

TOWN OF PONCE DE LEON, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2020

**EDWARD CHAPMAN
Certified Public Accountant
Springville, Alabama
November 9, 2021**

TOWN OF PONCE DE LEON, FLORIDA
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council, Town of Ponce De Leon, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and the business-type activities and each major fund of the Town of Ponce De Leon, Florida as of, and for the year ended, September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ponce De Leon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Ponce De Leon, Florida, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated November 9, 2021 on my consideration of the Town of Ponce De Leon's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 of Ponce De Leon's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ponce De Leon's internal control over financial reporting and compliance.



Edward Chapman, CPA
Springville, Alabama
November 9, 2021

TOWN OF PONCE DE LEON, FLORIDA
Management's Discussion and Analysis
(Unaudited)

This discussion and analysis of the Town of Ponce De Leon's financial statements is designed to introduce the basic financial statements and provide an analytical overview of the town's financial activities for the fiscal year ended September 30, 2020. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and footnotes.

Financial Highlights

Fiscal year 2020: At the close of the fiscal year, the town had \$117,909 of cash in banks. The town's assets exceeded its liabilities by \$3,313,505. General Fund revenues are \$613,801 compared to the prior year \$298,030. The increase is mostly explained by a \$311,733 road improvement grant. General Fund operating expenditures (excluding capital outlay) increased \$15,091. Water and sewer revenues increased \$4,539 due to an increase in water and sewer rates. Water and sewer expenses increased \$105,048 mostly due to a change in the contractor used to maintain the water and sewer system.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities) are intended to assess the town's operational accountability. Operational accountability is defined as the extent to which the town government has met its operating objectives efficiently and effectively, using all resources available for the purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the town as a whole and do not emphasize fund types.

The Statement of Net Position presents information on all town assets and liabilities, with the difference between the two reported as net position. The town's capital assets (property, plant, and equipment) are included in this statement and are reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the town's net assets changed during the fiscal year. Both statements are measured and reported using the economic resources measurements focus (revenue and expense) and accrual basis of accounting (revenues recognized when earned and expenses recognized when a liability is incurred).

Governmental Funds Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison.

The Town maintains two individual governmental funds (General Fund and Special Revenue Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for these funds.

The town adopts an annual appropriated budget for the General Fund and the Proprietary Fund. Budget comparison schedules are provided for the funds to demonstrate compliance with the budget requirements. The budget comparison schedules are included in the required supplementary information section.

Proprietary Fund Financial Statements

When the town charges customers for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The town's proprietary fund (the Water and Sewer Fund) is the same as the business-type activities reported in the government-wide statements but provides more detail and additional information such as cash flows.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the town is in better or worse financial condition from year to year.

The following is a condensed summary of net position as of September 30, 2020:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>
Assets:			
Current & Other	\$60,891	\$111,157	\$172,048
Capital Assets	\$880,916	\$3,014,845	\$3,895,761
Total Assets	<u>\$941,807</u>	<u>\$3,126,002</u>	<u>\$4,067,809</u>
Liabilities:			
Current	\$24,720	\$162,008	\$186,728
Non-Current	\$11,883	\$555,693	\$567,576
Total Liabilities	<u>\$36,603</u>	<u>\$717,701</u>	<u>\$754,304</u>
Net Position:			
Invested in Capital Assets (Net)	\$864,884	\$2,414,100	\$3,278,984
Restricted	\$47,484	\$23,795	\$71,279
Unrestricted	(\$7,164)	(\$29,594)	(\$36,758)
Total Net Position	<u>\$905,204</u>	<u>\$2,408,301</u>	<u>\$3,313,505</u>
Total Liabilities and Net Position	<u>\$941,807</u>	<u>\$3,126,002</u>	<u>\$4,067,809</u>

Fiscal year 2020: The town's cash balances decreased \$269,375. General fund cash increased \$16,553 and Water and Sewer fund cash decreased \$285,928. The town has cash of \$117,909, consisting of unrestricted cash of \$10,794 in General Fund and \$35,836 in Water and Sewer Fund and restricted cash of \$47,484 in General Fund and \$23,795 in Water and Sewer Fund. The unrestricted cash represents amounts that are available for spending at the Town's discretion, such as paying down debt, equipment purchases, or street paving. Restricted Water and Sewer Fund cash balances include water customer deposits. Restricted General funds include funds restricted for public service projects and the fire department. Total assets increased \$264,935 in the General Fund and decreased \$423,805 in the Water and Sewer Fund. The General Fund liabilities increased \$23,512 mostly due to a new loan for fire department equipment. The Water and Sewer Fund liabilities decreased \$268,983 due to paying down the loan associated with bond issuances and a reduction in accounts payable

The following is a condensed summary of revenues, expenses, and changes in net position for the Town, for fiscal year ending September 30, 2020:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Activities</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$0	\$350,952	\$350,952
General Revenues:			
Grant	\$311,733	\$0	\$311,733
State Taxes	\$119,781	\$0	\$119,781
Fire Department	\$7,500	\$0	\$7,500
Rental	\$31,567	\$0	\$31,567
Utility	\$141,499	\$0	\$141,499
Interest Income	\$202	\$281	\$483
Miscellaneous	\$1,519	\$1,361	\$2,880
Total Revenues	\$613,801	\$352,594	\$966,395
<u>Expenses:</u>			
General Government	\$265,468	\$0	\$265,468
Public Safety	\$21,524	\$0	\$21,524
Streets	\$1,236	\$0	\$1,236
Culture and Recreation	\$7,159	\$0	\$7,159
Water and Garbage	\$0	\$507,416	\$507,416
Capital Outlay	\$340,179	\$0	\$340,179
Total Expenses	\$635,566	\$507,416	\$1,142,982
<u>Net Assets:</u>			
Increase (Decrease) in Net Assets	(\$21,765)	(\$154,822)	(\$176,587)
Net Assets October 1	\$663,781	\$2,563,123	\$3,226,904
Net Assets September 30	\$642,016	\$2,408,301	\$3,050,317

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements, and equipment. The following is a schedule of the Town's capital assets as of September 30, 2020:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Activities</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>
<u>CAPITAL ASSETS:</u>			
Land	\$185,771	\$85,490	\$271,261
Total Capital Assets not being depreciated	\$185,771	\$85,490	\$271,261
Buildings	\$310,298	\$8,021	\$318,319
Improvements other than buildings	\$871,655	\$5,422,785	\$6,294,440
Machinery and Equipment	\$863,321	\$125,520	\$988,841
Total Capital Assets being depreciated	\$2,045,274	\$5,556,326	\$7,601,600
Total Cost of Capital Assets	\$2,231,045	\$5,641,816	\$7,872,861
<u>LESS ACCUMULATED DEPRECIATION</u>			
Buildings	(\$235,296)	(\$6,968)	(\$242,264)
Improvements other than buildings	(\$347,536)	(\$2,508,103)	(\$2,855,639)
Machinery and Equipment	(\$767,297)	(\$111,900)	(\$879,197)
Total Accumulated Depreciation	(\$1,350,129)	(\$2,626,971)	(\$3,977,100)
<u>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</u>			
	\$880,916	\$3,014,845	\$3,895,761

Debt Administration

Fiscal year 2020:

At fiscal year ending September 30, 2020 the Town had an outstanding loan payable to CoBank totaling \$600,745 (with interest at 4.6 %) and a new loan with PeoplesSouth Bank totaling \$16,031 (with interest rate at 4.68%).

