

TOWN OF PENNEY FARMS, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2023

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ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2023
TABLE OF CONTENTS

	PAGE NO.
INTRODUCTORY SECTION	
List of Principal Officials	5
FINANCIAL SECTION	
Independent Auditor's Report	7 - 9
Management's Discussion and Analysis	10 - 14
Basic Financial Statements	
<i>Government Wide Financial Statements:</i>	
Statement of Net Position	16 - 17
Statement of Activities	18
<i>Governmental Fund:</i>	
Balance Sheet	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	21
<i>Proprietary Fund:</i>	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23 - 24
Statement of Cash Flows	25 - 26
Notes to Financial Statements	27 - 42

TOWN OF PENNEY FARMS, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2023
TABLE OF CONTENTS
(continued)

	PAGE NO.
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	44 - 46
Notes to Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	47
OTHER INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	48
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	49
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 <i>Government Auditing Standards</i>	51 - 52
Management Letter	53 - 54
Independent Accountant's Report on Compliance with Florida Statutes relating to Local Government Investments	55
Communication with Those Charged with Governance	56 - 57

INTRODUCTORY SECTION

TOWN OF PENNEY FARMS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2023

MAYOR

Thomas E. DeVille

VICE-MAYOR

Paul Sabin

TOWN COUNCIL

Adrian Andrews

Annette Brooks

Elizabeth Ryder

TOWN MANAGER

David Cooper

TOWN CLERK

Anita Cooper

FINANCIAL SECTION



Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200
Fax 386.719.5504

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

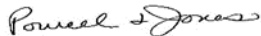
Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report September 16, 2024, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in the Town’s internal control over financial reporting and compliance.



Powell and Jones CPA
Lake City, Florida
September 16, 2024

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, Florida (the 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, 2023 and 2022

	Governmental	Business-type	Total Government	
	Activities	Activities	2023	2022
Assets				
Cash and investments	\$ 1,154,661	\$ 647,357	\$1,802,018	\$ 1,717,445
Other assets	54,849	27,111	81,960	30,274
Capital assets	1,292,783	3,981,962	5,274,745	5,681,995
Total assets	2,502,293	4,656,430	7,158,723	7,429,714
Liabilities				
Current liabilities	445,742	88,099	533,841	475,971
Long-term liabilities	1,768	469,774	471,542	504,372
Total liabilities	447,510	557,873	1,005,383	980,343
Net Position				
Net investment in capital assets	1,292,783	3,491,817	4,784,600	5,681,995
Unrestricted	762,000	356,792	1,118,792	571,591
Restricted	-	249,948	249,948	195,785
Total net assets	\$ 2,054,783	\$ 4,098,557	\$6,153,340	\$ 6,449,371

The majority of the Town’s Net Position reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets, which represents 78% 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 \$1,118,792 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 of Business-type Activities Net Position is due mainly to depreciation expense.

**Changes in Net Position
For the Fiscal Years Ended September 30, 2023 and 2022**

	Governmental	Business-type	Total Government	
	Activities	Activities	2023	2022
Revenues				
Program revenues				
Charges for services	\$ 50	\$ 350,238	\$ 350,288	\$ 409,358
Grants and contributions	40,298	-	40,298	287,505
General revenues				
Taxes	448,083	-	448,083	396,493
State shared revenues	87,800	-	87,800	60,487
Other general revenues	80,504	4,678	85,182	165,437
Total revenues	656,735	354,916	1,011,651	1,319,280
Expenses				
General government	348,253	-	348,253	274,455
Public safety	16,195	-	16,195	13,498
Transportation	292,229	-	292,229	176,397
Culture/recreation	38,028	-	38,028	32,330
Water and solid waste	-	125,176	125,176	104,513
Sewer	-	487,801	487,801	445,249
Total expenses	694,705	612,977	1,307,682	1,046,442
Other financing sources				
Interfund transfers	(167,678)	167,678	-	-
Change in net position	(205,648)	(90,383)	(296,031)	272,838
Beginning net position	2,260,431	4,188,940	6,449,371	6,176,533
Ending net position	\$ 2,054,783	\$ 4,098,557	\$ 6,153,340	\$ 6,449,371

Taxes provide 68% of the revenues for Governmental Activities, while state shared revenues and grants provided 13%. Most of the Governmental Activities resources are spent for General Government 50%, Transportation 42%, Recreation 6%, and Public Safety 2%.

