TOWN OF PENNEY FARMS, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2025

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FINANCIAL SECTION

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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, 2025, 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, 2025, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report September 9, 2026, 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 & Jones

Powell and Jones CPA
Lake City, Florida
September 9, 2026

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 snapshot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into any amounts invested in capital assets, 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 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, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024
Assets				
Cash and investments	$ 1,330,496	$ 970,356	$ 2,300,852	$ 1,996,197
Other assets	25,566	38,549	64,115	59,593
Capital assets	1,349,637	3,344,651	4,694,288	5,004,477
Total assets	$ 2,705,699	$ 4,353,556	$ 7,059,255	$ 7,060,267
Liabilities				
Current liabilities	$ 51,721	$ 77,677	$ 129,398	$ 94,118
Long-term liabilities	-	425,294	425,294	450,478
Total liabilities	51,721	502,971	554,692	544,596
Net Position				
Net investment in capital assets	1,349,637	2,892,703	4,242,340	4,535,319
Restricted	751,149	345,385	1,096,534	919,811
Unrestricted	553,192	612,497	1,165,689	1,060,539
Total net assets	$ 2,653,978	$ 3,850,585	$ 6,504,563	$ 6,515,669

At September 30, 2025, the Town reported total assets of $7,059,255 and total liabilities of $554,692. Total net position was $6,504,563, consisting of $2,653,978 from governmental activities and $3,850,585 from business-type activities.

Total assets decreased by $1,012, from $7,060,267 in 2024 to $7,059,255 in 2025. Cash and investments increased by $304,655, while capital assets, net of accumulated depreciation, decreased by $310,189. Total liabilities increased by $10,096, from $544,596 in 2024 to $554,692 in 2025.

The largest portion of the Town's net position was its net investment in capital assets, which totaled $4,242,340, or approximately 65% of total net position. Restricted net position totaled $1,096,534, and unrestricted net position totaled $1,165,689.

Governmental activities reported assets of $2,705,699 and liabilities of $51,721, resulting in net position of $2,653,978. Business-type activities reported assets of $4,353,556 and liabilities of $502,971, resulting in net position of $3,850,585.

The following schedule provides a summary of the changes in Net Position.

Changes in Net Position

For the Fiscal Years Ended September 30, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024
Revenues				
Program revenues				
Charges for services	$ 25,931	$ 499,270	$ 525,201	$ 470,961
Grants and contributions	99,830	-	99,830	502,511
General revenues				
Taxes	411,679	-	411,679	469,580
State shared revenues	88,156	-	88,156	82,880
Other general reveunes	137,367	15,111	152,478	107,459
Total revenues	762,963	514,381	1,277,344	1,633,391
Expenses				
General government	381,149	-	381,149	318,251
Public safety	27,730	-	27,730	23,620
Transportation	255,376	-	255,376	239,290
Culture/recreation	41,581	-	41,581	38,270
Water and solid waste	-	108,251	108,251	141,332
Sewer	-	474,363	474,363	516,299
Total expenses	705,836	582,614	1,288,450	1,277,062
Other financing sources				
Gain or (loss) on sale of assets	-	-	-	6,000
Change in net position	57,127	(68,233)	(11,106)	362,329
Beginning net position	2,596,851	3,918,818	6,515,669	6,153,340
Ending net position	$ 2,653,978	$ 3,850,585	$ 6,504,563	$ 6,515,669

For the fiscal year ended September 30, 2025, governmental activities generated revenues of $762,963 and incurred expenses of $705,836. As a result, governmental activities increased the Town's net position by $57,127.

Business-type activities generated revenues of $514,381 and incurred expenses of $582,613. As a result, business-type activities decreased the Town's net position by $68,233.

Total government-wide revenues were $1,277,344, compared with $1,633,391 in fiscal year 2024, a decrease of $356,047. Charges for services increased by $54,240, from $470,961 to $525,201. Grants and contributions decreased by $402,681, from $502,511 to $99,830. Tax revenues decreased by $57,901, state-shared revenues increased by $5,276, and other general revenues increased by $45,019.

Total government-wide expenses were $1,288,449, compared with $1,277,062 in fiscal year 2024, an increase of $11,387. General government expenses increased by $62,898, public safety expenses increased by $4,110, transportation expenses increased by $16,086, and culture and recreation expenses increased by $3,311. Water and solid waste expenses decreased by $33,081, while sewer expenses decreased by $41,937.

The Town's total net position decreased by $11,106 during fiscal year 2025. Governmental activities increased net position by $57,127, while business-type activities decreased net position by $68,233.

FUND FINANCIAL INFORMATION

Governmental Funds

General Fund

The General Fund is the Town's primary operating fund. At September 30, 2025, the General Fund reported an ending fund balance of $1,304,341, an increase of $25,192 from the beginning fund balance of $1,279,149.

For the fiscal year ended September 30, 2025, General Fund revenues totaled $762,963 and expenditures totaled $737,771. Revenues exceeded expenditures by $25,192. The Town reported no other financing sources or uses during the year.

Taxes were the General Fund's largest revenue source, totaling $411,679. Franchise fee revenue totaled $76,064, and state grants totaled $99,830. Other revenue sources included $88,156 in state-shared revenues, $25,931 in license and permit fees, and $61,303 in miscellaneous revenues. State grant revenue did not include an American Rescue Plan Act grant.