Economic factors and next year's budgets and rates

The state of Florida, by constitution, does not have a state personal income tax: therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, ect.) and fees (franchise and occupational license) for their governmental activities. There is a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal Governments, which provide funding for specific programs, projects, or activities. The town can also generate revenue through rental agreements, fund raising, and donations. For business-type activities and certain governmental activities (permitting and recreational programs), the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services has an impact on the Town's specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for

those businesses that choose to locate in our jurisdiction. As the Town has limited growth potential, it places a great emphasis on redevelopment.

Grants

The Town is constantly reviewing the availability of grants to improve the financial position of the Town and to improve services. In FY 2020 the Town received grants totaling \$311,733. Of this amount \$34,223 was used to purchase additional equipment for the Fire Department and \$277,510 was used for road improvements.

Significant Contracts

The Town has an ongoing contract with Operations Management International, Inc to maintain, operate, and manage the water and sewer system for the Town. The monthly fee for the service is \$17,779 and was accepted through normal bidding process by the Town Council on October 10, 2019.

Contacting the Town's Financial Management

This financial report is designed to give a general overview of the Town's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Clerk, Jessica Harris, 1580 Hwy 90, Ponce De Leon, Florida 32455, or by calling (850) 836-4361.

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Assets			
Current assets:			
Cash unrestricted	\$10,794	\$35,836	\$46,630
Receivables, net	\$23,133	\$31,006	\$54,139
Internal balances	(\$20,520)	\$20,520	\$0
Restricted assets:			
Cash	\$47,484	\$23,795	\$71,279
Total Current Assets	\$60,891	\$111,157	\$172,048
Noncurrent assets:			
Capital assets, net of depreciation:			
Non-depreciable	\$185,771	\$85,490	\$271,261
Depreciable, net	\$695,145	\$2,929,355	\$3,624,500
Total capital assets, net	\$880,916	\$3,014,845	\$3,895,761
Total noncurrent assets	\$880,916	\$3,014,845	\$3,895,761
Total Assets	\$941,807	\$3,126,002	\$4,067,809

The notes to the financial statements are an integral part of this statement

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TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2020

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$18,327	\$90,850	\$109,177
Liabilities payable from restricted assets			
Current portion of revenue bonds	\$0	\$45,052	\$45,052
Current portion of note payable	\$4,149	\$0	\$4,149
Customer Deposits	\$0	\$23,795	\$23,795
Accrued interest	\$0	\$2,311	\$2,311
Accrued taxes	\$2,244	\$0	\$2,244
Total Current Liabilities	\$24,720	\$162,008	\$186,728
Noncurrent liabilities:			
Revenue bonds payable	\$0	\$555,693	\$555,693
Note payable	\$11,883	\$0	\$11,883
Total noncurrent liabilities	\$11,883	\$555,693	\$567,576
TOTAL LIABILITIES	\$36,603	\$717,701	\$754,304
Net Position			
Investment in capital assets, net of related debt	\$864,884	\$2,414,100	\$3,278,984
Restricted for recreation	\$273	\$0	\$273
Restricted for gym	\$14,771	\$0	\$14,771
Restricted for cemetery	\$989	\$0	\$989
Restricted for fire department	\$7,350	\$0	\$7,350
Restricted for gas	\$24,101	\$0	\$24,101
Restricted for customer deposits	\$0	\$23,795	\$23,795
Unrestricted	(\$7,164)	(\$29,594)	(\$36,758)
TOTAL NET POSITION	\$905,204	\$2,408,301	\$3,313,505
TOTAL LIABILITIES & NET POSITION	\$941,807	\$3,126,002	\$4,067,809

The notes to the financial statements are an integral part of this statement

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Program Revenue					Net (Expense)/ Revenue
	Expenses	Charges for Services	Misc	Operating Grants & Contributions	Capital Grants & Contributions	
<u>General government activities:</u>						
General government	\$274,592	\$0	\$0	\$0	\$0	(\$274,592)
Public safety	\$34,731	\$0	\$0	\$0	\$34,223	(\$508)
Streets	\$18,239	\$0	\$0	\$0	\$277,510	\$259,271
Culture and Recreation	\$44,816	\$0	\$0	\$0	\$0	(\$44,816)
Total governmental activities	\$372,378	\$0	\$0	\$0	\$311,733	(\$60,645)
<u>Business-type activities:</u>						
Capital Grants						
Water Expenses	\$507,416	\$350,952	\$1,642	\$0	\$0	(\$154,822)
Total business-type activities	\$507,416	\$350,952	\$1,642	\$0	\$0	(\$154,822)
Total	\$879,794	\$350,952	\$1,642	\$0	\$311,733	(\$215,467)

The notes to the financial statements are an integral part of this statement

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TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF ACTIVITIES (CONTINUED)
FOR FISCAL YEAR ENDED SEPTEMBER 30,
2020

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	<u>(\$60,645)</u>	<u>(\$154,822)</u>	<u>(\$215,467)</u>
<u>General revenues:</u>			
Cemetery Permits	\$750	\$0	\$750
Communication Tax	\$4,602	\$0	\$4,602
Copy Fee	\$413	\$0	\$413
Department of Transportation	\$21,338	\$0	\$21,338
Donations	\$43,455	\$0	\$43,455
Electric Franchise & Utility Taxes	\$98,044	\$0	\$98,044
Fire Safety County	\$7,500	\$0	\$7,500
Interest earnings	\$202	\$0	\$202
License Fees	\$3,600	\$0	\$3,600
Local Government 1/2 cent tax	\$16,910	\$0	\$16,910
Mobile Home Licenses	\$361	\$0	\$361
Qualifying Fees	\$356	\$0	\$356
Rents	\$31,567	\$0	\$31,567
State Alcohol	\$84	\$0	\$84
State Gas Tax	\$11,517	\$0	\$11,517
State Discretionary	\$39,294	\$0	\$39,294
State Revenue Sharing	<u>\$22,075</u>	<u>\$0</u>	<u>\$22,075</u>
Total general revenues	<u>\$302,068</u>	<u>\$0</u>	<u>\$302,068</u>
Changes in net position:	\$241,423	(\$154,822)	\$86,601
Net Position - beginning	<u>\$663,781</u>	<u>\$2,563,123</u>	<u>\$3,226,904</u>
Net Position - ending	<u><u>\$905,204</u></u>	<u><u>\$2,408,301</u></u>	<u><u>\$3,313,505</u></u>

