

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended September 30, 2021**

**TOWN OF HORSESHOE BEACH, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2021**

**TABLE OF CONTENTS**

	<b>PAGE NO.</b>
<b>INTRODUCTORY SECTION</b>	
List of Officials	5
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	7 - 8
Management's Discussion and Analysis	9 - 13
<b>Basic Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Governmental Funds	
Balance Sheet	17
Statement of Revenues, and Expenditures, and Changes in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
Statement of Cash Flows – Reconciliation of Operating Income to Net Cash Provided by Operating Activities	23
Notes to Financial Statements	24 - 39

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2021

**TABLE OF CONTENTS**

	<b>PAGE NO.</b>
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
General Fund -	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	40 - 44
Notes to Required Supplementary Information	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 - 47
Management Letter Required by Chapter 10.550, Rules of the Auditor General	48 - 49
Independent Accountant's Report	50
Communication with Those Charged with Governance	51 - 52

## **INTRODUCTORY SECTION**

**TOWN OF HORSESHOE BEACH, FLORIDA**

**PRINCIPAL LIST OF OFFICIALS**

**September 30, 2021**

**MAYOR**

**James M. McClellan**

**COUNCIL MEMBERS**

**Tyler Futch**

**Jeff Williams**

**Brett Selph**

**James (JD) Nobles**

**TOWN CLERK**

**Nikki Selph**

**TOWN ATTORNEY**

**Conrad C. Bishop, Jr.**

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

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

1359 S.W. Main Blvd.  
Lake City, Florida 32025  
386 / 755-4200  
Fax: 386 / 719-5504

admin@powellandjonescpa.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
and Members of the Town Council  
Town of Horseshoe Beach, Florida

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

### ***Opinion***

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

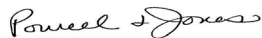
### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022 on our consideration of the Town of Horseshoe Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Horseshoe Beach, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**  
Certified Public Accountants  
June 22, 2022



## **TOWN OF HORSESHOE BEACH, FLORIDA**

### **Management's Discussion and Analysis**

The Management Discussion and Analysis, is intended to be an easily readable analysis of the Town of Horseshoe Beach's (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, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as protective inspections, fire control, public works, parks and recreation, and general governmental administration. The Town's water service is reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

#### ***Basic Financial Statements***

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses 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 two major governmental funds. A budgetary comparison is presented for these funds. Statements for the Town's proprietary fund follows the governmental fund statements 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

A condensed version of the Statement of Net Position at September 30, 2021, follows:

#### Net Position at September 30, 2021 and 2020

	Governmental Activities	Business-Type Activities	Total Government	
			2021	2020
<b>Assets</b>				
Cash and cash equivalents	\$ 277,769	\$ 265,635	\$ 543,404	\$ 890,254
Other assets	323,165	138,052	461,217	11,083
Capital assets	735,644	4,218,157	4,953,801	5,204,942
Total assets	<u>\$ 1,336,578</u>	<u>\$ 4,621,843</u>	<u>\$ 5,958,421</u>	<u>\$ 6,106,279</u>
<b>Liabilities</b>				
Current Liabilities	3,262	79,096	82,358	75,090
Long-Term Liabilities	159	681,428	681,587	714,756
Total Liabilities	<u>3,421</u>	<u>760,524</u>	<u>763,945</u>	<u>789,846</u>
<b>Net Position</b>				
Net Investment of capital assets	735,644	3,507,273	4,242,917	4,462,728
Restricted for Streets	13,211	-	13,211	2,082
Unrestricted	584,301	354,046	938,347	876,805
Total Net Position	<u>\$ 1,333,156</u>	<u>\$ 3,861,319</u>	<u>\$ 5,194,474</u>	<u>\$ 5,341,615</u>

82% of the Town's net position reflect its investment in capital assets (land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net position decreased by \$161,740 over the year.

The following schedule provides a summary of the changes in net position. The decrease in governmental and business-type net position is due primarily to the inability of these operations to fully fund depreciation.