FUND FINANCIAL INFORMATION

Governmental Funds

General Fund

The Town's General Fund is the main operating fund of the Town. As of September 30, 2023, total assets were \$1,209,510, and total liabilities were \$441,539. The ending fund balance was \$767,971.

During the year ended September 30, 2023, total revenues of \$656,735 exceeded total expenditures of \$631,310 by \$25,425. The year's net decrease in fund balance was \$142,253 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, 2023, the Town had \$5,271,286 invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities and lines. This amount represents a net decrease of \$402,756 over the last year.

Capital Assets at September 30, 2023 and 2022

	Governmental Activities	Business-type Activities	Total Government	
			2023	2022
Land	\$ 9,200	\$ 5,050	\$ 14,250	\$ 14,250
Construction in progress	-	-	-	927,574
Buildings and improvements	1,830,795	7,476,833	9,307,628	8,367,216
Equipment	284,513	104,839	389,352	353,766
Subtotal	2,124,508	7,586,722	9,711,230	9,662,806
Accumulated depreciation	(835,184)	(3,604,760)	(4,439,944)	(3,988,764)
Capital assets, net	<u>\$ 1,289,324</u>	<u>\$ 3,981,962</u>	<u>\$ 5,271,286</u>	<u>\$ 5,674,042</u>

Debt Outstanding

At year-end, the Town had \$496,128 in bonds outstanding versus \$520,291 last year, a decrease of \$24,163.

Debt Outstanding at September 30, 2023 and 2022

	Governmental Activities	Business-type Activities	Total Government	
			2023	2022
Capital lease payable	\$ 3,891	\$ -	\$ 3,891	\$ 8,691
Compensated absences	2,080	12	2,092	1,074
Revenue bonds	-	490,145	490,145	510,526
Total	<u>\$ 5,971</u>	<u>\$ 490,157</u>	<u>\$ 496,128</u>	<u>\$ 520,291</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 3.8%. This is a decrease from the prior year's rate of 4.0%.
- The estimated official population for the Town in 2023 was 821.
- The Town currently has a millage rate of 4.63%.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,154,661	\$ 397,409	\$ 1,552,070
Accounts receivable - net	47,144	27,111	74,255
Due from other governmental units	7,705	-	7,705
Internal balances	-	-	-
Total current assets	1,209,510	424,520	1,634,030
Restricted assets			
Cash	-	249,948	249,948
Total restricted assets	-	249,948	249,948
Noncurrent assets			
Lease assets	3,459	-	3,459
Non-depreciable capital assets	9,200	5,050	14,250
Depreciable capital assets, net	1,280,124	3,976,912	5,257,036
Total noncurrent assets	1,292,783	3,981,962	5,274,745
Total assets	\$ 2,502,293	\$ 4,656,430	\$ 7,158,723
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 5,769	\$ -	\$ 5,769
Accrued liabilities	18,559	34,223	52,782
Unearned revenue	417,211	-	417,211
Lease liabilities	3,891	-	3,891
Compensated absences - current portion	312	-	312
Total current liabilities (payable from current assets)	445,742	34,223	479,965
Current liabilities (payable from restricted assets)			
Deposits	-	33,495	33,495
Loan payable - current portion	-	20,381	20,381
Total current liabilities (payable from restricted assets)	-	53,876	53,876

(continued)

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
STATEMENT OF NET POSITION
September 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Noncurrent liabilities			
Other liabilities			
Noncurrent portion loan payable	-	469,764	469,764
Noncurrent compensated absences	1,768	10	1,778
Total long-term liabilities	<u>1,768</u>	<u>469,774</u>	<u>471,542</u>
Total liabilities	<u>447,510</u>	<u>557,873</u>	<u>1,005,383</u>
NET POSITION			
Invested in capital assets net of related debt	1,292,783	3,491,817	4,784,600
Unrestricted	762,000	356,792	1,118,792
Restricted	-	249,948	249,948
Total net position	<u>\$ 2,054,783</u>	<u>\$ 4,098,557</u>	<u>\$ 6,153,340</u>

See notes to financial statements.