The notes to the financial statements are an integral part of this statement

TOWN OF PONCE DE LEON, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash, unrestricted	\$10,794	\$0	\$10,794
Cash, restricted	\$23,383	\$24,101	\$47,484
Accounts Receivable	\$21,880	\$1,253	\$23,133
Due from other funds	\$0	\$112,134	\$112,134
TOTAL ASSETS	<u>\$56,057</u>	<u>\$137,488</u>	<u>\$193,545</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Payroll Taxes Payable	\$2,244	\$0	\$2,244
Accounts Payable	\$16,708	\$1,619	\$18,327
Due to other funds	<u>\$132,654</u>	<u>\$0</u>	<u>\$132,654</u>
Total liabilities	\$151,606	\$1,619	\$153,225
Fund balance:			
Restricted	(\$106,343)	\$135,869	\$29,526
Un-Assigned	<u>\$10,794</u>	<u>\$0</u>	<u>\$10,794</u>
Total fund balance	<u>(\$95,549)</u>	<u>\$135,869</u>	<u>\$40,320</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$56,057</u>	<u>\$137,488</u>	<u>\$193,545</u>
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION			
Fund balance - governmental fund	\$40,320		
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the governmental funds:	\$880,916		
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds:	<u>(\$16,032)</u>		
NET POSITION OF GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET POSITION	<u>\$905,204</u>		

The notes to the financial statements are an integral part of this statement

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION - GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Cemetery Permits	\$750	\$0	\$750
Communication Tax	\$4,602	\$0	\$4,602
Copy Fee	\$413	\$0	\$413
Department of Transportation	\$21,338	\$0	\$21,338
Donation	\$43,455	\$0	\$43,455
Electric franchise & Utility Taxes	\$98,044	\$0	\$98,044
Fire Safety County	\$7,500	\$0	\$7,500
Interest earnings	\$0	\$202	\$202
License Fees	\$3,600	\$0	\$3,600
Local Government 1/2 cent tax	\$16,910	\$0	\$16,910
Mobile Home Licenses	\$361	\$0	\$361
Qualifying Fees	\$356	\$0	\$356
Rents	\$31,567	\$0	\$31,567
State Alcohol	\$84	\$0	\$84
State Grants	\$311,733	\$0	\$311,733
State Gas	\$0	\$11,517	\$11,517
State Discretionary	\$39,294	\$0	\$39,294
State Revenue Sharing	\$22,075	\$0	\$22,075
Total Revenues	<u>\$602,082</u>	<u>\$11,719</u>	<u>\$613,801</u>
EXPENDITURES: (excludes depreciation)			
General Government	\$253,896	\$11,572	\$265,468
Public Safety	\$21,524	\$0	\$21,524
Streets	\$1,236	\$0	\$1,236
Culture and Recreation	\$7,159	\$0	\$7,159
Capital Outlay	\$340,179	\$0	\$340,179
Total Expenditures	<u>\$623,994</u>	<u>\$11,572</u>	<u>\$635,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$21,912)</u>	<u>\$147</u>	<u>(\$21,765)</u>
Net Position at beginning of year			<u>\$663,781</u>
NET POSITION AT END OF YEAR			<u><u>\$642,016</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PONCE DE LEON, FLORIDA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN NET POSITION OF GOVERNMENTAL FUND TO THE
 STATEMENT OF ACTIVITIES
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

Excess Revenues over Expenditures	(\$21,765)
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Amounts reported for governmental activities in
 the statement of activities are different because:

Governmental fund reports capital outlay as expenditures
 while governmental activities reports depreciation expense
 to allocate capital outlay expenditures over the life of the assets:

Plus Capital assets purchases capitalized	\$340,179
Minus Depreciation expense	<u>(\$76,991)</u>
Subtotal	\$263,188

Repayment of debt principal is an expenditure in the
 governmental fund, but the repayment reduces long-
 term liabilities in the Statement of Net Position:

Note principal payments	\$0
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CHANGE IN NET POSITION OF STATEMENT OF ACTIVITIES	<u><u>\$241,423</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF PONCE DE LEON, FLORIDA
BALANCE SHEET - PROPRIETARY FUND
SEPTEMBER 30, 2020

Business-type Activities - Enterprise Funds - Water and Sewer Fund

ASSETS:

Current Assets:

Cash, Unrestricted	\$35,836
Accounts Receivable	\$31,006
Internal Balances	\$20,520
Cash, Restricted	\$23,795
Total current assets	<u>\$111,157</u>

Noncurrent Assets:

Non-depreciable assets	\$85,490
Depreciable assets, net of depreciation	<u>\$2,929,355</u>
Total non-current assets	<u>\$3,014,845</u>

TOTAL ASSETS	<u><u>\$3,126,002</u></u>
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LIABILITIES:

Current Liabilities:

Accounts payable	\$90,850
Revenue bonds payable (current)	\$45,052
Accrued Interest	\$2,311
Customer Deposits	\$23,795
Total current liabilities	<u>\$162,008</u>

Noncurrent liabilities:

Revenue bonds payable (noncurrent)	<u>\$555,693</u>
Total noncurrent liabilities	<u>\$555,693</u>

TOTAL LIABILITIES	<u><u>\$717,701</u></u>
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NET POSITION:

Invested in capital assets, net of related debt	\$2,414,100
Restricted for customer deposits	\$23,795
Unrestricted	<u>(\$29,594)</u>
Total net position	<u>\$2,408,301</u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$3,126,002</u></u>
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The notes to the financial statements are an integral part of this statement

TOWN OF PONCE DE LEON, FLORIDA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - PROPRIETARY FUND
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities - Enterprise Funds - Water and Sewer Fund

Operating revenues:	
Charges for services	\$350,952
Operating expenses:	
Personal services	\$12,316
Operating	\$328,491
Depreciation	<u>\$138,915</u>
Total operating expenses	<u>\$479,722</u>
OPERATING INCOME (LOSS)	(\$128,770)
Non-operating revenues (expenses)	
Interest income	\$281
Sale of asset	\$1,361
Interest expense	<u>(\$27,694)</u>
Total Non-operating revenues (expenses)	<u>(\$26,052)</u>
INCOME (LOSS) AND CHANGE IN NET POSITION	(\$154,822)
Net Position at beginning of year	<u>\$2,563,123</u>
NET POSITION AT END OF YEAR	<u><u>\$2,408,301</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF CASH FLOW - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities - Enterprise Funds - Water and Sewer Fund