A condensed version of the Statement of Activities follows:

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

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
<b>Revenues</b>				
Program revenues				
Charges for services	\$ -	\$ 248,075	\$ 248,075	\$ 229,324
General revenues				
Taxes	144,448	-	144,448	159,924
Licenses, permits	2,189	-	2,189	1,483
State shared revenues	33,268	-	33,268	21,352
Interest and other	10,608	331	10,938	10,565
Total revenues	<u>190,513</u>	<u>248,406</u>	<u>438,918</u>	<u>422,648</u>
<b>Expenses</b>				
General government	133,635	-	133,635	111,584
Public safety	54,507	345,644	400,151	14,509
Physical environment	10,084	-	10,084	50,333
Transportation	27,535	-	27,535	33,063
Health	-	-	-	2,649
Culture/recreation	9,103	-	9,103	12,359
Interest on long-term debt	-	20,151	20,151	(20,994)
Total expenses	<u>234,864</u>	<u>365,795</u>	<u>600,659</u>	<u>203,503</u>
Change in net position	(44,351)	(117,389)	(161,741)	(173,825)
Beginning net position	<u>1,377,507</u>	<u>3,978,708</u>	<u>5,356,215</u>	<u>5,515,441</u>
Ending net position	<u>\$ 1,333,156</u>	<u>\$ 3,861,319</u>	<u>\$ 5,194,474</u>	<u>\$ 5,341,616</u>

**Governmental activities:**

Taxes provide 76% of the revenues for Governmental Activities, while state shared revenues provide 17%. Most of the Governmental Activities resources are spent for General Government (57%), Public Safety (23%), Physical environment (4%) and Transportation (12%) and Culture (4%).

**Business-type activities:**

Business-type activities decreased the Town's net assets by \$117,389. Key elements of this decrease are as follows:

- Water expenses during the year totaled \$365,795 including depreciation of \$205,811.

The Town operated within its budgetary limits in all funds during the current year.

**Capital Assets and Debt Administration**

**Capital Assets**

At September 30, 2021, the Town had \$4.9 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities.

### Capital Assets at September 30, 2021 and 2020

	Governmental	Business-Type	Total Government	
	Activities	Activities	2021	2020
Land	\$ 157,538	\$ 163,500	\$ 321,038	\$ 321,038
Buildings and Improvements	256,753	5,945,320	6,202,073	6,202,073
Infrastructure	1,227,983	1,058,557	2,286,540	2,286,540
Equipment	241,720	41,274	282,994	282,994
Subtotal	1,883,994	7,208,652	9,092,646	9,092,645
Accumulated Depreciation	(1,148,350)	(2,990,495)	(4,138,845)	(3,887,704)
Capital Assets, Net	\$ 735,644	\$ 4,218,157	\$ 4,953,801	\$ 5,204,941

### Debt Outstanding

At year-end, the Town had \$710,883 in debt outstanding versus \$742,214 last year, a decrease of \$31,331.

	Governmental	Business-Type	Total Government	
	Activities	Activities	2021	2020
SRF Loan	\$ -	\$ 710,883	\$ 710,883	\$ 742,214

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

### OTHER FINANCIAL INFORMATION

#### Economic Factors and Rates

- The estimated unemployment rate for Dixie County was 4.7%, which is the approximate rate for the Town.
- The estimated population for the Town in 2021 was 171 and is estimated to be approximately the same in 2021.
- The Town's ad valorem tax rate for 2021 was 2.5 mills, which was the same as the prior year.

**Financial Contact**

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 86, Horseshoe Beach, Florida 32648.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HORSESHOE BEACH, FLORIDA**