**TOWN OF PENNEY FARMS, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,154,661
Accounts receivable	47,144
Due from other governmental units	7,705
Total assets	\$ 1,209,510
LIABILITIES	
Accounts payable	\$ 5,769
Accrued liabilities	18,559
Unearned revenues	417,211
Total liabilities	441,539
FUND BALANCES	
Unassigned	767,971
Total fund balances	767,971
 Amounts reported for governmental activities in the statement of net position are different because:	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,292,783
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(5,971)
Net position of Governmental Activities	\$ 2,054,783

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2023

	General Fund
REVENUES	
Taxes	\$ 391,266
Licenses and permits	47,581
Intergovernmental	184,915
Charges for services	50
Miscellaneous	32,923
Total revenues	656,735
 EXPENDITURES	
Current expenditures	
General government	332,651
Public safety	15,851
Transportation	207,071
Culture/recreation	22,166
Capital outlay	
General government	12,838
Culture/recreation	35,586
Debt Service	
Principal	4,800
Interest	347
Total expenditures	631,310
 EXCESS OF REVENUES OVER EXPENDITURES	 25,425
 OTHER FINANCING SOURCES	
Interfund transfers in	91,790
Interfund transfers out	(259,468)
Total other financing sources	(167,678)
 Net change in fund balances	 (142,253)
 Fund balances at beginning of year	 910,224
Fund balances at end of year	\$ 767,971

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2023

Net change in fund balances - total governmental funds		\$ (142,253)
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	\$ 48,424	
Less current year depreciation/ amortization	(111,117)	
Lease amortization	(4,496)	(67,189)
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 capital leases	4,800	
Net change in compensated absences	(1,006)	3,794
Change in net assets of governmental activities		<u>\$ (205,648)</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2023

ASSETS	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
Current assets			
Cash	\$ 273,838	\$ 123,571	\$ 397,409
Accounts receivable	11,936	15,175	27,111
Internal balances	(20,606)	20,606	-
Total current assets	265,168	159,352	424,520
Restricted assets			
Cash	188,306	61,642	249,948
Total restricted assets	188,306	61,642	249,948
Noncurrent assets			
Fixed assets			
Land	5,050	-	5,050
Buildings and Improvements	-	6,578,892	6,578,892
Equipment	946,067	56,713	1,002,780
Allowance for depreciation	(692,440)	(2,912,320)	(3,604,760)
Total fixed assets	258,677	3,723,285	3,981,962
Total assets	\$ 712,151	\$ 3,944,279	\$ 4,656,430
Current liabilities			
(payable from restricted assets)			
Deposits	\$ 33,495	\$ -	\$ 33,495
Accrued liabilities	23,885	10,338	34,223
Loan payable - current portion	-	20,381	20,381
Total current liabilities	57,380	30,719	88,099
(payable from restricted assets)			
Long-term liabilities			
Compensated absences	5	5	10
Loan payable	-	469,764	469,764
Total long-term liabilities	5	469,769	469,774
Total liabilities	57,385	500,488	557,873
NET POSITION			
Invested in capital assets net of related debt	258,677	3,233,140	3,491,817
Unrestricted	207,783	149,009	356,792
Restricted	188,306	61,642	249,948
Total net position	\$ 654,766	\$ 3,443,791	\$ 4,098,557