Cash flows from operating activities:

Receipts from customers and users	\$382,938
Payments to suppliers	(\$525,312)
Payments to employees	(\$30,496)
Net cash used in operating activities	<u>(\$172,870)</u>

Cash flows from non-capital and related financing activities:

Interfund borrowing/repayments	<u>(\$28,696)</u>
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Cash flows from capital and related financing activities:

Acquisitions of capital assets	\$0
Proceeds from capital grants	\$0
Proceeds from issuance of long term debt	\$0
Principle paid on long-term debt	(\$58,310)
Interest paid on long-term debt	(\$27,694)
Net cash used in capital and related financing activities	<u>(\$86,004)</u>

Cash flows from investing activities:

Sale of assets	\$1,361
Interest income	\$281
Net cash provided (used) for investing activities	<u>\$1,642</u>

Net increase (decrease) in cash and cash equivalents	<u><u>(\$285,928)</u></u>
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Cash and cash equivalents, beginning of year	<u>\$345,559</u>
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Cash and cash equivalents, end of year	<u><u>\$59,631</u></u>
-----------------------------------------------	------------------------

Cash and cash equivalents displayed as

Unrestricted cash	\$35,836
Restricted cash	<u>\$23,795</u>
Cash and cash equivalents, end of year	<u><u>\$59,631</u></u>

The notes to the financial statements are an integral part of this statement.

(continued on next page)

TOWN OF PONCE DE LEON, FLORIDA
 STATEMENT OF CASH FLOW - PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities - Enterprise Funds - Water and Sewer Fund

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	(\$128,770)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	\$138,915
(Increase) decrease in assets:	
Accounts receivable	\$32,054
Increase (decrease) in liabilities:	
Accounts payable	(\$212,915)
Customer deposits	(\$69)
Compensated absences	(\$2,085)
Net cash used in operating activities	<u>(\$172,870)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Town

The Town of Ponce De Leon, Florida was incorporated under laws and statutes of the state of Florida in 1963. The Town operates under a Mayor-Council form of government. As authorized by its charter, the Town provides the following services: road and streets, water and sewer, culture and recreation, public improvements, and general administrative services. The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies used by the Town are discussed below:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. No potential component units were identified.

BASIC FINANCIAL STATEMENTS: GOVERNMENT-WIDE STATEMENTS

The town's basic financial statements include both government-wide (reporting the town as a whole) and fund financial statements (reporting the town's general and proprietary funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The town's fire protection, parks and recreation, street, and general administration services are classified as governmental activities.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The town's net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The town first uses restricted resources to finance qualifying activities. The government-wide Statement of Net Position reports as restricted net assets those resources that are restricted by legislation.

The government-wide Statement of Activities reports both gross and net cost of each of the town's functions and business-type activities: general government, fire, etc. The functions are also supported by general government revenues (Ad valorem Taxes, State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and capital grants. Program revenues must be directly associated with the function or business-type activity. The capital grants reflect capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (Electric Franchise or Utility taxes, Communication Services taxes, etc.). The Town does not allocate indirect costs. This government-wide focus is more on the sustainability of the Town as

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

an entity and the change in the Town's net assets resulting from current year activities.

BASIC FINANCIAL STATEMENTS:

Fund Financial Statements:

Governmental

Governmental funds are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Ad valorem taxes, reimbursements for incidents and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current period. All other revenue items are considered measurable and available only when cash is received by the town. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The financial transactions of the town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that includes assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position, rather than upon net income. The Town has two major governmental 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.

Special Revenue Fund: The special revenue fund is used to account for the Town's gasoline tax and intergovernmental revenue designed to support the Town's highways and street maintenance and other infrastructure.

Proprietary Funds are used to account for the enterprise activities such as selling water or sewer utility services to customers. The focus of proprietary funds is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to private sector business. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues and expenses result from providing and delivering services in connection with the principal ongoing operation of the fund. Operating expenses include all costs associated with providing these services, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Contributions to capital arise from contributions of resources restricted to capital acquisition and construction. The following is a description of the Town's enterprise fund.

Water and Sewer Fund: The water and sewer fund is used to account for user charges and expenses associated with providing water and sewer services.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities. The town determined that all funds met the criteria of a major fund.

Fund Balances

The following is a description of the town's various fund balance accounts:

Non-spendable fund balance includes amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance includes amounts restricted by creditor, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation.

Committed fund balance can be used only for specific purposes as imposed by formal action of the town council. There are no committed funds at the end of this fiscal year.

Assigned fund balance includes resources that are intended to be used for specific purposes yet are neither restricted nor committed. These are resources that have been set aside for a specific purpose by the town council. There are no assigned funds as of the end of this fiscal year.

Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in other classifications. Unassigned amounts are available for any purpose.

Restricted – This component of net position consists of constraints placed on net positions imposed by creditors (such as through debt covenants), reserve for repayment of water bonds, contributors, customer water deposits, impact fees, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Restricted resources are only used for their specific designation and with approval from the town council. Committed and Assigned funds are used for their specific designation. If the town does not have sufficient funds allocated to committed or assigned funds to cover the full cost of expenditures, then unassigned funds would be used to cover the remaining portion of the expense. In the event expenditures exceed available restricted funds, then expenditures will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unrestricted fund balance. The town considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

BASIS OF ACCOUNTING

Basis of accounting refers to the point that revenues and expenditures/expenses are recognized in the accounts and reported in financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, and when they are measurable and available. Measurable means the amount of the transaction is known or can be reasonably estimated. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligations long-term debt, are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Cash, Deposits, and Investments

The town is authorized to invest in financial instruments as established in Section 218.415, Florida Statutes. The town maintains deposits with "Qualified Public Depositories" as defined in Chapter 280 Florida Statutes. The Town has an investment policy that places the highest priority on the safety of principal and liquidity of funds. Funds that exceed amounts needed to meet current expenses are invested in money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation. Investments in money market funds are reported at fair value.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The town minimizes interest rate risk by structuring investments to

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

mature to meet future operating cash requirements and investing primarily in short-term security such as money market accounts.

Concentration of Credit Risk

As mentioned above, the town limits investments to money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that the town will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The town has no formal policy for custodial risk.

Inter-fund Transfers

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These transactions are classified as "Internal Balances" in the financial statements, and are listed as revenues, expenditures, or reimbursements. Internal Balance transactions that are reimbursements to a fund for expenditures/expenses initially made from it, and that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expense in the fund being reimbursed. The payroll costs for all funds are paid out of the General Fund, and the Water and Sewer Fund transfers funds to the General Fund to pay for Water and Sewer Fund payroll costs.

Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds. Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the Town as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Building and improvements	40 years
Improvements other than buildings	10 to 40 years
Machinery and equipment	3 to 20 years
Infrastructure	40 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board (GASB) statement number 34 requires the town to report and depreciate new infrastructure assets. Infrastructure assets include road, drainage systems, water systems, etc.

Long Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Budgets and Budgetary accounting

The town adopts a formal budget prior to October 1 each fiscal year. A Budgetary Comparison Schedule is included in the required supplementary information (other than MD&A).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

The town has a written policy for deposits or investing surplus funds. Regarding the investment of surplus funds, the Florida State Statutes were followed. There are several restricted bank accounts in which the funds are restricted for specific purposes. Water customer deposits funds are restricted for payment of unpaid water bills.

NOTE C – BUDGETARY ACCOUNTING AND LEGAL COMPLIANCE

Budgetary data reflected in the financial statements are established by the following city procedure: During the month of June, the Town clerk submits the Town's proposed expenditures and requested appropriations to the Town Council for consideration.

Proposed budgets are advertised by a newspaper of general circulation and public hearings are conducted during September for the purpose of hearing requests and complaints from the public. In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget. The final budget is adopted by resolution. Any subsequent amendment must be enacted in the same manner as the original budget.

Expenditures may not exceed budgeted appropriations at the fund level. The Town clerk is authorized to transfer budgeted amounts within departments of a fund. Any revision that alters the total expenditures of any fund or department must be approved by the Town Council. The General Fund Statement of Revenues, Expenditures and Changes in Net Position – Budget and Actual presents comparisons of legally adopted budget with actual data on a budgetary

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE C – BUDGETARY ACCOUNTING AND LEGAL COMPLIANCE (CONTINUES)

basis. Accounting principles applied for purposes of developing data on a budgetary basis often differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

NOTE D – CASH

Cash at end of fiscal year consists of the following:

<u>General Fund Cash:</u>	<u>Total Cash</u>	<u>Restricted</u>	<u>Un- Restricted</u>
Recreation	\$273	\$273	\$0
Old Gym	\$14,771	\$14,771	\$0
General Fund	\$10,794	\$0	\$10,794
Cemetery	\$989	\$989	\$0
Fire Department	\$7,350	\$7,350	\$0
Gas Tax	\$2,169	\$2,169	\$0
Gas CD	\$21,932	\$21,932	\$0
General Fund Cash totals	<u>\$58,278</u>	<u>\$47,484</u>	<u>\$10,794</u>
<u>Water and Sewer Fund Cash:</u>			
Water Operating	\$473	\$0	\$473
Sinking	\$121	\$0	\$121
Revenue	\$11,264	\$0	\$11,264
CDBG	\$6	\$0	\$6
Reserve	\$32,540	\$9,170	\$23,370
Petty	\$150	\$0	\$150
Sewer Operating	\$342	\$0	\$342
Sewer Revenue	\$110	\$0	\$110
Security Deposits	\$14,625	\$14,625	\$0
Water Fund Cash totals	<u>\$59,631</u>	<u>\$23,795</u>	<u>\$35,836</u>
<u>Total Cash: General Fund & Water and Sewer Fund</u>	<u>\$117,909</u>	<u>\$71,279</u>	<u>\$46,630</u>

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE E – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Buildings	\$4,279
Equipment	\$33,205
Improvements	\$39,507
Total Depreciation Expense	<u>\$76,991</u>

Business Type Activities:

Buildings	\$201
Equipment	\$4,274
Infrastructure	\$134,440
Total Depreciation Expense	<u>\$138,915</u>

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$185,771	\$0	\$0	\$185,771
Total capital assets, not being depreciated	\$185,771	\$0	\$0	\$185,771
Capital assets, being depreciated:				
Buildings	\$310,298	\$0	\$0	\$310,298
Equipment	\$804,385	\$64,861	(\$5,925)	\$863,321
Improvements	\$596,337	\$275,318	\$0	\$871,655
Total capital assets, being depreciated	\$1,711,020	\$340,179	(\$5,925)	\$2,045,274
Total Cost of Capital Assets	\$1,896,791	\$340,179	(\$5,925)	\$2,231,045
<u>Less accumulated depreciation:</u>				
Buildings	\$231,017	\$4,279	\$0	\$235,295
Equipment	\$740,016	\$33,205	\$5,925	\$767,296
Improvements	\$308,029	\$39,507	\$0	\$347,536
Total accumulated depreciation	\$1,279,062	\$76,991	\$5,925	\$1,350,128
Total capital assets, being depreciated, net	\$431,957	\$263,188	(\$11,850)	\$695,145
Total capital assets, net	\$617,728	\$263,188	(\$11,850)	\$880,916

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE E – CAPITAL ASSETS (CONTINUED)

<u>Business-type activities (Water and Sewer Fund):</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$85,490	\$0	\$0	\$85,490
Total capital assets, not being depreciated	\$85,490	\$0	\$0	\$85,490
Capital assets, being depreciated:				
Buildings	\$8,021	\$0	\$0	\$8,021
Equipment	\$125,520	\$0	\$0	\$125,520
Infrastructure	\$5,422,785	\$0	\$0	\$5,422,785
Total capital assets, being depreciated	\$5,556,326	\$0	\$0	\$5,556,326
Total Cost of Capital Assets	\$5,641,816	\$0	\$0	\$5,641,816
<u>Less accumulated depreciation:</u>				
Buildings	\$6,768	\$200	\$0	\$6,968
Equipment	\$107,626	\$4,274	\$0	\$111,900
Infrastructure	\$2,373,663	\$134,440	\$0	\$2,508,103
Total accumulated depreciation	\$2,488,057	\$138,914	\$0	\$2,626,971
Total capital assets, being depreciated, net	\$3,068,269	(\$138,914)	\$0	\$2,929,355
Total capital assets, net	\$3,153,759	(\$138,914)	\$0	\$3,014,845

NOTE F – LONG TERM DEBT

The Governmental activities General Fund has long term debt to Peoples South Bank. The debt was assumed in FY 2020 to purchase fire equipment. There is no collateral or required balance accompanying the debt. The debt is at a rate of 4.68% for sixty months. Minimum monthly payments are \$345. The balance of the loan as of September 30, 2020 is \$16,032. The long-term portion of the loan is \$11,883 and the short-term portion of the loan is \$4,149.

The Water and Sewer Fund has long term debt due to the CoBank. Revenues of the Town's water and sewer system are pledged as collateral. The proceeds from the commercial promissory note date August 2018 were used to refinance outstanding bond issuances. The debt requires monthly payment of \$5,672 through February 2032. The interest rate is 4.6% annually. The long-term portion of the debt is \$555,693 and the short-term portion of the debt is \$45,052.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE G – GRANT REVENUE AND EXPENDITURES

The Town completed three grants for the general fund in FY 2020. There were no grants associated with the proprietary fund in FY 2020.