General government expenditures, including capital outlay, totaled $510,282 and represented approximately 69 percent of General Fund expenditures. Transportation expenditures totaled $174,039, public safety expenditures totaled $27,730, and culture and recreation expenditures totaled $25,720.

Budgetary Highlights

Final budgeted General Fund revenues were $3,307,809, while actual revenues were $762,963. Actual revenues were $2,544,846 below budget. The primary reason for this variance was that state and local grant revenue was $2,557,321 below the budgeted amount.

Final budgeted expenditures were $3,307,609, while actual expenditures were $737,771. Actual expenditures were $2,569,838 below budget. Most of this variance resulted from capital outlay expenditures being $2,571,907 below budget.

The final budget anticipated no change in fund balance after a $200 transfer out. Actual revenues exceeded expenditures by $25,192, and no transfer occurred. Consequently, the ending fund balance was $1,304,341, which was $25,192 higher than the beginning fund balance.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2025, the Town reported gross capital assets of $10,024,187 and accumulated depreciation of $5,329,899, resulting in net capital assets of $4,694,288. Net capital assets consisted of $1,349,637 related to governmental activities and $3,344,651 related to business-type activities.

Total net capital assets decreased by $310,189 from the September 30, 2024 balance of $5,004,477. Accumulated depreciation increased by $450,942, from $4,878,957 in 2024 to $5,329,899 in 2025.

Land totaled $14,250 and remained unchanged from 2024. Construction in progress increased by $99,830. Buildings and improvements totaled $9,446,090 and remained unchanged. Equipment increased by $40,923, from $423,094 in 2024 to $464,017 in 2025.

Capital Assets at September 30, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024
Land	$ 9,200	$ 5,050	$ 14,250	$ 14,250
Construction in progress	99,830	-	99,830	-
Buildings and improvements	1,969,257	7,476,833	9,446,090	9,446,090
Equipment	313,135	150,882	464,017	423,094
Subtotal	2,391,422	7,632,765	10,024,187	9,883,434
Accumulated depreciation	(1,041,785)	(4,288,114)	(5,329,899)	(4,878,957)
Capital assets, net	$ 1,349,637	$ 3,344,651	$ 4,694,288	$ 5,004,477

Debt Outstanding

At September 30, 2025, the Town had $447,547 of revenue bonds outstanding, all related to business-type activities. Revenue bonds decreased by $21,611 from the September 30, 2024 balance of $469,15

Debt Outstanding at September 30, 2025 and 2024

	Governmental Activities	Business-type Activities	Total Government 2025	Total Government 2024
Compensated absences	$ -	$ -	$ -	$ 3,449
Revenue bonds	-	447,547	447,547	469,158
Total	$ -	$ 447,547	$ 447,547	$ 472,607

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 4.1%.
- The estimated official population for the Town in 2025 was approximately 835.
- The Town currently has a millage rate of 4.4535 mills.

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, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,330,496	$ 624,971	$ 1,955,467
Accounts receivable - net	10	38,549	38,559
Due from other governmental units	25,556	-	25,556
Total current assets	1,356,062	663,520	2,019,582
Restricted assets			
Cash	-	345,385	345,385
Total restricted assets	-	345,385	345,385
Noncurrent assets			
Non-depreciable capital assets	109,030	5,050	114,080
Depreciable capital assets, net	1,240,607	3,339,601	4,580,208
Total noncurrent assets	1,349,637	3,344,651	4,694,288
Total assets	$ 2,705,699	$ 4,353,556	$ 7,059,255
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	$ 32,125	$ 4,555	$ 36,680
Accrued liabilities	19,596	1,129	20,725
Unearned revenues	-	4,708	4,708
Total current liabilities (payable from current assets)	51,721	10,392	62,113
Current liabilities (payable from restricted assets)			
Deposits	-	40,631	40,631
Accrued interest	-	4,401	
Bonds payable - current portion	-	22,253	22,253
Total current liabilities (payable from restricted assets)	-	67,285	62,884
Noncurrent liabilities			
Bond payable - noncurrent portion	-	425,294	425,294
Total noncurrent liabilities	-	425,294	425,294
Total liabilities	51,721	502,971	550,291
NET POSITION			
Invested in capital assets net of related debt	1,349,637	2,892,703	4,242,340
Restricted for:			
Infrastructure	463,724	-	463,724
Transportation	129,975	-	129,975
Permitting	157,450	-	157,450
Debt service	-	345,385	345,385
Unrestricted	553,192	612,497	1,165,689
Total net position	$ 2,653,978	$ 3,850,585	$ 6,504,563

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental Activities							
General government	$ 381,149	$ 25,931	$ -	$ 99,830	$ (255,388)	$ -	$ (255,388)
Public safety	27,730	-	-	-	(27,730)	-	(27,730)
Transportation	255,376	-	-	-	(255,376)	-	(255,376)
Culture/recreation	41,581	-	-	-	(41,581)	-	(41,581)
Total governmental activities	705,836	25,931	-	99,830	(580,075)	-	(580,075)
Business-type activities							
Water and solid waste services	108,251	194,843	-	-	-	86,592	86,592
Sewer services	474,362	304,427	-	-	-	(169,935)	(169,935)
Total business-type activities	582,613	499,270	-	-	-	(83,343)	(83,343)
Total government	$ 1,288,449	$ 525,201	$ -	$ 99,830	(580,075)	(83,343)	(663,418)
		General revenues					
		Taxes			411,679	-	411,679
		Franchise fees			76,064	-	76,064
		State shared revenues			88,156	-	88,156
		Miscellaneous			61,303	15,111	76,414
		Total general revenues			637,202	15,111	652,313
		Change in net position			57,127	(68,233)	(11,106)
		Net position beginning			2,596,851	3,918,818	6,515,669
		Net position ending			$ 2,653,978	$ 3,850,585	$ 6,504,563