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, 2023

	<u>Business-Type Activities-Enterprise Funds</u>		
	<u>Water and Solid Waste</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Physical environment			
Utility services	\$ 112,722	\$ 213,511	\$ 326,233
Garbage/solid waste services	22,393	-	22,393
Penalties/late fees	1,612	-	1,612
Total revenues	136,727	213,511	350,238
Total physical environment			
Miscellaneous			
Interest	3,918	-	3,918
Other	-	760	760
Total miscellaneous	3,918	760	4,678
Total operating revenues	140,645	214,271	354,916
OPERATING EXPENSES			
Personnel services	66,462	40,006	106,468
Depreciation	20,735	319,328	340,063
Communications	-	2,302	2,302
Professional services	1,500	500	2,000
Dues and subscriptions	448	-	448
Office supplies	-	936	936
Operating supplies	6,491	-	6,491
Postage and freight	815	1,058	1,873
Repairs and maintenance	1,973	14,061	16,034
Testing services	2,746	-	2,746
Utilities	9,343	7,916	17,259
Water tower maintenance	10,163	-	10,163
CCUA bulk rate	-	86,783	86,783
Solid Waste Disposal	4,500	-	4,500
Total operating expenses	125,176	472,890	598,066
Operating income (loss)	15,469	(258,619)	(243,150)

(continued)

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, 2023

	<u>Business-Type Activities-Enterprise Funds</u>		
	<u>Water and Solid Waste</u>	<u>Sewer</u>	<u>Totals</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	(14,911)	(14,911)
Interfund transfers in	13,300	63,938	77,238
Interfund transfers out	361,010	(270,570)	90,440
Total nonoperating revenues (expenses)	<u>374,310</u>	<u>(221,543)</u>	<u>152,767</u>
Net Income (loss)	389,779	(480,162)	(90,383)
Net position, beginning of year	<u>264,987</u>	<u>3,923,953</u>	<u>4,188,940</u>
Net position, end of year	<u>\$ 654,766</u>	<u>\$ 3,443,791</u>	<u>\$ 4,098,557</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2023

	<u>Water and Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 138,296	\$ 211,096	\$ 349,392
Cash paid to suppliers	(14,096)	(105,767)	(119,863)
Cash payments for employee services	(66,456)	(37,452)	(103,908)
Net cash provided by operating activities	<u>57,744</u>	<u>67,877</u>	<u>125,621</u>
Cash flows from non-related capital financing activities:			
Transfers to other funds	13,833	(206,632)	(192,799)
Transfers from other funds	-	199,573	199,573
Net cash provided by (used for) financing activities	<u>13,833</u>	<u>(7,059)</u>	<u>6,774</u>
Cash flows from capital and related activities			
Principal payments	-	(20,381)	(20,381)
Interest paid on long-term debt	-	(22,699)	(22,699)
Interest received	3,918	-	3,918
Net cash provided by (used for) investing activities	<u>3,918</u>	<u>(43,080)</u>	<u>(39,162)</u>
Net increase (decrease) in cash	75,495	17,738	93,233
Cash, beginning of year	<u>386,649</u>	<u>167,475</u>	<u>554,124</u>
Cash, end of year	<u>\$ 462,144</u>	<u>\$ 185,213</u>	<u>\$ 647,357</u>
Reported as:			
Cash	\$ 273,838	\$ 123,571	\$ 397,409
Cash, restricted	188,306	61,642	249,948
	<u>\$ 462,144</u>	<u>\$ 185,213</u>	<u>\$ 647,357</u>

See notes to financial statements.

(continued)

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2023

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

	<u>Water and Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Operating gain (loss)	\$ 15,469	\$ (258,619)	\$ (243,150)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	20,734	319,328	340,062
(Increase) decrease in assets:			
Accounts receivable	(1,335)	(3,174)	(4,509)
Increase (decrease) in liabilities:			
Interest liability	(3,918)		(3,918)
Accrued liability		2,546	2,546
Compensated absence	6	6	12
Accounts payable	23,884	7,790	31,674
Deposits payable	2,904	-	2,904
Total adjustments	<u>42,275</u>	<u>326,496</u>	<u>368,771</u>
Net cash provided by operating activities	<u>\$ 57,744</u>	<u>\$ 67,877</u>	<u>\$ 125,621</u>

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Penney Farms, Florida (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 Penney Farms. 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, 2023, 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, 2023, 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, 2023.
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, 2023, 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, 2023, fund balances are comprised of the following:

	<u>General Fund</u>
Unassigned	<u>\$ 767,971</u>
Total fund balance	<u><u>\$ 767,971</u></u>