**STATEMENT OF NET POSITION**

September 30, 2021

	Governmental Activities	Business - type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 277,769	\$ 265,635	\$ 543,404
Investments	313,696	108,705	422,401
Due from other governments	4,403	-	4,403
Prepaid insurance	5,066	-	5,066
Accounts receivable, net	-	29,347	29,347
Total current assets	<u>600,934</u>	<u>403,687</u>	<u>1,004,621</u>
Non-current assets:			
Capital assets, net	<u>735,644</u>	<u>4,218,157</u>	<u>4,953,801</u>
Total assets	<u>1,336,578</u>	<u>4,621,843</u>	<u>5,958,421</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,618	3,739	5,357
Accrued compensated absences	795	1,050	1,845
Accrued interest	-	8,978	8,978
Customer prepaids	-	31,825	31,825
Payroll liabilities	849	2,158	3,007
Notes payable, current portion	-	31,346	31,346
Total current liabilities	<u>3,262</u>	<u>79,096</u>	<u>82,358</u>
Noncurrent liabilities:			
Accrued compensated absences	159	1,891	2,050
Notes payable	-	679,537	679,537
Total noncurrent liabilities	<u>159</u>	<u>681,428</u>	<u>681,587</u>
Total liabilities	<u>3,421</u>	<u>760,524</u>	<u>763,945</u>
<b>NET POSITION</b>			
Net investment in capital assets	735,644	3,507,274	4,242,918
Restricted for streets	13,211	-	13,211
Unrestricted	584,301	354,045	938,346
Total net position	<u>\$ 1,333,156</u>	<u>\$ 3,861,319</u>	<u>\$ 5,194,474</u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 133,635	\$ -	\$ -	\$ -	\$ (133,635)	\$ -	\$ (133,635)
Public safety	54,507	-	-	-	(54,507)	-	(54,507)
Physical environment	10,084	-	-	-	(10,084)	-	(10,084)
Transportation	27,535	-	-	-	(27,535)	-	(27,535)
Culture/recreation	9,103	-	-	-	(9,103)	-	(9,103)
Total governmental activities	234,864	-	-	-	(234,864)	-	(234,864)
<b>Business-type activities</b>							
Water utility	345,644	248,075	-	-	-	(97,569)	(97,569)
Interest on long-term debt	20,151	-	-	-	-	(20,151)	(20,151)
Total business-type activities	365,795	248,075	-	-	-	(117,720)	(117,720)
Total government	\$ 600,659	\$ 248,075	\$ -	\$ -	\$ -	\$ (117,720)	\$ (352,584)
<b>General revenues</b>							
					\$ 144,448	\$ -	\$ 144,448
					2,189	-	2,189
					33,268	-	33,268
					764	195	959
					9,844	136	9,980
					190,513	331	190,844
					(44,351)	(117,389)	(161,740)
					1,377,507	3,978,708	5,356,215
					\$ 1,333,156	\$ 3,861,319	\$ 5,194,475

See notes to financial statements.



**TOWN OF HORSESHOE BEACH, FLORIDA**

**GOVERNMENTAL FUND**

**BALANCE SHEET**

September 30, 2021

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 277,769
Investments	313,696
Due from other governmental units	4,403
Prepaid Insurance	5,066
Total assets	<u>600,934</u>
<b>LIABILITIES</b>	
Accounts payable	1,618
Payroll liabilities	849
Total liabilities	<u>2,467</u>
<b>FUND BALANCES</b>	
Non-spendable	5,066
Restricted for streets	13,211
Unassigned	580,189
Total fund balances	<u>598,466</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	735,644
Long-term liabilities, including compensated absences are not due and payable and therefore are not reported in the funds.	(954)
Net position of governmental activities	<u>\$ 1,333,156</u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**

**GOVERNMENTAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**For the Fiscal Year Ended September 30, 2021**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 144,448
Licenses and permits	2,189
Intergovernmental	33,268
Miscellaneous	<u>10,608</u>
Total revenues	<u>190,513</u>
 <b>EXPENDITURES</b>	
Current expenditures	
General government	133,635
Public safety	7,294
Transportation	27,535
Health	1,312
Culture/recreation	<u>4,397</u>
Total current expenditures	<u>174,173</u>
 Total expenditures	<u>174,173</u>
 Excess of revenues over expenditures	16,340
 Fund balances at beginning of year	<u>582,126</u>
Fund balances at end of year	<u>\$ 598,466</u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**

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

**For the Fiscal Year Ended September 30, 2021**

Net change in fund balance - total governmental funds	\$ 16,340
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.	
Current year depreciation	(60,623)
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	<u>(68)</u>
Change in net position of governmental activities	<u>\$ (44,351)</u>

See notes to the financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 For the Fiscal Year Ended September 30, 2021

	Utilities Department Fund
<b>ASSETS</b>	
Current assets	
Cash	\$ 265,635
Investments	108,705
Accounts receivable, net	29,347
Total current assets	<u>403,687</u>
Fixed assets	
Non-depreciable capital assets	
Land	162,500
Total non-depreciable capital assets	<u>162,500</u>
Depreciable capital assets	
Easements	1,000
Building and fixtures	1,058,557
Utility plant	5,945,320
Equipment	41,274
Total depreciable capital assets	<u>7,046,152</u>
Less accumulated depreciation	
Building and fixtures	(521,540)
Utility plant	(2,411,399)
Equipment	(57,556)
Total accumulated depreciation	<u>(2,990,495)</u>
Total depreciable capital assets, net	<u>4,055,657</u>
Business type activities capital assets, net	<u>4,218,157</u>
Total assets	<u>\$ 4,621,843</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 3,739
Accrued interest charges	8,978
Accrued compensated absences	1,050
Customer prepaids	31,825
Payroll liabilities	2,158
SRF loan, current portion	31,346
Total current liabilities	<u>79,096</u>
Long-term liabilities	
Accrued compensated absences	1,891
SRF loan, less current portion	679,537
Total long-term liabilities	<u>681,428</u>
Total liabilities	<u>760,524</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,507,273
Unrestricted	354,047
Total net position	<u>3,861,319</u>
Total liabilities and net position	<u>\$ 4,621,843</u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended September 30, 2021