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2025

		General Fund
ASSETS		
Cash and cash equivalents	$	1,330,496
Accounts receivable		10
Due from other governmental units		25,556
Total assets	$	1,356,062
LIABILITIES		
Accounts payable	$	32,125
Accrued liabilities		19,596
Total liabilities		51,721
FUND BALANCES		
Restricted for:		
Permitting		157,450
Infrastructure		463,724
Transportation		129,975
Unassigned		553,192
Total fund balances	$	1,304,341
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		
Cost of capital assets		2,391,422
Accumulated depreciation		(1,041,785)
Total net capital assets		1,349,637
Net position of Governmental Activities	$	2,653,978

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, 2025

		General Fund
REVENUES		
Taxes	$	411,679
Licenses and permits		25,931
Franchise Fees		76,064
State grants		99,830
State shared revenues		88,156
Miscellaneous		61,303
Total revenues		762,963
EXPENDITURES		
Current expenditures		
General government		369,530
Public safety		27,730
Transportation		174,039
Culture/recreation		25,720
Capital outlay		
General government		140,752
Total expenditures		737,771
Net change in fund balances		25,192
Fund balances at beginning of year		1,279,149
Fund balances at end of year	$	1,304,341

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, 2025

Net change in fund balances - total governmental funds		**$ 25,192**
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	**$ 140,752**	
Less current year depreciation	**(111,949)**	**28,803**
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Net change in compensated absences	**3,132**	**3,132**
Change in net assets of governmental activities		**$ 57,127**

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2025

	Business-Type Activities-Enterprise Funds		
ASSETS	**Water and Solid Waste**	**Sewer**	**Totals**
Current assets			
Cash	$ 376,912	$ 248,059	$ 624,971
Accounts receivable	14,884	23,665	38,549
Total current assets	391,796	271,724	663,520
Restricted assets			
Cash	289,003	56,382	345,385
Total restricted assets	289,003	56,382	345,385
Noncurrent assets			
Fixed assets			
Land	5,050	-	5,050
Buildings and improvements	897,941	6,578,892	7,476,833
Improvements other than buildings		-	-
Equipment	48,126	102,756	150,882
Allowance for depreciation	(729,836)	(3,558,278)	(4,288,114)
Total fixed assets	221,281	3,123,370	3,344,651
Total assets	$ 902,080	$ 3,451,476	$ 4,353,556
LIABILITIES			
Current liabilities			
Accrued liabilities	$ 482	$ 647	$ 1,129
Accounts payable	4,528	27	4,555
Unearned revenues	4,708	-	4,708
Payable from restricted assets			
Deposits	40,631	-	40,631
Accrued interest	-	4,401	4,401
Bonds payable - current portion	-	22,253	22,253
Total current liabilities	50,349	27,328	77,677
Long-term liabilities			
Bonds payable - noncurrent portion	-	425,294	425,294
Total long-term liabilities	-	425,294	425,294
Total liabilities	50,349	452,622	502,971
NET POSITION			
Invested in capital assets net of related debt	221,281	2,671,422	2,892,703
Restricted	289,003	56,382	345,385
Unrestricted	341,447	271,050	612,497
Total net position	$ 851,731	$ 2,998,854	$ 3,850,585

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, 2025

	Business-Type Activities-Enterprise Funds		
	Water and Solid Waste	Sewer	Totals
OPERATING REVENUES			
Physical environment			
Utility services	$ 161,342	$ 304,427	$ 465,769
Garbage/solid waste services	31,986	-	31,986
Penalties/late fees	1,515	-	1,515
Total revenues	194,843	304,427	499,270
Total physical environment			
Miscellaneous			
Other	-	8,264	8,264
Total miscellaneous	-	8,264	8,264
Total operating revenues	194,843	312,691	507,534
OPERATING EXPENSES			
Personnel services	45,987	31,089	77,076
Depreciation	16,014	322,979	338,993
Professional services	1,734	1,000	2,734
Dues and subscriptions	1,919	-	1,919
Office supplies	-	1,114	1,114
Operating supplies	9,131	-	9,131
Postage and freight	513	336	849
Repairs and maintenance	3,893	4,151	8,044
Testing services	5,734	-	5,734
Utilities	6,366	5,569	11,935
Water tower maintenance	10,782	-	10,782
Miscellaneous	1,178	-	1,178
CCUA bulk rate	-	93,883	93,883
Solid Waste Disposal	5,000	-	5,000
Total operating expenses	108,251	460,121	568,372
Operating income (loss)	86,592	(147,430)	(60,838)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	5,760	1,087	6,847
Interest expense	-	(14,242)	(14,242)
Interfund transfers in	53,423	1,447	54,870
Interfund transfers out	(1,447)	(53,423)	(54,870)
Total nonoperating revenues (expenses)	57,736	(65,131)	(7,395)
Net income (loss)	144,328	(212,561)	(68,233)
Net position, beginning of year	707,403	3,211,415	3,918,818
Net position, end of year	$ 851,731	$ 2,998,854	$ 3,850,585

See notes to financial statements.