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 \$767,971 differs from “Net Position” of governmental activities \$2,054,783 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	\$ 2,124,508
Accumulated depreciation	<u>(835,184)</u>
Total	<u>\$ 1,289,324</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, 2023, was:

Compensated absences	\$ 2,080
Capital lease payable	<u>3,891</u>
	<u>\$ 5,971</u>

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

	<u>Total Governmental Fund</u>	<u>Capital Related Items</u>	<u>Long-Term Debt Transactions</u>	<u>Statement of Net Position</u>
ASSETS				
Cash and cash equivalents	\$ 1,154,661	\$ -	\$ -	\$ 1,154,661
Accounts receivable	47,144	-	-	47,144
Due from other governmental units	7,705	-	-	7,705
Capital assets - net	-	1,292,783	-	1,292,783
Total assets	<u><u>\$ 1,209,510</u></u>	<u><u>\$ 1,292,783</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,502,293</u></u>
LIABILITIES AND FUND BALANCES/NET POSITION				
Accounts payable	\$ 5,769	\$ -	\$ -	\$ 5,769
Accrued liabilities	18,559	-	-	18,559
Unearned revenue	417,211	-	-	417,211
Capital lease payable	-	-	3,891	3,891
Accrued compensated absences	-	-	2,080	2,080
Total liabilities	<u><u>441,539</u></u>	<u><u>-</u></u>	<u><u>5,971</u></u>	<u><u>447,510</u></u>
Fund balances/net position	<u><u>767,971</u></u>	<u><u>1,292,783</u></u>	<u><u>(5,971)</u></u>	<u><u>2,054,783</u></u>
Total liabilities and fund balance/net position	<u><u>\$ 1,209,510</u></u>	<u><u>\$ 1,292,783</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,502,293</u></u>

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

The “net change in fund balances” for governmental funds (\$142,253) differs from the “change in net position” for governmental activities (\$205,648) 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.

Expenditures for capital assets	
Capital outlay	\$ 48,424
Current year depreciation	<u>(111,117)</u>
	<u>\$ (62,693)</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 decrease in lease liability	\$ (293)
Net decrease in compensated absences	<u>4,800</u>
	<u>\$ 4,507</u>

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	\$ 391,266	\$ -	\$ -	\$ 391,266
Licenses and permits	47,581	-	-	47,581
Intergovernmental	184,915	-	-	184,915
Charges for services	50	-	-	50
Fines and forfeitures	-	-	-	-
Miscellaneous	32,923	-	-	32,923
Total revenues	<u>\$ 656,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,735</u>
Expenditures				
Current expenditures				
General government	\$ 332,651	\$ 14,249	\$ 1,006	\$ 347,906
Public safety	15,851	344	-	16,195
Transportation	207,071	85,158	-	292,229
Culture/recreation	22,166	15,862	-	38,028
Capital outlay				
General government	12,838	(12,838)	-	-
Culture/recreation	35,586	(35,586)	-	-
Debt service				
Principal	4,800	-	(4,800)	-
Interest	347	-	-	347
Total expenditures	<u>631,310</u>	<u>67,189</u>	<u>(3,794)</u>	<u>694,358</u>
Interfund transfers in	91,790	-	-	91,790
Interfund transfers out	<u>(259,468)</u>	<u>-</u>	<u>-</u>	<u>(259,468)</u>
Total transfers	<u>(167,678)</u>	<u>-</u>	<u>-</u>	<u>(167,678)</u>
Net change in fund balance	<u>(142,253)</u>	<u>(67,189)</u>	<u>3,794</u>	<u>(205,648)</u>
Fund balances at beginning of year	<u>910,224</u>	<u>1,359,972</u>	<u>(9,765)</u>	<u>2,260,431</u>
Fund balances at end of year	<u>\$ 767,971</u>	<u>\$ 1,292,783</u>	<u>\$ (5,971)</u>	<u>\$ 2,054,783</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, 2023, the carrying amounts of these deposits were \$1,154,661.