	Utilities Department Fund
<b>OPERATING REVENUES</b>	
Physical environment	
Water utility revenue/surcharges	
Water sales	\$ 248,075
Total operating revenues	<u>248,075</u>
<b>OPERATING EXPENSES</b>	
Water utility services	
Personnel services	
Regular salaries and benefits	73,181
Total personnel services	<u>73,181</u>
Operating expenses	
Chemicals/samples	11,137
Communications	4,330
Contract labor	81
Depreciation	205,118
Insurance	9,742
Utilities	14,607
Repairs and maintenance	3,936
Postage/freight	2,202
Professional services	10,150
Supplies	10,487
Surcharge expense	673
Total operating expenses	<u>272,463</u>
Total water utility services	<u>345,644</u>
Operating loss	<u>(97,569)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	195
Miscellaneous income	136
Interest expense	(20,151)
Total nonoperating revenues (expenses)	<u>(19,820)</u>
Net loss	(117,389)
Net position, beginning of year	3,978,708
Net position, end of year	<u>\$ 3,861,319</u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2021

	Utilities Department Fund
Cash flows from operating activities:	
Cash received from customers	\$ 248,075
Cash paid to suppliers	(65,051)
Cash paid to employees	(72,774)
Net cash provided by operating activities	<u>110,250</u>
Cash flows from capital and related financing activities:	
Principal payments	(31,331)
Interest payments	(21,017)
Net cash used for capital and related financing activities	<u>(52,348)</u>
Net increase in cash	<u>57,902</u>
Cash, at beginning of year	<u>207,733</u>
Cash, at end of year	<u><u>\$ 265,635</u></u>

See notes to financial statements.

**TOWN OF HORSESHOE BEACH, FLORIDA**

**STATEMENT OF CASH FLOWS**

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

**For the Fiscal Year Ended September 30, 2021**

	Utilities Department Fund
Operating loss	<u>\$ (97,569)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	205,118
Decrease in current assets:	
Accounts receivable	(4,164)
Decrease in current liabilities:	
Customer prepaids	4,164
Accounts payable	2,294
Accrued expenses	1,274
Compensated absences	(867)
	<u>207,819</u>
Net cash provided by operating activities	<u>\$ 110,250</u>

See notes to financial statements.

## TOWN OF HORSESHOE BEACH, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2021

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**A. Reporting Entity** - The Town of Horseshoe Beach, Florida is a municipality created and derives its powers pursuant to Chapter 63-1429, *Acts of 1963 - Laws of Florida*. It is governed by a Mayor and a four member Town Council, all of whom are individually elected.

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

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

- Government-wide financial statements



- Fund financial statements
- Notes to the financial statements

## **1. Government-wide Financial Statements**

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

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

Program revenues include charges for services, 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 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.

As applicable, 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 excludes amounts represented by non-current 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.

**Proprietary Funds** – The Town's Utilities Department Fund is a proprietary fund. 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 assets. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants, 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. The amount paid to reduce long-term indebtedness is 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 or expenditures, 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 three major funds as follows:

**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 Fund:**

**Utilities Fund** – The Utilities Department Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water service.

**3. Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities' column of 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. 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.”

- 3. 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.

- 4. Capital Assets** - Capital assets, which include property, plant and equipment, 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 \$500 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 generally not reported. Donated capital assets are recorded at estimated acquisition 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. Certain 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 of component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	20 - 40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

5. **Deferred Revenues** - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Town had no deferred revenues at year end.
6. **Accrued Compensated Absences** - The Town policies provide for the accumulation or vesting of vacation benefits by employees which are fully payable upon satisfactory separation.
7. **Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2021, the Town's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.
8. **Prepaid Items** - Significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2021, are recorded as prepaid items.
9. **Restricted Assets** - Certain net assets of the Town are classified as restricted assets on the statement of net assets because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributions, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.
10. **Short-term Interfund Receivable/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."
11. **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.