TOWN OF PENNEY FARMS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025

	Water and Solid Waste	Sewer	Total
Cash flows from operating activities:			
Cash received from customers and users	$ 203,841	$ 307,239	$ 511,080
Cash paid to suppliers	(47,471)	(115,087)	(162,558)
Cash payments for employee services	(45,801)	(33,688)	(79,489)
Net cash provided by operating activities	110,569	158,464	269,033
Cash flows from noncapital financing activities:			
Transfers to other funds	51,976	(51,976)	-
Net cash provided by (used for) noncapital financing activities	51,976	(51,976)	-
Cash flows from capital and related activities			
Principal payments	-	(21,611)	(21,611)
Interest paid on long-term debt	-	(14,241)	(14,241)
Interest received	5,760	1,088	6,848
Net cash provided by (used for) investing activities	5,760	(34,764)	(29,004)
Net increase in cash	168,305	71,724	240,029
Cash, beginning of year	497,610	232,717	730,327
Cash, end of year	$ 665,915	$ 304,441	$ 970,356
Reported as:			
Cash	$ 376,912	$ 248,059	$ 624,971
Cash, restricted	289,003	56,382	345,385
	$ 665,915	$ 304,441	$ 970,356
Operating gain (loss)	$ 86,592	$ (147,430)	$ (60,838)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	16,014	322,979	338,993
(Increase) decrease in assets:			
Accounts receivable	(1,369)	(5,452)	(6,821)
Increase (decrease) in liabilities:			
Unearned revenue	4,708	-	4,708
Accrued liability	350	(2,435)	(2,085)
Compensated absence	(164)	(165)	(329)
Accounts payable	(1,221)	(9,033)	(10,254)
Deposits payable	5,659	-	5,659
Total adjustments	23,977	305,894	329,871
Net cash provided by operating activities	$ 110,569	$ 158,464	$ 269,033

See notes to financial statements.

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.

A. Reporting Entity - The Town of Penney Farms, Florida (the "Town"), is a municipal corporation and political subdivision of the State of Florida. The Town was incorporated in 1927 pursuant to Chapter 13253, Laws of Florida (1927), and operates in accordance with its charter, the Florida Constitution, and applicable provisions of the *Florida Statutes*.

The Town operates under a Council–Manager form of government. The Town is governed by an elected Town Council, which establishes policy and performs the legislative functions of the Town. The Town Council appoints the Town Manager, who is responsible for administering the Town's day-to-day operations in accordance with the Town's charter, ordinances, resolutions, and policies.

The financial reporting entity consists of the primary government and organizations for which the Town is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Financial accountability exists when the Town appoints a voting majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. Financial accountability may also exist in certain circumstances when an organization is fiscally dependent on the Town.

Based on the application of these criteria, the Town has determined that there are no component units required to be included in the Town's financial 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. 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, 2025, the Town's major governmental fund 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.

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 buildings, 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, 2025, 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, 2025.

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.

   Certain assets are restricted because their use is limited by applicable laws, regulations, contractual provisions, or externally imposed restrictions. Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

6. **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.

7. **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 accquisition 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

8. **Unearned and Unavailable Revenues** — Unearned revenues represent resources received before applicable revenue recognition criteria have been met. In governmental funds, revenues that are measurable but not available under the modified accrual basis of accounting are reported as deferred inflows of resources and recognized as revenues when they become available.

9. **Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

10. **Fund Balances – Governmental Funds –**

As of September 30, 2025, 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.

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, 2025, fund balances are comprised of the following:

	General Fund
Unassigned	$ 553,192
Restricted for:	
Permitting - Florida Building Code Permits	157,450
Infrastructure - 1% Infrastructure Sales Surtax	463,724
Transportation - $0.05 Additional Local Option Motor Fuel Tax	129,975
Total fund balance	$ 1,304,341

11. **Net Position**

Net Position — Net position represents the difference between assets and liabilities in the government-wide and proprietary fund financial statements and is reported in three categories:

Net investment in capital assets — Consists of capital assets, net of accumulated depreciation, reduced by the outstanding principal of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt, if applicable, are also included in this component of net position.

Restricted — Consists of net position with constraints placed on its use either externally by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted — Consists of net position that does not meet the definition of either net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources as needed.

At September 30, 2025, governmental activities reported net position of $2,653,978, and business-type activities reported net position of $3,850,585. Total net position was $6,504,563

Net Position	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	$1,349,637	$2,892,703	$4,242,340
Restricted	751,149	345,385	1,096,534
Unrestricted	553,192	612,497	1,165,689
Total net position	$2,653,978	$3,850,585	$6,504,563

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 of $1,304,341 differs from the $2,653,978 net position of governmental activities reported in the statement of net position. This difference primarily results from the long-term economic 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	$ 2,391,422
Accumulated depreciation	(1,041,785)
Total	$ 1,349,637

Long-term debt transactions

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the government-wide statement of net position.