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 2022-23 fiscal year were levied in October 2022. 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, 2023, was as follows:

	Beginning Balance	Additions	Reclassification/ Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Non depreciable:				
Land	\$ 9,200	\$ -	\$ -	\$ 9,200
Construction in progress	927,574	-	(927,574)	-
Total non depreciable	936,774	-	-	9,200
Depreciable:				
Buildings and improvements	890,383	12,838	927,574	1,830,795
Equipment and vehicles	248,927	35,586	-	284,513
Total depreciable	1,139,310	48,424	927,574	2,115,308
Total capital assets	2,076,084	48,424	927,574	2,124,508
Less accumulated depreciation	(724,067)	(111,117)	-	(835,184)
Lease assets	21,790	-	-	21,790
Less accumulated amortization	(13,835)	(4,496)	-	(18,331)
Lease assets, net	7,955	(4,496)	-	3,459
Governmental activities capital assets, net	<u>\$1,359,972</u>	<u>\$ (67,189)</u>	<u>\$ 927,574</u>	<u>\$ 1,292,783</u>
<u>Business-type activities:</u>				
Capital assets:				
Non depreciable:				
Land	\$ 5,050	\$ -	\$ -	\$ 5,050
Depreciable:				
Equipment	104,839	-	-	104,839
Utility plant	7,476,833	-	-	7,476,833
Total depreciable	7,581,672	-	-	7,581,672
Total capital assets	7,586,722	-	-	7,586,722
Less accumulated depreciation	(3,264,697)	(340,063)	-	(3,604,760)
Business-type activities capital assets, net	<u>\$4,322,025</u>	<u>\$ (340,063)</u>	<u>\$ -</u>	<u>\$ 3,981,962</u>

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

Governmental activities		
General government		\$ 9,753
Public safety		344
Transportation		85,158
Culture and recreation		15,862
Total depreciation expense-governmental activities		<u><u>\$ 111,117</u></u>
Business-type activities:		
Water utility		\$ 319,328
Sewer utility		20,735
Total depreciation expense- business-type activities		<u><u>\$ 340,063</u></u>

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2023, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General Fund	<u>\$ -</u>	<u>\$ 7,705</u>	<u>\$ 7,705</u>
Business-type activities			
Enterprise Fund	<u>\$ 27,111</u>	<u>\$ -</u>	<u>\$ 27,111</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, 2023 were as follows:

	<u>Accounts</u>
Governmental activities:	
General Fund	<u>\$ 5,769</u>
Business-type activities:	
Enterprise Fund	<u>\$ -</u>

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities for the year ended September 30, 2023 for governmental activities were as follows:

	Balance 9/30/2022	Additions	Reductions	Balance 9/30/2023	Due Within
Governmental Activities:					
Compensated absences	\$ 1,074	\$ 1,006	\$ -	\$ 2,080	\$ 312
Lease payable	8,691	-	(4,800)	3,891	3,891
	<u>\$ 9,765</u>	<u>\$ 1,006</u>	<u>\$ (4,800)</u>	<u>\$ 5,971</u>	<u>\$ 4,203</u>

Long-term liabilities for the year ended September 30, 2023 for business-type activities were as follows:

	October 1, 2022	Increases	Decreases	September 30, 2023	Due Within One Year
Buisness-type Activities:					
Compensated absences	\$ -	\$ 12	\$ -	\$ 12	\$ 2
Bonds payable	510,526	-	(20,381)	490,145	20,987
	<u>\$ 510,526</u>	<u>\$ 12</u>	<u>\$ (20,381)</u>	<u>\$ 490,157</u>	<u>\$ 20,989</u>

In April of 2011, the Town entered into a Wastewater System Revenue Bond agreement, which is collateralized by pledged revenues. The pledged is made up of 60 semiannual payments of \$17,646, with a interest rate of 1.45%, and a grant allocation assessment of 1.45%. As of September 30, 2023 the principal amount due is \$490,145.