Summary of FY 2020 Grants: General Fund

Florida State Fire Marshall	\$27,968
Florida Department of Agriculture	\$6,255
Florida Department of Transportation	\$277,510
Total FY 2020 grants	<u>\$311,733</u>

The Town (Fire Department) was approved for a \$27,968 grant from the Florida State Fire Marshall in FY 2020 to purchase protective equipment. The grant was a 100% grant with no required matching portion. The Town (Fire Department) spent \$28,913 on bunker gear and breathing apparatus. The additional \$945 spent in excess of the approved grant was paid for with Fire Department funds. The grant was completed and closed by the end of the 2020 FY.

The Town (Fire Department) was approved for a \$6,255 grant from the Florida Department of Agriculture in FY 2020 to purchase radio equipment. The grant was a 100% grant with no required matching portion. The Town (Fire Department) spent \$6,255 on portable radios. The grant was completed and closed by the end of the 2020 FY.

The Town was approved for a \$346,510 grant from the Florida Department of Transportation in November 2018 for repaving Pirate Cove Road. In FY 2019 \$69,000 was received and spent and in FY 2020 \$277,510 was received and spent. The grant was a 100% grant with no required matching portion. Mittauer and Associates wrote the grant, Anderson Columbia Co, Inc was the project manager, and Smith Seckman and Reid was the contractor. The grant was completed and closed by the end of the 2020 FY.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE G – GRANT REVENUE AND EXPENDITURES (CONTINUED)

Grant funds received in FY 2020 are as follows:

FDOT	\$1,500
FDOT	\$750
FDOT	\$25,951
FDOT	\$116,923
FDOT	\$118,548
FDOT	\$13,005
FDOT	\$833
TOTAL PAYMENTS RECEIVED	<u>\$277,510</u>

Grant funds spent in FY 2020 are as follows:

Mittauer & Associates	\$1,500
Mittauer & Associates	\$750
Smith Seckman and Reid	\$1,077
Anderson Columbia Co, Inc	\$14,573
Smith Seckman and Reid	\$7,898
Smith Seckman and Reid	\$5,462
Anderson Columbia Co, Inc	\$6,973
Anderson Columbia Co, Inc	\$92,630
Smith Seckman and Reid	\$11,859
Smith Seckman and Reid	\$13,535
Anderson Columbia Co, Inc	\$105,013
Mittauer & Associates	\$650
Smith Seckman and Reid	\$964
Anderson Columbia Co, Inc	\$11,392
Smith Seckman and Reid	\$1,044
MISC (VARIOUS SUPPLY VENDORS)	<u>\$2,192</u>
TOTAL SPENT	<u>\$277,510</u>

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE H – ACCOUNTS RECEIVABLE

General Fund:

Historically the accounts receivable in the general fund are fully collected and there is no compelling reason to believe that the receivables from any of the general fund sources will not be collected. Net receivable for the general fund as of September 30, 2020 is \$23,133.

Proprietary Fund:

Historically the accounts receivable in the Water and Sewer fund has a five percent uncollectible rate.

Water and Sewer accounts receivable	\$32,638
5% uncollectible rate	0.05
Allowance for doubtful accounts	<u>\$1,632</u>
Net receivables	<u><u>\$31,006</u></u>

NOTE I – RISK MANAGEMENT

The Town of Ponce De Leon, Florida is exposed to various risks of loss related to tort, theft, damage to and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The Town purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust which is a public entity risk pool. The Town maintains minimal insurance deductibles for insurance policies from its carrier. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the past three years.

NOTE J – INTERFUND BALANCES

Interfund balance represents expenses paid and revenues received by the general fund, special revenue fund, and the proprietary fund that have not been transferred to the appropriate fund as of the end of the FY. These amounts are displayed on the financial statements as Internal Balances and represent due to and due from amounts to the other fund. Balances as of September 30, 2020 are displayed below:

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE J – INTERFUND BALANCES (CONTINUED)

Governmental Fund

General Fund - Due to Special Revenue Fund	(\$68,236)
General Fund - Due to Proprietary Fund	(\$64,418)
Special Revenue Fund - Due from General Fund	\$68,236
Special Revenue Fund - Due from Proprietary Fund	\$43,898
Total Governmental Interfund Balance	<u>(\$20,520)</u>

Proprietary Fund

Proprietary Fund - Due from General Fund	\$64,418
Proprietary Fund - Due from Special Revenue Fund	(\$43,898)
Total Proprietary Interfund Balance	<u>\$20,520</u>

NOTE K – RENTAL REVENUE

The Town receives rental revenue into the General Fund by renting Town facilities. The Old Gym is rented on a month-to-month basis to a local church for \$675 a month. The Town Hall is rented by citizens of the Town as requested for \$100 per function. The warehouse is rented to a local business for \$1591 a month plus utilities. The lease agreement on the warehouse commenced in October 2017 and has an option to renew the lease for six years with a 3% increase per year. Total rental income received by the Town for FY 2020 is \$31,567.

NOTE L – SIGNIFICANT CONTRACTS

The Town has an ongoing contract with Operations Management International, Inc to maintain, operate, and manage the water and sewer system for the Town. The monthly fee for the service is \$17,779 and was accepted through normal bidding process by the Town Council on October 10, 2019.

NOTE M – COVID

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Town of Ponce De Leon could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Town has not included any contingencies in the financial statements specific to this issue.

NOTE N – FINANCIAL CONDITION

The Town continues to pursue new sources of revenue and ways to reduce expenditures in all funds.

Governmental Fund

Excluding depreciation, capital outlay, and grant income, revenue exceed expenditure by \$6,681. For the FY, depreciation is \$76,991, capital outlay is \$340,179, and grants received is \$311,733.

Proprietary Fund

Excluding depreciation, expenditures exceeded revenue by \$15,907. For the FY, depreciation is \$138,915.