At September 30, 2025, the Town had no long-term liabilities applicable to governmental activities. The previously reported compensated-absence liability was removed after the Town determined that its personnel policies did not provide employees with an accumulated compensated-absence benefit. Accordingly, the balance of governmental activities long-term liabilities at September 30, 2025, was $0.

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

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

	Total Governmental Fund	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
ASSETS				
Cash and cash equivalents	$ 1,330,496	$ -	$ -	$ 1,330,496
Accounts receivable	10	-	-	10
Due from other governmental units	25,556	-	-	25,556
Capital assets - net	-	1,349,637	-	1,349,637
Total assets	$ 1,356,062	$ 1,349,637	$ -	$ 2,705,699
LIABILITIES AND FUND BALANCES/NET POSITION				
Accounts payable	$ 32,125	$ -	$ -	$ 32,125
Accrued liabilities	19,596	-	-	19,596
Total liabilities	51,721	-	-	51,721
Fund balances/net position	1,304,341	1,349,637	-	2,653,978
Total liabilities and fund balance/net position	$ 1,356,062	$ 1,349,637	$ -	$ 2,705,699

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

The $25,192 net change in fund balances for governmental funds differs from the $57,127 change in net position for governmental activities 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.

<u>Capital related items</u>

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 decreases by the amount of depreciation expense charged for the year.

Expenditures for capital assets	
Capital outlay	$ 140,752
Current year depreciation/amortization	(111,949)
	$ 28,803

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 compensated absences	3,132
	$ 3,132

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

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

	Governmental Fund	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
Revenues				
Taxes	$ 411,679	$ -	$ -	$ 411,679
Licenses and permits	25,931	-	-	25,931
Franchise fees	76,064			76,064
State grants	99,830			99,830
State shared revenues	88,156			88,156
Charges for services	-	-	-	-
Miscellaneous	61,303	-	-	61,303
Total revenues	762,963	-	-	762,963
Expenditures				
Current expenditures				
General government	369,530	14,751	(3,132)	381,149
Public safety	27,730	-	-	27,730
Transportation	174,039	81,337	-	255,376
Culture/recreation	25,720	15,861	-	41,581
Capital outlay				
General government	140,752	(140,752)	-	-
Total expenditures	737,771	(28,803)	(3,132)	705,836
Net change in fund balance/net postion	25,192	28,803	3,132	57,127
Fund balance/net position at beginning of year	1,279,149	1,320,834	(3,132)	2,596,851
Fund balance/net position at end of year	$ 1,304,341	$ 1,349,637	$ -	$ 2,653,978

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 the Florida Security for Public Deposits Act. Every qualified public depository is required by law to deposit eligible collateral with the State Treasurer in an amount determined by the State Treasurer. The State Treasurer is required to ensure that the Town's funds are fully insured throughout the fiscal year. As of September 30, 2025, the carrying amount of these deposits was $2,300,852.

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 2024-25 fiscal year were levied in October 2024. 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, 2025, was as follows:

	Beginning Balance	Additions	Reclassification/ Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	$ 9,200	$ -	$ -	$ 9,200
Construction in progress	-	99,830	-	99,830
Total nondepreciable capital assets	9,200	99,830	-	109,030
Depreciable capital assets				
Buildings and improvements	1,969,257	-	-	1,969,257
Equipment and vehicles	272,213	40,922	-	313,135
Total depreciable capital assets	2,241,470	40,922	-	2,282,392
Less accumulated depreciation				
Buildings and improvements	(758,510)	(92,070)	-	(850,580)
Equipment and vehicles	(171,326)	(19,879)	-	(191,205)
Total accumulated depreciation	(929,836)	(111,949)	-	(1,041,785)
Total depreciable capital assets, net	1,311,634	(71,027)	-	1,240,607
Governmental activities capital assets, net	$ 1,320,834	$ 28,803	$ -	$ 1,349,637
Business-type activities:				
Nondepreciable capital assets				
Land	$ 5,050	$ -	$ -	$ 5,050
Total nondepreciable capital assets at cost	5,050	-	-	5,050
Depreciable capital assets				
Equipment	150,882	-	-	150,882
Utility plant	7,476,833	-	-	7,476,833
Total depreciable capital assets	7,627,714	-	-	7,627,715
Less accumulated depreciation:				
Equipment	(80,264)	(16,014)	-	(96,278)
Utility plant	(3,868,857)	(322,979)	-	(4,191,836)
Total accumulated depreciation	(3,949,121)	(338,993)	-	(4,288,114)
Total depreciable capital assets, net	3,678,593	(338,993)	-	3,339,601
Business-type activities capital assets, net	$ 3,683,643	$ (338,993)	$ -	$ 3,344,651

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

Governmental activities		
General government	$	14,751
Transportation		81,337
Culture and recreation		15,861
Total depreciation expense-governmental activities	$	111,949
Business-type activities:		
Water utility	$	322,979
Sewer utility		16,014
Total depreciation expense- business-type activities	$	338,993

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2025, were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General Fund	$ 10	$ 25,556	$ 25,566
Business-type activities			
Enterprise Fund	$ 38,549	$ -	$ 38,549

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

Payables

Payables at September 30, 2025 were as follows:

	Accounts
Governmental activities:	
General Fund	$ 32,125
Business-type activities:	
Enterprise Fund	$ 4,555

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities for the year ended September 30, 2025 for governmental activities were as follows:

	October 1, 2024	Additions	Reductions	September 30, 2025	Due Within One Year
Governmental Activities:					
Compensated absences	$ 3,132	$ -	$ (3,132)	$ -	$ -
	$ 3,132	$ -	$ (3,132)	$ -	$ -

Long-term liabilities for the year ended September 30, 2025 for business-type activities were as follows:

Buisness-type Activities:	October 1, 2024	Increases	Decreases	September 30, 2025	Due Within One Year
Compensated absences	$ 317	$ -	$ (317)	$ -	$ -
Bonds payable	469,158	-	(21,611)	447,547	22,253
	$ 469,475	$ -	$ (21,928)	$ 447,547	$ 22,253

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, 2025 the principal amount outstanding is $447,547.