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, 2023, are as follows:

September 30,	Principal	Interest	Total
2024	20,987	14,306	35,293
2025	21,610	13,682	35,292
2026	22,253	13,040	35,293
2027	22,914	12,378	35,292
2028	23,595	11,697	35,292
2029-2033	128,919	47,544	176,463
2034-2041	249,867	32,474	282,341
Total	<u>490,145</u>	<u>145,121</u>	<u>635,266</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, 2023, 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, 2023, 2022, 2021 and 2020, respectively, were \$26,686, \$19,774, \$23,871, and \$20,663, 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, 2023. Transfers from the Water and Sewer Funds to the General Fund were used to pay operating costs.

<u>Fund</u>	<u>Transfer in/out</u>
Governmental Activities	\$ (167,678)
Buisness- type Activities	167,678
	<u>\$ -</u>

NOTE 11. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2023:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Sewer	20,606	-
Water and Solid Waste	-	20,606
	<u>\$ 20,606</u>	<u>\$ 20,606</u>

NOTE 12. LEASES

The town went into a lease agreement with Premier Advantage in May of 2019 for a copier. The lease is for a term of 63 months with a payment of \$399 a month.

The lease liability is amortized through monthly lease payments made by the Town. A portion of each payment is expensed as interest. The remaining amount of each payment is used

to reduce the principal balance of the lease liability. The schedule below shows the annual interest expense and lease principal payments to maturity as of September 30, 2023:

<u>Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Payment</u>
2024	<u>\$ 4,271</u>	<u>\$ 118</u>	<u>\$ 4,389</u>

NOTE 13. 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 14. 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.

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem taxes	\$ 89,448	\$ 94,396	\$ 4,948
Sales and use taxes			
Local option gas tax/ alternative fuel	35,900	41,504	5,604
Infrastructure surtax	110,650	125,377	14,727
Franchise fees			
Electricity	43,400	68,217	24,817
Utility service taxes			
Electricity and propane	64,500	46,557	(17,943)
Communications services tax	14,600	15,215	615
Total taxes	358,498	391,266	32,768
Licenses and permits			
Building permits	55,000	47,581	(7,419)
Business license	50	-	(50)
Other permits and fees	1,650	-	(1,650)
Total licenses and permits	56,700	47,581	(9,119)
Intergovernmental			
State shared revenues			
General government			
State grant	649,500	40,298	(609,202)
Federal grant	417,212	-	(417,212)
FDOT agreements	24,000	20,072	(3,928)
State revenue sharing	1,551,700	67,728	(1,483,972)
Local government half-cent sales tax	51,800	56,817	5,017
Total Intergovernmental	2,694,212	184,915	(2,509,297)
Charges for services			
Public safety	1,500	-	(1,500)
Culture/recreation	150	50	(100)
Total charges for services	1,650	50	(1,600)
Fines and forfeitures	100	-	(100)
Miscellaneous			
Other miscellaneous			
Contributions	100	2,625	2,525
Other revenues	100	13,625	13,525
Interest income	500	16,673	16,173
Total miscellaneous	700	32,923	32,223
Total revenues	3,111,860	656,735	(2,455,125)

(continued)

See notes.

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, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
EXPENDITURES			
General government			
Legislative			
Personnel services	\$ 6,975	\$ 6,269	\$ 706
Executive			
Personnel services	86,492	87,890	(1,398)
Financial and administrative			
Personnel services	124,276	130,643	(6,367)
Operating expenses	26,700	39,860	(13,160)
Total financial and administrative	<u>150,976</u>	<u>170,503</u>	<u>(19,527)</u>
Legal Counsel			
Operating expenses	20,000	19,500	500
Other General Government			
Personnel services	7,020	7,097	(77)
Operating expenses	25,317	46,538	(21,221)
Total other general government	<u>32,337</u>	<u>53,635</u>	<u>(21,298)</u>
Capital outlay	<u>2,603,795</u>	<u>12,838</u>	<u>2,590,957</u>
Total general government	<u>2,900,575</u>	<u>350,635</u>	<u>(2,549,940)</u>
Public safety			
Protective inspections	14,250	15,851	(1,601)
Total public safety	<u>14,250</u>	<u>15,851</u>	<u>(1,601)</u>
Transportation			
Roads and streets			
Personnel services	137,909	149,064	(11,155)
Operating expenses	40,734	58,007	(17,273)
Total transportation	<u>178,643</u>	<u>207,071</u>	<u>(28,428)</u>

(continued)

See notes.