## 12. Fund Balances and Net Assets

### A. Governmental Funds

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

**Non-spendable** – amounts that cannot be spent either because they are in non-spendable 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 governing body. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

**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 the Town's adopted policy, only the Town Council may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

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

Non-spendable	\$ 5,066
Restricted for Streets	13,211
Unassigned	580,189
Governmental Fund Balance Total	<u>\$ 598,466</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

## B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2021, net position is composed of the following:

Net investment in capital assets	\$ 3,507,275
Unrestricted	354,044
Total net position	<u>\$ 3,861,319</u>

- 13. Proprietary Activity Accounting and Financial Reporting** - The Town applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 10, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB's).
- 14. Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.  
  
All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.
- 15. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **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 \$598,466 differs from "net position" of governmental activities \$1,333,156 reported in the statement of net assets. 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 assets included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,883,994
Accumulated depreciation	(1,148,350)
Capital assets, net	<u>\$ 735,644</u>

#### Long-term debt transactions

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

Compensated Absences	<u>\$ (954)</u>
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**TOWN OF HORSESHOE BEACH, FLORIDA**

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
<b>ASSETS</b>				
Cash	\$ 277,769	\$ -	\$ -	\$ 277,769
Investments	313,696	-	-	313,696
Due from other governmental units	4,403	-	-	4,403
Prepaid expenses	5,066	-	-	5,066
Capital asset - net	-	735,644	-	735,644
<b>Total assets</b>	<b>\$ 600,934</b>	<b>\$ 735,644</b>	<b>\$ -</b>	<b>\$ 1,336,578</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,618	\$ -	\$ -	\$ 1,618
Compensated absences	-	-	954	954
Payroll liabilities	849	-	-	849
<b>Total liabilities</b>	<b>2,467</b>	<b>-</b>	<b>954</b>	<b>3,421</b>
 Restricted for streets	 13,211	 -	 -	 13,211
Unrestricted fund balance/net position	585,255	735,644	(954)	1,319,945
<b>Fund balance/net position</b>	<b>\$ 598,466</b>	<b>\$ 735,644</b>	<b>\$ (954)</b>	<b>\$ 1,333,156</b>
Net investment in capital assets				\$ 735,644
Restricted for streets				13,211
Unrestricted				584,301
<b>Total net position</b>				<b>\$ 1,333,156</b>

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

The “net change in fund balances” for governmental funds \$16,340 differs from the “change in net position” for governmental activities (\$44,351) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. In the statement of activities, however, the costs of those assets are 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 assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ -
Depreciation Expense	(60,623)
Total	<u>\$ (60,623)</u>

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

Net Change in Compensated Absences	<u>\$ (68)</u>
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## TOWN OF HORSESHOE BEACH, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Change Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 144,448	\$ -	\$ -	\$ 144,448
Licenses and permits	2,189	-	-	2,189
Intergovernmental	33,268	-	-	33,268
Miscellaneous	10,608	-	-	10,608
Total revenues	<u>190,513</u>	<u>-</u>	<u>-</u>	<u>190,513</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	133,635	-	-	133,635
Physical environment	1,312	53,127	(68)	54,507
Public safety	7,294	2,790	-	10,084
Transportation	27,535	-	-	27,535
Culture/recreation	4,397	4,706	-	9,103
Total expenditures	<u>174,173</u>	<u>60,623</u>	<u>(68)</u>	<u>234,864</u>
Excess (deficit) of revenues over expenditures	<u>16,340</u>	<u>(60,623)</u>	<u>(68)</u>	<u>(44,351)</u>
Fund balance at beginning of year	582,126	796,267	(691)	1,377,507
Fund balance at end of year	<u>\$ 598,466</u>	<u>\$ 735,644</u>	<u>\$ (759)</u>	<u>\$ 1,333,156</u>

**NOTE 3. DEPOSITS AND INVESTMENTS**

Cash includes amounts in demand deposits and any funds on hand at year end. Investments, consisting of a savings account or certificates of deposit, are stated at cost which approximates market value. Both of these accounts are secured as required by state law.

Cash	\$ 543,404
Certificate of Deposit	<u>422,401</u>
	<u>\$ 965,805</u>

**NOTE 4. PROPERTY TAX REVENUES**

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2020-2021 fiscal year were levied in October 2020. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1.

## NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Non-depreciable capital assets				
Land	\$ 157,538	\$ -	\$ -	\$ 157,538
Total non-depreciable capital assets	<u>157,538</u>	<u>-</u>	<u>-</u>	<u>157,538</u>
Depreciable capital assets				
Improvements other than buildings	256,753	-	-	256,753
Infrastructure	1,227,983	-	-	1,227,983
Equipment and structures	241,720	-	-	241,720
Total depreciable capital assets	<u>1,726,456</u>	<u>-</u>	<u>-</u>	<u>1,726,456</u>
Less accumulated depreciation				
Improvements other than buildings	(95,746)	(4,706)	-	(100,452)
Infrastructure	(697,735)	(2,790)	-	(700,525)
Equipment and structures	(294,246)	(53,127)	-	(347,373)
Total accumulated depreciation	<u>(1,087,727)</u>	<u>(60,623)</u>	<u>-</u>	<u>(1,148,350)</u>
Total depreciable capital assets, net	2,814,183	(60,623)	-	2,874,806
Governmental activities capital assets, net	<u>\$ 796,267</u>	<u>\$ (60,623)</u>	<u>\$ -</u>	<u>\$ 735,644</u>
<b>Business-type activities</b>				
Non-depreciable capital assets				
Land	\$ 162,500	\$ -	\$ -	\$ 162,500
Total non-depreciable capital assets	<u>162,500</u>	<u>-</u>	<u>-</u>	<u>162,500</u>
Depreciable capital assets				
Easements	1,000	-	-	1,000
Building and fixtures	1,058,557	-	-	1,058,557
Utility Plant	5,945,320	-	-	5,945,320
Equipment	41,274	-	-	41,274
Total depreciable capital assets	<u>7,046,152</u>	<u>-</u>	<u>-</u>	<u>7,046,152</u>
Less accumulated depreciation				
Easements	-	-	-	-
Building and fixtures	(497,808)	(23,732)	-	(521,540)
Utility Plant	(2,243,620)	(167,779)	-	(2,411,399)
Equipment	(43,948)	(13,608)	-	(57,556)
Total accumulated depreciation	<u>(2,785,376)</u>	<u>(205,119)</u>	<u>-</u>	<u>(2,990,495)</u>
Total depreciable capital assets, net	4,260,776	(205,119)	-	4,055,657
Business type activities capital assets, net	<u>\$ 4,423,276</u>	<u>\$ (205,119)</u>	<u>\$ -</u>	<u>\$ 4,218,157</u>

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

Governmental Activities	
General government	\$ 705
Transportation	52,422
Physical Environment	2,790
Culture/recreation	4,706
Government activity depreciation expense	<u>\$ 60,623</u>
Business-type activities expense	<u>\$ 205,119</u>

## NOTE 6. RECEIVABLE AND PAYABLE BALANCES

### Receivables

Receivables at September 30, 2021, were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	\$ -	\$ 4,403	\$ 4,403
Business-type activities:			
Enterprise	29,347	-	29,347
	<u>\$ 29,347</u>	<u>\$ 4,403</u>	<u>\$ 33,750</u>

### Payables

Payables at September 30, 2021, were as follows:

	Vendors	Accrued Liabilities	Total Payables
Governmental activities:			
General	\$ 1,618	\$ 849	\$ 2,467
Business-type activities:			
Enterprise	3,739	2,158	\$ 5,897
	<u>\$ 5,357</u>	<u>\$ 3,007</u>	<u>\$ 8,364</u>

## NOTE 7. LONG-TERM DEBT

### Business-type Activities

- A. State Revolving Loan (SRL)** – On July 9, 2008, the Town obtained a loan from the Florida Department of Environmental Protection and subsequently increased the loan amount to \$1,027,379 under the State Revolving Loan Program. The proceeds were used for the purpose of completing its water system project. The current loan requires twenty-two semi-annual payments of \$25,741, including interest at 2.77%. The loan is collateralized by net revenues of the water utility fund.

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, notify financial market credit rating agencies and potential creditors, sue for payment of amounts 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.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$205,293 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	31,346	20,137	51,483
2023	32,226	19,256	51,482
2024	33,096	18,387	51,482
2025	34,095	17,387	51,482
2026	35,018	16,464	51,482
2027 - 2031	190,407	67,005	257,412
2032 - 2036	218,681	38,731	257,412
2037 - 2040	136,014	7,925	143,939
	<u>\$ 710,883</u>	<u>\$ 205,293</u>	<u>\$ 916,176</u>

A summary the changes in proprietary long-term debt follows:

	Balance October 1, 2020	Additions	Deductions	Balance September 30, 2021	Due Within One Year
State revolving loan	\$ 742,214	\$ -	\$ (31,331)	\$ 710,883	\$ 31,346
Compensated absences	2,119	2,012	(1,190)	2,941	1,050
	<u>\$ 744,333</u>	<u>\$ 2,012</u>	<u>\$ (32,521)</u>	<u>\$ 713,824</u>	<u>\$ 32,396</u>

#### **NOTE 8. RETIREMENT SYSTEM**

The Town maintains a Section 457 deferred compensation retirement plan through The Legend Group and ReliaStar Life Insurance Company for its full-time employees and Town Council. This defined contribution type plan is fully funded by the Town and contributions approximate 15 percent of salary for the year. The Town reflects costs for the plan as contributions are paid. Contributions for 2021 were \$15,085.