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, 2025, are as follows:

September 30,	Principal	Interest	Total
2026	22,253	13,040	35,293
2027	22,914	12,378	35,292
2028	23,595	11,697	35,292
2029	24,296	10,996	35,292
2030	25,018	10,274	35,292
2031-2035	136,695	18,979	211,755
2036-2041	192,776	107,601	555,148
	447,547	16,554	943,364

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, 2025, 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, 2025, 2024, 2023 and 2022, respectively, were $24,054, $27,717, $26,686 and $19,774, 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

Fund	Transfer in	Transfer out
Buisness- type Activities	$ 51,976	$ 51,976

NOTE 11. INTERFUND RECEIVABLES/PAYABLES

There were no interfund receivables or payables at September 30, 2025.

NOTE 12. LEASES

The Town went into a lease agreement with Premier Advantage in May of 2019 for a copier and ended in 2024. The lease went to a month-to-month agreement.

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.

Note 15. Upcoming Accounting Pronouncements

Current-Year Implementation

GASB Statement No. 101, Compensated Absences

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This statement establishes accounting and financial reporting requirements for compensated absences, including recognition and measurement guidance for leave and other forms of compensation. During the fiscal year ended September 30, 2025, the Town implemented this statement. The implementation of GASB Statement No. 101 did not have a material impact on the Town's financial statements.

Future Implementation

GASB No. 102 Certain Risk Disclosures

This Statement requires that risks of substantial impact that are likely to occur due to concentrations and constraints be reported in the notes with certain additional information. This standard is required to be adopted for the fiscal year ended September 30, 2026, but early adoption is encouraged. Management believes this statement will have a nominal impact on the financial statements and other significant matters.

GASB No. 103 Financial Reporting Model Improvements

This Statement requires:

- Information presented in MD&A be limited to certain topics and presented in a new format.
- Inflows and outflows related to each unusual or infrequent items to be reported separately as the last resource flow.
- Proprietary nonoperating revenues and expenses be classified according to new definitions and that a separate subtotal be presented for noncapital subsidies.
- Each major component unit to be presented in a separate column on the statement of net position and statement of activities, or a combining statement be presented.
- Budgetary comparison information be presented as RSI and that variances between original and final budgets be presented as well as an explanation of significant variances in the notes.

This standard is required to be adopted for the fiscal year ended September 30, 2026, but early adoption is encouraged. Management believes this statement will have a nominal impact on the financial statements and other significant matters.

GASB No. 104 Disclosure of Certain Capital Assets

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. Initial adoption is required by the fiscal year ended September 30, 2026, but early adoption is encouraged. Management believes this statement will have a nominal impact on the financial statements and other significant matters.

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, 2025

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem taxes	$ 111,818	$ 112,889	$ 1,071
Sales and use taxes			
Local option gas tax/alternative fuel	40,000	34,518	(5,482)
Infrastructure surtax	128,000	141,288	13,288
Local government half-cent sales tax	58,000	62,127	4,127
Utility service taxes			
Electricity and propane	72,000	46,405	(25,595)
Communications services tax	15,000	14,452	(548)
Total taxes	424,818	411,679	(13,139)
Franchise fees	50,000	76,064	26,064
Licenses and permits			
Building permits	36,240	25,931	(10,309)
Total licenses and permits	36,240	25,931	(10,309)
Intergovernmental			
State and local grant	2,657,151	99,830	(2,557,321)
FDOT agreements	25,000	28,870	3,870
State revenue sharing	57,300	59,286	1,986
Total intergovernmental	2,739,451	187,986	(2,551,465)
Charges for services			
Culture/recreation	1,650	-	(1,650)
Total charges for services	1,650	-	(1,650)
Fines and forfeitures	100	-	(100)
Miscellaneous			
Other miscellaneous			
Contributions	100	1,450	1,350
Other revenues	35,650	42,074	6,424
Intrest income	19,800	17,779	(2,021)
Total miscellaneous	55,550	61,303	5,753
Total revenues	3,307,809	762,963	(2,544,846)

(continued)

See notes to required supplementary information.

TOWN OF PENNEY FARMS, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
For the Fiscal Year Ended September 30, 2025

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
EXPENDITURES			
General government			
Legislative			
Personnel services	6,975	6,283	692
Executive			
Personnel services	91,534	88,949	2,585
Financial and administrative			
Personnel services	134,289	130,013	4,276
Operating expenses	65,200	71,486	(6,286)
Total financial and administrative	199,489	201,499	(2,010)
Legal Counsel			
Operating expenses	20,000	19,500	500
Other General Government			
Personnel services	7,100	6,997	103
Operating expenses	37,103	46,302	(9,199)
Capital outlay	2,712,659	140,752	2,571,907
Total other general government	2,756,862	194,051	2,562,811
Total general government	3,074,860	510,282	2,564,578
Public safety			
Protective inspections	9,800	23,980	(14,180)
Operating expenses	-	3,750	(3,750)
Total public safety	9,800	27,730	(17,930)
Transportation			
Roads and streets			
Personnel services	141,425	122,481	18,944
Operating expenses	60,324	51,558	8,766
Total transportation	201,749	174,039	27,710

(continued)

See notes to required supplementary information.