NOTE O – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 9, 2021, the date these financial statements were available to be issued. No material subsequent event deemed to warrant recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted	Actual	Variance
	Amounts	Amounts	Amounts
<u>REVENUES:</u>			
Taxes	\$202,080	\$214,225	\$12,145
Licenses, fees, and permits	\$3,800	\$5,119	\$1,319
Rents	\$27,500	\$31,567	\$4,067
Donations	\$2,000	\$43,455	\$41,455
Fire safety fees	\$20,000	\$7,500	(\$12,500)
Interest	\$630	\$202	(\$428)
Grants	\$75,000	\$311,733	\$236,733
Total Revenues	<u>\$331,010</u>	<u>\$613,801</u>	<u>\$282,791</u>
 <u>EXPENDITURES:</u>			
General Governmental Services	\$242,092	\$274,592	(\$32,500)
Public Safety	\$20,000	\$34,731	(\$14,731)
Streets	\$76,200	\$18,239	\$57,961
Culture and Recreation	\$1,300	\$44,816	(\$43,516)
Capital Outlay	\$0	\$340,179	(\$340,179)
Total Expenditures	<u>\$339,592</u>	<u>\$712,557</u>	<u>(\$372,965)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u><u>(\$8,582)</u></u>	<u><u>(\$98,756)</u></u>	<u><u>(\$90,174)</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PONCE DE LEON, FLORIDA
 STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL - PROPRIETARY FUND
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities - Enterprise Funds - Water Fund

	Budget Amounts	Actual Amounts	Variance Amounts
<u>Operating revenues:</u>			
Charges for services	\$311,642	\$350,952	\$39,310
<u>Operating expenses:</u>			
Personal services	\$16,000	\$12,316	\$3,684
Operating	\$290,860	\$467,406	(\$176,546)
Total operating expenses	\$306,860	\$479,722	(\$172,862)
<u>OPERATING INCOME (LOSS)</u>	\$4,782	(\$128,770)	(\$133,552)
<u>Non-operating revenues (expenses)</u>			
Interest income	\$0	\$281	\$281
Sale of asset	\$0	\$1,361	\$1,361
Interest expense	\$0	(\$27,694)	(\$27,694)
Total non-operating revenues (expenses)	\$0	(\$26,052)	(\$26,052)
<u>INCOME (LOSS)</u>	\$4,782	(\$154,822)	(\$159,604)

The notes to the financial statements are an integral part of this statement.

COMPLIANCE SECTION

EDWARD CHAPMAN
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**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**

The Honorable Mayor and Members of the Town Council
Town of Ponce De Leon, Florida

I have audited, in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Ponce De Leon, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ponce De Leon's basic financial statements and have issued my report thereon dated November 9, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Ponce De Leon's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ponce De Leon's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Ponce De Leon'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged in governance.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Edward E. Chapman Jr.".

Edward Chapman, CPA
Springville, Alabama
November 9, 2021

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA
STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

The Honorable Mayor and Members
of the Town Council, Town of Ponce De Leon, Florida

I have examined the Town of Ponce De Leon, Florida's (the Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on the Town's compliance based on my examination.

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

In my opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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

Edward E. Chapman Jr.

Edward Chapman, CPA
Springville, Alabama
November 9, 2021

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MANAGEMENT LETTER

The Honorable Mayor and Members of the Town Council
Town of Ponce De Leon, Florida

Report on the Financial Statements

I have audited the financial statements of the Town of Ponce De Leon, Florida, as of and for the year ended September 30, 2020, and I have issued my report thereon dated November 9, 2021.

Auditor's Responsibility

I conducted my 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 Florida Auditor General.

Other Reports and Schedule

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550 of the Auditor General. Disclosures in that report, which are dated November 9, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address some findings and recommendations made in the preceding annual financial audit report. Below is a summary of the findings and recommendations made in the preceding annual financial audit report. The last audit for the Town of Ponce De Leon was in FY 2019. In my FY 2020 audit I found that the Town had corrected 2 of 6 FY 2019 findings listed below.

Finding 2017-001: Accounting and Financial Statement Preparation

Several general ledger accounts were not reconciled to detailed supporting ledgers during the year. Material adjustments were required to bring the books into compliance with generally accepted accounting principles. There was no supporting documentation or evidence of review of journal entries posted. The Town required assistance in preparing the year-end financial statements.

Status of Finding 2017-001: In my FY 2020 audit I determined that general ledger accounts were reconciled and journal entries were supported and reviewed. However, material adjustments were required and

assistance preparing the financial statements was required. Finding 2017-001 is partially closed and the FY 2020 finding will reflect the updated status of the finding.

Finding 2017-002: Segregation of Duties

The Town lacks sufficient personnel to appropriately separate all accounting functions and to provide optimum segregation of duties.

Status of Finding 2017-002: In my FY 2020 audit I determined that since the Town had engaged a local CPA firm to handle reconciliations and provide an additional layer of review that the segregation of duties risk had been mitigated to an acceptable level. Finding 2017-002 is closed.

Finding 2017-005: Financial Condition

The Town is not in a state of "deteriorating financial condition" as defined by the rules of the Auditor General 10.554(1)(f) and statute 218.503(1); however, the Town's overall financial condition demonstrates signs of deterioration, which if not corrected, could result in a future financial emergency.

Status of Finding 2017-005: In my FY 2020 audit I have determined that the overall financial condition of the Town remains a concern. Finding 2017-005 remains open.

Finding 2017-006: Debt Services Reserve Funding Deficiency

The Town has not been able to make timely deposits into the reserve accounts as required by its debt covenants. The Town's overall resources restricted by external sources exceeded the total cash on hand.

Status of Finding 2017-006: In my FY 2020 audit I determined that the cash on hand is sufficient to comply with the debt covenants. Finding 2017-006 is closed.

Finding 2017-007: Submission of Annual Financial Report and Audit

For FY 2019 the Town did not submit the annual financial report (AFR) and a copy of the audit report timely as required by Florida Statute Section 218.32.

Status of Finding 2017-007: In my FY 2020 audit I determined that the Town did not comply with Florida Statute Section 218.32 in FY 2020. Finding 2017-007 remains open.

Finding 2018-002: Expenditures in Excess of Budget Appropriations

For FY 2019, actual expenditures exceeded budgeted appropriations.

Status of Finding 2018-002: In my FY 2020 audit I determined that expenditures exceeded budgeted appropriations. Finding 2018-002 remains open.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Ponce De Leon is a municipality in Holmes County, Florida. The Town has no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require me to apply appropriate procedures and communicate the results of my determination as to whether or not the Town of Ponce De Leon has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with my audit, I determined that the Town of Ponce De Leon 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, I applied financial condition assessment procedures for the Town of Ponce De Leon. It is management's responsibility to

monitor the Town of Ponce De Leon's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. As noted in the findings and recommendations noted below, I have noted signs of deteriorating financial conditions. Presently, the Town is not in a state of "deteriorating financial condition" as defined by the rules of the Auditor General 10.554(1)(f) and statute 218.503(1); however, the Town's overall financial condition demonstrates signs of deterioration, which if not corrected, could result in a future financial emergency.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any findings and/or recommendations to improve financial management. In connection with my audit, I have five audit findings and recommendations as follows:

Finding 2020-01: Accounting and Financial Statement Preparation

Material adjustments were required to bring the books into compliance with generally accepted accounting principles. The Town required assistance in preparing the year-end financial statements.

