,887	5,506	(23,381)
Total miscellaneous	<u>31,387</u>	<u>37,088</u>	<u>5,701</u>
Total revenues	<u>1,075,970</u>	<u>677,845</u>	<u>(398,125)</u>
EXPENDITURES			
General government			
Legislative			
Operating services	<u>6,975</u>	<u>2,506</u>	<u>4,469</u>
Executive			
Personnel services	<u>80,359</u>	<u>75,981</u>	<u>4,378</u>
Financial and administrative			
Personnel services	103,688	124,226	(20,538)
Operating expenses	23,800	23,818	(18)
Total financial and administrative	<u>127,488</u>	<u>148,044</u>	<u>(20,556)</u>
Legal counsel			
Operating expenses	<u>2,500</u>	<u>2,400</u>	<u>100</u>
Other general government			
Personnel services	5,616	5,705	(89)
Operating expenses	21,975	33,943	(11,968)
Capital outlay	95,498	105,828	(10,330)
	<u>123,089</u>	<u>145,476</u>	<u>(22,387)</u>
Total general government	<u>340,411</u>	<u>374,407</u>	<u>(33,996)</u>
Public safety			
Protective inspections			
Operating expenses	<u>5,300</u>	<u>10,843</u>	<u>(5,543)</u>
Total public safety	<u>5,300</u>	<u>10,843</u>	<u>(5,543)</u>

(continued)

TOWN OF PENNEY FARMS, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Transportation			
Roads and streets			
Personnel services	81,078	73,839	7,239
Operating expenses	38,518	41,867	(3,349)
Capital outlay	512,000	240,424	271,576
Total transportation	<u>631,596</u>	<u>356,130</u>	<u>275,466</u>
Culture/recreation			
Parks and recreation			
Operating expenses	18,463	14,168	4,295
Capital outlay	80,000	44,479	35,521
Total culture/recreation	<u>98,463</u>	<u>58,647</u>	<u>39,816</u>
Total expenditures	<u>1,075,770</u>	<u>800,027</u>	<u>275,743</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	<u>(200)</u>	-	<u>200</u>
Total other financing sources (uses)	<u>(200)</u>	-	<u>200</u>
Excess of revenues over expenditures	<u>-</u>	<u>(122,182)</u>	<u>(122,182)</u>
Fund balance at beginning of year	<u>888,267</u>	<u>888,267</u>	<u>888,267</u>
Fund balance at end of year	<u>\$ 888,267</u>	<u>\$ 766,085</u>	<u>\$ 766,085</u>

See notes to financial statements.

**TOWN OF PENNEY FARMS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021**

I. Stewardship, Compliance, and Accountability

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

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

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

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

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

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

TOWN OF PENNEY FARMS, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2021**

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CSFA #</u>	<u>GRANT #</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REPORTED IN PRIOR YEARS</u>	<u>DEFERRED IN PRIOR YEARS</u>	<u>REVENUES RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>DEFERRED REVENUES 9/30/21</u>
FEDERAL AWARDS								
NON-MAJOR PROGRAMS								
<i>US Department of the Treasury</i>								
<i>Passed through the Florida Division</i>								
<i>of Emergency Management</i>								
<i>Coronavirus State & Local Fiscal</i>								
<i>Recovery Funds</i>								
	21.027	Y5262	\$ 417,211	\$ -	\$ -	\$ -	\$ -	\$ 208,606
 <i>U.S. Department of Housing and Urban Development</i>								
<i>Passed through the Florida Department of Economic Opportunity</i>								
	14.228	19DBON042002N28	600,000	88,078	-	316,014	316,014	-
Total federal awards			<u>\$ 1,017,211</u>	<u>\$ 88,078</u>	<u>\$ -</u>	<u>\$ 316,014</u>	<u>\$ 316,014</u>	<u>\$ 208,606</u>
 STATE FINANCIAL ASSISTANCE								
NON-MAJOR PROGRAMS								
<i>Suwannee River Water Management District</i>								
<i>Cost Share Agreement</i>								
		35866	\$ 273,500	\$ -	\$ -	\$ 71,507	\$ 71,507	\$ -
Total state financial assistance			<u>\$ 273,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,507</u>	<u>\$ 71,507</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards and state financial assistance.

TOWN OF PENNEY FARMS, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the Town of Penney Farms, Florida (the "Town") have been designed to conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

This reporting entity consists of the Town of Penney Farms, Florida. The Town includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the compliance Section for the purpose of additional analysis.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become 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 Town considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

COMPLIANCE SECTION

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

To the Town Council
Town of Penney Farms, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and each major fund of the Town of Penney Farms, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Penney Farms, Florida's basic financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

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

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

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

**Finding 2011-1 (Included in excess of second preceding year)
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

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.

MANAGEMENT'S RESPONSE

We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Town Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Town Council.

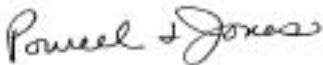
At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
June 29, 2022

**MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

To the Town Council
Town of Penney Farms
Penney Farms, Florida

We have audited the basic financial statements of the Town of Penney Farms, Florida (the Town) as of and for the year ended September 30, 2021, and have issued our report thereon dated June 29, 2022.

We have issued our 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 dated June 29, 2022. Disclosures in that report, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that the following be addressed in this letter:

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year applicable to the management letter.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year applicable to the management letter.

FINANCIAL COMPLIANCE MATTERS

Financial Emergency Status – We determined that the Town had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

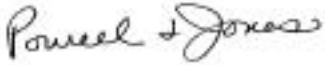
Financial Condition Assessment Procedures – As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management’s responsibility to monitor the entity’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

We noted no deteriorating financial conditions as defined by Rule 10.544(2)(f).

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

CONCLUSION

We very much enjoyed the challenges and experiences associated with this year's audit of the Town. We appreciate the helpful assistance and courtesy afforded us by all Town employees and look forward to working with you in the future.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
June 29, 2022

INDEPENDENT ACCOUNTANT'S REPORT

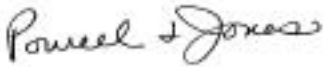
To the Mayor and Members
of the Town Council
Town of Penney Farms, Florida

We have examined the Town of Penney Farms, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

This report is intended solely for the information and use of the Town of Penney Farms, Florida and the Auditor General, State of Florida, and is not appropriate for use by anyone other than these specified parties.



POWELL & JONES
Certified Public Accountants
June 29, 2022

Communication with Those Charged with Governance

To the Mayor and Members of the Town Council
Town of Penney Farms, Florida

We have audited the financial statements of the Town of Penney Farms, Florida for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Penney Farms, Florida are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

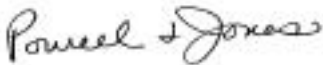
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the Mayor and Members of the Town Council and management of the Town of Penney Farms, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
June 29, 2022