TOWN OF PENNEY FARMS, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONCLUDED)
For the Fiscal Year Ended September 30, 2025

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
Culture/recreation			
Parks and recreation			
Operating expenses	21,200	25,720	(4,520)
Total culture/recreation	21,200	25,720	(4,520)
Total expenditures	3,307,609	737,771	2,569,838
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	(200)	-	200
Total other financing sources (uses)	(200)	-	200
Excess of revenues over expenditures	-	25,192	25,192
Fund balance at beginning of year	1,279,149	1,279,149	-
Fund balance at end of year	$ 1,279,149	$ 1,304,341	$ 25,192

See notes to required supplementary information.

TOWN OF PENNEY FARMS, FLORIDA
NOTES TO STATEMENT OF REVENEUS, EXPENDITURES AND
CHANGES IN FUNDS BALANCES – BUDGET AND ACTUAL
SEPTEMBER 30, 2025

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 budgets for the governmental funds are prepared on a basis consistent with the modified accrual basis of accounting used for financial reporting purposes. The budgets for the Enterprise Funds are prepared on a budgetary basis that differs from generally accepted accounting principles (GAAP). Under the budgetary basis, capital outlays are budgeted as expenditures, and depreciation expense is not budgeted. Estimated beginning fund balances and net position are considered in the budgetary process but are not included 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.

COMPLIANCE SECTION

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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

To the 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, 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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 9, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that are considered significant deficiencies. These deficiencies have been described in the accompanying schedule of findings and recommendations as items 2025-1 – Data Entry Errors, 2025-2 - Financial Statement Preparation, and 2025-3 – Building Permit Information on the Town's Website.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
September 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Town of Penney Farms, Florida (the Town), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated September 9, 2026.

AUDITOR'S RESPONSIBILITY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 9, 2026, should be considered in conjunction with this management letter.

We have also issued a report on an examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General. Disclosures in that report should also be considered in conjunction with this management letter.

PRIOR AUDIT FINDINGS

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The following schedule identifies the current-year findings that were also reported in the preceding financial audit report and, as applicable, the second preceding financial audit report.

Schedule of Uncorrected Audit Findings

Current Year Finding Number	Prior Year Finding Number	Years as Findings
2025-2	2024-2	3+
2025-1	2024-1	1

FINANCIAL CONDITION AND MANAGEMENT

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

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

We noted no deteriorating financial condition as defined in Section 10.554(1)(f), Rules of the Auditor General.

RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate recommendations to improve financial management. We have the following recommendation:

2025-004 – Engagement of Qualified Accounting Assistance

We recommend that the Town engage an outside CPA firm experienced in governmental accounting to assist with monthly and year-end closing procedures and the preparation of the annual audit.

The firm could assist with reconciling material accounts, reviewing adjusting entries and account classifications, preparing year-end trial balances and supporting schedules, and organizing the accounting records requested during the audit. This assistance would improve the accuracy and timeliness of the Town's financial reporting and make the annual audit process more efficient.

PROPERTY ASSESSED CLEAN ENERGY PROGRAMS

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town reported that no Property Assessed Clean Energy (PACE) program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Town's geographical boundaries during the fiscal year under audit.

SPECIAL DISTRICT COMPONENT UNITS

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires us, when applicable, to communicate the failure of a special district that is a component unit of a county, municipality, or special district to provide the financial information necessary for proper reporting under Section 218.39(3)(b), Florida Statutes. The Town has no special district component units subject to this reporting requirement.

ADDITIONAL MATTERS

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted the instance of noncompliance described in the accompanying Schedule of Findings and Recommendations as Finding 2025-3, Building Permit Information on the Town's Website.

PURPOSE OF THIS LETTER

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
September 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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

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

We have examined the Town of Penney Farms, Florida's (the Town) compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2025. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Town's compliance with the specified requirements.

In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2025.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Town Council of the Town of Penney Farms, Florida, and its management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
September 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

Communication with Those Charged with Governance

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

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

<u>Significant Audit Findings</u>

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. New accounting policies adopted during fiscal year 2025, including the implementation of GASB Statements No. 101, have been disclosed in the notes to the financial statements. We noted no transactions entered into by the Town during the year for which there was 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. All misstatements identified were communicated to the appropriate level of management.

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 9, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the 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 & Jones

Powell and Jones CPA
Lake City, Florida
September 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Material Weaknesses

2025-1 – Accounting Data Entry and Bank Reconciliations

Criteria: Management is responsible for establishing and maintaining internal control over financial reporting. Effective controls should ensure that transactions are recorded accurately and only once, bank accounts are reconciled timely, reconciling items are adequately supported, and completed reconciliations receive an independent review.