Recommendation: I recommend that the Town continue to work and communicate with the local CPA firm that assists in reconciliations and bookkeeping to ensure adjustments are made in a timely manner. Install additional processes to ensure financial statements are accurate on a monthly basis.

Finding 2020-02: Financial Condition

The Town is not in a state of "deteriorating financial condition" as defined by the rules of the Auditor General 10.554(1)(f) and statute 218.503(1); however, the Town's overall financial condition demonstrates signs of deterioration, which if not corrected, could result in a future financial emergency. Specifically, the Water and Sewer Fund expenditures exceeded revenue in FY by \$154,822 with depreciation expense and \$15,907 excluding depreciation.

Recommendation: I recommend that the Town continue to explore ways to reduce expenses and increase revenues. Short-term and long-term plans and analysis should be implemented to ensure the Town is prepared for all possible situations that may occur. Local, State, and Federal grants should be explored to assist in ensuring efficiency is implemented when possible.

Finding 2020-03: Submission of Annual Financial Report and Audit

The Town did not submit the annual financial report (AFR) and a copy of the audit report timely as required by Florida Statute Section 218.32. The delay in filing was due to the auditors' schedule and engaging a new auditor to perform the audit late in the year.

Recommendation: I recommend that the Town engage a qualified Certified Public Accountant early in the year to ensure that state-imposed deadlines can be met.

Finding 2020-04: The adopted budget was materially different from the actual revenues and expenditures incurred.

There were material differences between the budgeted revenues and expenditures and the actual revenues and expenditures in both the General Fund and the Proprietary Fund. Also, capital outlay and grant revenue were not included in the General Fund Budget.

Recommendation: I recommend comparing the budget to actual amounts on a monthly basis to determine if the budget needs to be amended. If amendments are necessary, the council should formally adopt an amended budget. Also, capital outlay and grant revenue should be included in the budget.

Finding 2020-05: Newly approved water and sewer rates were not updated in the utility software in a timely manner.

Due to a change in responsibilities within the administrative office Town staff did not know that rates were required to be updated in a specific manner to ensure that water and sewer billing was correctly calculated. Several months went by before the issue was identified which caused a loss of revenue in the Proprietary Fund.

Recommendation: I recommend that Town personnel be trained on the use of the utility software and rates should be updated as soon as rate changes are approved by the Council. Calculations should be performed on a test basis to ensure that the software is properly calculating amounts and total bills.

Additional Matters

Section 10.554(1)(i)2., Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. Our recommendations are outlined in the accompanying schedule of findings and responses.

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

Purpose of this Letter

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

Edward E. Chapman Jr.

Edward Chapman, CPA
Springville, Alabama
November 9, 2021

Town of Ponce De Leon

1580 Hwy 90

Ponce De Leon, FL 32455

(850) 836-4361

November 5, 2021

EDWARD E CHAPMAN, CPA

7224 US HWY 11

Springville, AL 35146

Subject: The Town of Ponce De Leon's response to the FY 2020 Audit Findings

The Town of Ponce De Leon has reviewed your FY 2020 audit findings and the purpose of this letter is to provide the Town's response to the audit finds.

Finding 2020-01: Accounting and Financial Statement Preparation

Material adjustments were required to bring the books into compliance with generally accepted accounting principles. The Town required assistance in preparing the year-end financial statements.

Recommendation: I recommend that the Town continue to work and communicate with the local CPA firm that assist in reconciliations and bookkeeping to ensure adjustments are made in a timely manner. Install additional processes to ensure financial statements are accurate on a monthly basis.

Town's Response: We agree with the finding and will work with the local CPA firm to adjustments are made timely and that financial statements are prepared in accordance Generally Accepted Accounting Principles.

Finding 2020-02: Financial Condition

The Town is not in a state of "deteriorating financial condition" as defined by the rules of the Auditor General 10.554(1)(f) and statute 218.503(1): however, the Town's overall financial condition demonstrates signs of deterioration, which if not corrected, could result in a future financial emergency. Specifically, the Water and Sewer Fund expenditure exceeded revenue in FY by \$154,822 with depreciation expense and \$15,907 excluding depreciation.

Recommendation: I recommend that the Town continue to explore ways to reduce expenses and increase revenues. Short-term and long-term plans and analysis should be implemented to ensure the Town is prepared for all possible situations that may occur. Local, State, and Federal grants should be explored to assist in ensuring efficiency is implemented when possible.

Town's Response: We agree with the finding and are currently exploring ways to reduce expenditures and increase revenues. We are also exploring grant opportunities to improve efficiencies.

Finding 2020-03: Submission of Annual Financial Report and Audit

The Town did not submit the annual financial report (AFR) and a copy of the audit report timely as required by Florida Statute Section 218.32. The delay in filing was due to the auditors' schedule and engaging a new auditor to perform the audit late in the year.

Recommendation: I recommend that the Town engage a qualified Certified Public Accountant early in the year to ensure that state-imposed deadlines can be met.

Town's Response: We agree with the finding and will engage a qualified CPA to as soon as possible. We will also ensure that the CPA's schedule will allow a timely completion and filing of the audit.

Finding 2020-04: The adopted budget was materially different from the actual revenues and expenditures incurred.

There were material differences between the budgeted revenues and expenditures and the actual revenues and expenditures in both the General Fund and the Proprietary Fund. Also, capital outlay and grant revenue were not included in the General Fund Budget.

Recommendation: I recommend comparing the budget to actual amounts on a monthly basis to determine if the budget needs to be amended. If amendments are necessary, the council should formally adopt an amended budget. Also, capital outlay and grant revenue should be included in the budget.

Town's Response: We agree with the finding and will compare the budget to actual amounts on a monthly or quarterly basis for adjustments. We will also ensure that capital outlay and grants are included in the budget going forward. Any material changes in the budget will be approved by the Council in a timely manner.

Finding 2020-05: Newly approved water and sewer rates were not updated in the utility software in a timely manner.

Due to a change in responsibilities within the administrative office Town staff did not know that rates were required to be updated in a specific manner to ensure that water and sewer billing was correctly calculated. Several months went by before the issue was identified which caused a loss of revenue in the Proprietary Fund.

Recommendation: I recommend that Town personnel be trained on the use of the utility software and rates should be update as soon as rate changes are approved by the Council. Calculations should be performed on a test basis to ensure that the software is properly calculating amounts and total bills.

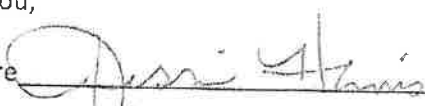
Town's Response: We agree with the finding, we feel that the training has already been conducted and that the appropriate personnel have a good understanding of the process now. Going forward we will hand calculate on a test basis to ensure the utility software is calculating the bills correctly.

Thank you,

Signature

Printed name:

Title


Jessica Harris
Town Clerk