#### **NOTE 9. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carried insurance, provided through various commercial insurers.

#### **NOTE 10. ACCRUED COMPENSATED ABSENCES**

**Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absence amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation, as applicable year to year.

Compensated absences at September 30, 2021 were as follows:

	Current	Long Term	Total
Governmental Activities	\$ 795	\$ 159	\$ 954
Business Type Activities	1,050	1,891	2,941
	<u>\$ 1,845</u>	<u>\$ 2,050</u>	<u>\$ 3,895</u>

**NOTE 11. EMPLOYEE HEALTH CARE**

The Town does not provide paid health insurance for its employees and thus has no liability for post-employment benefits.

**NOTE 12. CONTINGENT LIABILITIES**

In March 2021, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Country. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes			
Ad valorem	\$ 89,016	\$ 89,348	\$ 332
Small county surtax			
Local option gas tax	33,535	37,431	3,896
Total small county surtax	33,535	37,431	3,896
Utility services taxes			
Electricity	11,975	11,267	(708)
Total utility services taxes	11,975	11,267	(708)
Communications services taxes	5,572	6,402	830
Total taxes	140,098	144,448	4,350
Licenses and permits			
Zoning Fee	800	900	100
Local occupational licenses	400	239	(161)
Building permits	-	1,050	1,050
Parking permits			
Total licenses and permits	1,200	2,189	989
Intergovernmental			
State shared revenues			
State revenue sharing	5,101	5,178	77
Mobile home licenses	100	22	(78)
Alcoholic beverage licenses	100	260	160
Infrastructure surtax	10,128	12,593	2,465
Grant from DEO	8,500	10,000	1,500
Half-cent sales tax	4,271	5,215	944
Total state shared revenues	28,200	33,268	5,068
Miscellaneous			
Interest earnings	2,200	764	(1,436)
Other miscellaneous revenue	1,000	9,844	8,844
Transfers In			
Total miscellaneous	3,200	10,608	7,408
Total revenues	172,698	190,513	17,815

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2021

**EXPENDITURES**

General government

Legislative

Personnel services - Town Council	\$ 31,200	\$ 33,422	\$ (2,222)
Operating expenses	5,132	5,880	\$ (748)
<b>Total legislative</b>	<u>36,332</u>	<u>39,302</u>	<u>(2,970)</u>

Financial and administrative

Personnel services

Executive salaries - Town Clerk	12,404	17,054	(4,650)
Part-time salaries	1,000	2,650	(1,650)
Retirement and medicare	2,213	3,516	(1,303)
<b>Total Personnel services</b>	<u>15,617</u>	<u>23,220</u>	<u>(7,603)</u>

Operating expenses

Accounting and auditing	7,200	7,288	(88)
Office expenses	2,500	2,989	(489)
Software maintenance			
Other expenses	3,000	6,930	(3,930)
<b>Total operating expenses</b>	<u>12,700</u>	<u>17,207</u>	<u>(4,507)</u>

Capital outlay	2,000	-	2,000
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<b>Total financial and administrative</b>	<u>30,317</u>	<u>40,427</u>	<u>(10,110)</u>
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Legal counsel

Operating expenses

Town attorney	11,500	8,436	3,064
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Other general government

Operating expenses

Utilities	2,700	1,962	738
Insurance	15,000	26,004	(11,004)
Maintenance	4,000	1,405	2,595
Communications	4,000	4,761	(761)
Other expenses	6,000	11,338	(5,338)

<b>Total other general government</b>	<u>31,700</u>	<u>45,470</u>	<u>(13,770)</u>
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<b>Total general government</b>	<u>109,849</u>	<u>133,635</u>	<u>(23,786)</u>
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(continued)