Condition: During our audit, we identified transactions that had been entered more than once in the Town's accounting records. The errors affected the accounting records but did not result in duplicate payments or a misappropriation of Town assets. The errors were not detected through the Town's normal bank-reconciliation and review procedures and required correction through audit adjustments.

Cause: The duplicated items were caused by manual data entry errors and a lack of review of the outstanding items during the reconciliation process.

Effect: The duplicate entries caused the Town's accounting records to be materially misstated before the audit adjustments were recorded. Because the Town's existing controls did not detect the errors timely, there was a reasonable possibility that a material misstatement could remain uncorrected.

Recommendations:
To resolve this issue, we recommend the implementation of the following steps:
1. Strengthen internal controls by requiring a second-level review of bank reconciliations to detect and correct duplicate entries.
2. Utilize the bank reconciliation software within QuickBooks to automate transaction matching and reduce manual errors.
3. Standardize data entry by establishing clear guidelines for recording transactions, ensuring they are only entered once at the appropriate stage.
4. Document and review outstanding items on bank reconciliations.
5. Provide QuickBooks training for accounting Town Clerk.

Significant Deficiencies

2025-2: Financial Statement Preparation

Criteria: The preparation of the financial statements is the responsibility of management. Management must have the ability to draft financial statements in accordance with US GAAP, ensuring they fairly present the financial position, results of operations, and cash flows of the entity. While auditors may assist in the preparation of the financial statements, this should not replace the capability of management to oversee and prepare such statements themselves.

Condition: During our audit, we identified a deficiency in internal control because the Town lacks the capability to draft its financial statements in accordance with GAAP. The Town does not have a staff or a contracted accountant with the necessary skills to prepare these statements

Cause: The Town has not employed or contracted with an accounting professional who possesses the technical expertise required to prepare financial statements in accordance with GAAP. Although the Town has staff with suitable skills, knowledge, and experience to oversee services provided by the auditors in assisting with financial statement preparation, this level of competence is lower than what is required to independently draft the financial statements.

Effect: The Town is unable to internally prepare financial statements in compliance with GAAP. This places reliance on the auditors for financial statement preparation.

Recommendation: We recommend that the Town hire a qualified accounting professional, either in-house or on a contractual basis, who has the expertise to prepare financial statements in accordance with GAAP. We understand that the Town has a limited budget, and this may not be feasible at this time and that even with a qualified professional it may be more efficient for the Town to continue using its auditors to prepare these financial statements in future years.

2025-3 – Building Permit Information on the Town's Website

Criteria: Section 553.79(1)(b), Florida Statutes, requires a local enforcement agency to post each type of building permit application, including the required attachments, drawings, and other application requirements, on its website. The statute also requires the agency to post and update the status of every received building permit application until the building permit is issued and to allow completed applications and related documents to be submitted electronically.

Section 166.222(2), Florida Statutes, requires a municipality authorized to issue building permits to post its permit and inspection fee schedules and the building permit and inspection utilization report required by Section 553.80(7), Florida Statutes, on its website.

Condition: The Town's website included building permit application forms; however, it did not provide an online listing or system showing the current status of each received building permit application through the date of permit issuance. In addition, the Town's permit and inspection fee schedules and annual building permit and inspection utilization report were not available on the website.

Cause: The Town had not established procedures assigning responsibility for maintaining the required permit information on its website or for periodically reviewing the website to ensure that all statutorily required information remained complete and current.

Effect: The Town was not in compliance with the website-posting requirements of Sections 553.79(1)(b), 166.222(2), and 553.80(7), Florida Statutes. The absence of current permit information also limits public access to application status, applicable fees, and information regarding the Town's building-permit and inspection activities.

Recommendation:
To resolve this issue, we recommend the implementation of the following steps:

1. Post and regularly update the status of every received building permit application until the permit is issued.
2. Maintain current permit and inspection fee schedules on the Town's website.
3. Prepare and post the annual building permit and inspection utilization report required by Section 553.80(7), Florida Statutes.
4. Assign responsibility to a designated employee for reviewing and updating the required building permit information on the Town's website.
5. Conduct periodic supervisory reviews to verify that the required information remains complete, accurate, and current.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Significant Deficiencies

2024-2 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.

Current Status

The finding has not been corrected. Management determined that employing or contracting with an accounting professional who possesses the technical expertise necessary to independently prepare financial statements and related note disclosures in accordance with generally accepted accounting principles is not financially feasible for the Town at this time.

The Town continues to rely on its independent auditors to assist with preparing the financial statements and related disclosures. Management retains responsibility for the financial statements and has the appropriate knowledge, skills, and experience to oversee the services provided by the auditors, review the completed financial statements, and accept responsibility for them.

Because the underlying condition remained during fiscal year 2025, this finding is repeated as Finding 2025-2.

Material Weakness

Finding 2024-1 – Data Entry Errors

Current Status

The finding has not been corrected. During fiscal year 2025, the Town had not fully implemented the recommended procedures for independently reviewing bank reconciliations, identifying duplicate transactions, documenting outstanding reconciling items, and ensuring that transactions were recorded only once.

The absence of an effective secondary review continued to increase the risk that data-entry errors or duplicate transactions could remain undetected in the accounting records. Although the errors did not result in duplicate payments or a misappropriation of Town assets, audit adjustments were required to correct the accounting records.

Because the underlying condition remained during fiscal year 2025, this finding is repeated as Finding 2025-1.

Towns Response