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
Culture/recreation			
Parks and recreation			
Operating expenses	18,192	22,166	(3,974)
Capital outlay	-	35,586	(35,586)
Total culture/recreation	<u>18,192</u>	<u>57,752</u>	<u>(39,560)</u>
Total expenditures	<u>3,111,660</u>	<u>631,309</u>	<u>(2,619,529)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	200	(259,468)	259,668
Interfund transfers in	-	91,789	(91,789)
Total other financing sources (uses)	<u>200</u>	<u>(167,679)</u>	<u>167,879</u>
Excess of revenues over expenditures	<u>-</u>	<u>(142,253)</u>	<u>142,253</u>
Fund balance at beginning of year	<u>910,224</u>	<u>910,224</u>	<u>-</u>
Fund balance at end of year	<u>\$ 910,224</u>	<u>\$ 767,971</u>	<u>\$ 142,253</u>

See notes.

TOWN OF PENNEY FARMS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

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, 2023

<u>GRANTOR/PROGRAM TITLE</u>	<u>ALN#/ CSFA #</u>	<u>GRANT #</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REPORTED IN PRIOR YEARS</u>	<u>REVENUES RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>DEFERRED REVENUES 9/30/23</u>
FEDERAL AWARDS							
NON-MAJOR PROGRAMS							
US Department of the Treasury							
Passed through the Florida Division of							
Emergency Management							
Coronavirus State & Local Fiscal							
Recovery Funds							
	21.027	Y5262	<u>\$417,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$417,211</u>
Total federal awards			<u>\$417,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$417,211</u>
STATE FINANCIAL ASSISTANCE							
NON-MAJOR PROGRAMS							
Department of Environmental Protection							
Florida Recreation Development Assistance Program							
	37.017	A22010	<u>\$ 49,499</u>	<u>\$ 7,050</u>	<u>\$ 40,298</u>	<u>\$ 40,298</u>	<u>\$ -</u>
Total state financial assistance			<u>\$ 49,499</u>	<u>\$ 7,050</u>	<u>\$ 40,298</u>	<u>\$ 40,298</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, 2023

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Subrecipients

The Town had no subrecipients during the fiscal year.

D. Indirect Cost Rate

The Council did not elect to use the de minimis indirect cost rate for the fiscal year ended September 30, 2023.

COMPLIANCE SECTION



Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200

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

To the 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 (the Town), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town basic financial statements, and have issued our report thereon dated September 16, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town 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 (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.

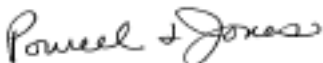
At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 and Jones CPA
Lake City, Florida
September 16, 2024



Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200

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, 2023, and have issued our report thereon dated September 16, 2024.

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 September 16, 2024. 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

2011-1 Financial Statement Preparation (in excess of second preceding year) – Not corrected.

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.

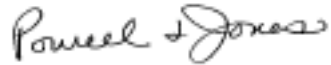
Financial Condition Assessment Procedures – As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment 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 and Jones CPA
Lake City, Florida
September 16, 2024

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA
STATUTES RELATING TO LOCAL GOVERNMENT INVESTMENTS**

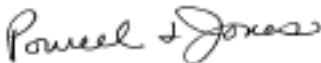
To the Penney Farms and Members
of the Town Council
Town of Penney Farms, Florida

We have examined the Town of Penney Farms, Florida's (the Town) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2023. 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, 2023.

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



Powell and Jones CPA
Lake City, Florida
September 16, 2024

Communication with Those Charged with Governance

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

We have audited the financial statements of the Town of Penney Farms, Florida (the Town) for the year ended September 30, 2023. 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 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 2023. 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'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 September 16, 2024.

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

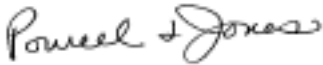
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 Penney Farms 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 and Jones CPA
Lake City, Florida
September 16, 2024