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

Public safety			
Protective services			
Protective inspections			
Police protection	10,500	2,142	8,358
Total protective inspections	<u>10,500</u>	<u>2,142</u>	<u>8,358</u>
Fire control			
Operating expenses			
Contractual services	-	714	(714)
Utilities	1,000	476	524
General insurance	2,000	250	1,750
Fire fees	-	3,532	(3,532)
Maintenance and repair	1,000	180	820
Total operating expenses	<u>4,000</u>	<u>5,152</u>	<u>(1,152)</u>
Total fire control	<u>4,000</u>	<u>5,152</u>	<u>(1,152)</u>
Total public safety	<u>14,500</u>	<u>7,294</u>	<u>7,206</u>
Transportation			
Road and street facilities			
Personnel services	9,412	3,678	5,734
Operating expenses			
Street signs and lights	13,000	11,981	1,019
General insurance	3,000	7,311	(4,311)
Other expenses	7,000	4,565	2,435
Capital Outlay	15,000	-	15,000
Total operating expenses	<u>38,000</u>	<u>23,857</u>	<u>14,143</u>
Total transportation	<u>47,412</u>	<u>27,535</u>	<u>19,877</u>
Health			
Mosquito control			
Operating expenses	4,500	1,312	3,188
Total physical environment	<u>4,500</u>	<u>1,312</u>	<u>3,188</u>
Recreation			
Special recreation facilities			
Operating expenses	7,500	4,397	3,103
Total culture/recreation	<u>7,500</u>	<u>4,397</u>	<u>3,103</u>
Total expenditures	<u>183,761</u>	<u>174,173</u>	<u>9,588</u>
Excess of revenues over (under) expenditures	(11,063)	16,340	27,403
Fund balance at beginning of year	477,211	582,126	104,915
Fund balance at end of year	<u>\$ 466,148</u>	<u>\$ 598,466</u>	<u>\$ 132,318</u>

**TOWN OF HORSESHOE BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2021**

**I. Stewardship, Compliance, and Accountability**

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

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

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

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

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

1. Prior to September 1, the Town Clerk 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 October 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.

**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***

The Honorable Mayor  
and Members of the Town Council  
Town of Horseshoe Beach, Florida

We have audited the basic financial statements of the Town of Horseshoe Beach, Florida as of and for the year ended September 30, 2021, and have issued our report thereon dated June 22, 2022. 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.

**Internal Control Over Financial Reporting**

Management of the Town of Horseshoe Beach, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Horseshoe Beach, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Horseshoe Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Horseshoe Beach, Florida's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

**Finding 2011-1 (Excess of second preceding year)**

**Financial Statement Preparation**

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **MANAGEMENT'S RESPONSE**

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

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

This response was not subjected to the audit procedures applied in the audit and thus we express no opinion on it.

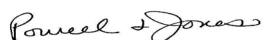
#### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management and the Town Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

#### **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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**POWELL & JONES**  
Certified Public Accountants  
June 22, 2022

## MANAGEMENT LETTER

Honorable Mayor and Members of the Town Council  
Horseshoe Beach, Florida

We have audited the financial statements of the Town of Horseshoe Beach, Florida, (the Town) as of and for the year ended September 30, 2021, and have issued our report thereon dated June 22, 2022. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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

### PRIOR YEAR FINDINGS

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

### CURRENT YEAR FINDINGS

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

### AUDITOR GENERAL COMPLIANCE MATTERS

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

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(5) and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under *Rules of the Auditor General*, Chapter 10.5549(1)(f).

## **CONCLUSION**

We have reviewed each of our specific findings with appropriate officials or employees and have provide them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the Town. We appreciate the helpful assistance and courtesy afforded us by all Town employees and look forward to working with you in the future.

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

**POWELL & JONES**

Certified Public Accountants

June 22, 2022



## INDEPENDENT ACCOUNTANT'S REPORT

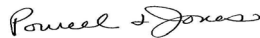
To the Mayor and Members  
of the Town Council  
Town of Horseshoe Beach, Florida

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

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

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

This report is intended solely for the information and use of the Town of Horseshoe Beach, Florida 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.



**POWELL & JONES**  
Certified Public Accountants  
June 22, 2022

## **Communication with Those Charged with Governance**

To the Mayor and Members of the Town Council  
Town of Horseshoe Beach, Florida

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

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

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

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

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

#### ***Difficulties Encountered in Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

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

#### ***Disagreements with Management***

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

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 22, 2022.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application

of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

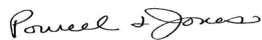
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



**POWELL & JONES**  
**Certified Public Accountants**  
**June 22, 2022**