

Town of Ponce de Leon, Florida

Annual Financial Statements September 30, 2022

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TOWN OF PONCE DE LEON, FLORIDA
SEPTEMBER 30, 2022

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SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Town of Ponce de Leon, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ponce de Leon, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Ponce de Leon, Florida, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, be presented to supplement the basic financial statements. Such information, 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 statement, 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 August 29, 2023, on our consideration of the Town of Ponce De Leon, 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 Town of Ponce de Leon internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Vance CPA LLC".

Vance CPA LLC
Apalachicola, Florida
August 29, 2023

Management's Discussion and Analysis

The Town of Ponce de Leon's (the Town) management discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns.

Since management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements.

Financial Highlights

- The Town's total cash balance increased by \$171,855. General fund cash increased by \$126,629 and Water and Sewer fund cash increased by \$1,432. The Town has total cash of \$387,895.
- Total assets increased by \$123,865 in the General Fund and increased by \$1,417 in the Water and Sewer Fund.
- The General Fund liabilities increased by \$39,097 due to an increase in accounts payable and accrued payroll.
- The Water and Sewer Fund liabilities decreased by \$37,805 due to paying down the loan associated with bond issuances and a reduction in accounts payable.

Significant Contracts

The Town has an ongoing contract with Jacobs Engineering to maintain, operate, and manage the water and sewer system for the Town. The monthly fee for the service is \$18,558. was accepted through the normal bidding process by the Town Council on September 9, 2021.

Overview of the Financial Statements

The financial statements' focus is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Town's accountability.

This discussion and analysis is intended to serve as an introduction to the Town of Ponce de Leon's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. The focus on the statement of net position (the "unrestricted net position") is designed to be similar to bottom line results for the Town and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decrease in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and business-type activities.

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, administration, economic environment, streets and highways, public safety, and culture and recreation. The business-type activities of the Town include water, sewer, wastewater and solid waste utilities.

The government-wide financial statements include the Town of Ponce de Leon (known as the primary government).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

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 fund 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. Such information may be useful in evaluating the Town's near-term financing requirements.

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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two governmental funds. 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 the general fund and the special revenue fund. Only the general fund is a major fund.

The Town adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds

The Town maintains three proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and wastewater and solid waste activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town does not utilize internal service funds.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Infrastructure Assets

Generally a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are neither reported nor depreciated in governmental fund financial statements. Standards require that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government

must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its costs of maintenance in lieu of depreciation. The Town has elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. For the current year, the Town's assets exceeded liabilities by \$3,281,975.

The following table reflects the condensed Statement of Net Position for the current and prior years. For more detailed information, see the Statement of Net Position.

	Governmental Activities	Business-Type Activities	Total Activities
ASSETS:			
Current & Other	\$ 303,709	\$ 151,408	\$ 455,117
Capital Assets	747,698	2,777,535	3,525,233
Right of Use Assets	2,146	-	2,146
Non-Current	172,228	-	172,228
Total Assets	\$ 1,225,781	\$ 2,928,943	\$ 4,154,724
LIABILITIES:			
Current	52,664	140,157	192,821
Non-Current	2,920	496,151	499,071
Total Liabilities	55,584	636,308	691,892
DEFERRED INFLOWS OF RESOURCES:			
Leases Receivable	180,857	-	180,857
Total Deferred Inflows of Resources	180,857	-	180,857
NET POSITION:			
Investment in Capital Assets (Net)	740,393	2,230,845	2,971,238
Restricted	268,741	-	268,741
Unrestricted	(19,794)	61,790	41,996
Total Net Assets	989,340	2,292,635	3,281,975
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,225,781	\$ 2,928,943	\$ 4,154,724

The following schedule provides a summary of the changes in net position for the years ended September 30, 2022:

	Governmental Activities	Business-Type Activities	Total Activities
REVENUES:			
Charges for Services	-	452,231	452,231
Grants	141,992		141,992
Taxes	232,553		232,553
Fire Department	9,500		9,500
Rental	10,459		10,459
Lease Revenue	20,094	-	20,094
Utility	104,938		104,938
Interest	7,888	77	7,965
Miscellaneous	45,933	550	46,483
Total Revenues	<u>573,357</u>	<u>452,858</u>	<u>1,026,215</u>
EXPENSES:			
General Government	487,971	-	487,971
Public Safety	36,005	-	36,005
Streets	13,797	-	13,797
Culture and Recreation	23,261	-	23,261
Water and Garbage	-	488,946	488,946
Total Expenses	<u>561,034</u>	<u>488,946</u>	<u>1,049,980</u>
NET POSITION:			
Increase (Decrease) in Net Position	12,323	(36,088)	(23,765)
Net Position, Beginning of Year	<u>977,017</u>	<u>2,328,723</u>	<u>3,305,740</u>
Net Position, End of Year	<u>\$ 989,340</u>	<u>\$ 2,292,635</u>	<u>\$ 3,281,975</u>

Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Capital Assets

The Town's investment in fixed assets for its governmental and business-type activities as of September 30, 2022 amounts to \$3,525,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, wastewater treatment plant and improvements, water and sewer distribution system, and construction in progress.

Additional information on the Town's capital assets can be found in the Notes to Financial Statements in this report.

Long-Term Debt

As of fiscal year ending September 30, 2022 the Town had an outstanding loan payable to CoBank totaling \$520,812 and two outstanding loans payable to PeoplesSouth Bank totaling \$25,878.

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, etc.) 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.

Request for Information

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash unrestricted	\$ 325,702	\$ 62,193	\$ 387,895
Accounts receivable, net	17,164	34,574	51,738
Lease receivable, current	14,629	-	14,629
Prepaid expenses	855		855
Internal balances	(54,641)	54,641	-
Total Current Assets	303,709	151,408	455,117
Noncurrent Assets:			
Capital assets, net of depreciation:			
Non-depreciable	185,771	85,490	271,261
Depreciable, net	561,927	2,692,045	3,253,972
Total capital assets, net	747,698	2,777,535	3,525,233
Right of use assets, net of amortization	2,146	-	2,146
Total right of use assets, net	2,146	-	2,146
Leases receivable, long-term	172,228	-	172,228
Total leases receivable, long-term	172,228	-	172,228
Total Noncurrent Assets	922,072	2,777,535	3,699,607
Total Assets	\$ 1,225,781	\$ 2,928,943	\$ 4,154,724

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF NET POSITION (continued)
SEPTEMBER 30, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	Activities
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 31,184	\$ 58,671	\$ 89,855
Liabilities payable from restricted assets			
Current portion of revenue bonds	-	45,241	45,241
Current portion of note payable	5,116	5,298	10,414
Current portion of leases payable	1,415	-	1,415
Customer Deposits	-	28,865	28,865
Accrued interest	-	2,082	2,082
Accrued payroll	14,949	-	14,949
Total Current Liabilities	52,664	140,157	192,821
Noncurrent liabilities:			
Revenue bonds payable	-	475,571	475,571
Note payable	2,189	20,580	22,769
Right of use assets	731	-	731
Total noncurrent liabilities	2,920	496,151	499,071
TOTAL LIABILITIES	55,584	636,308	691,892
DEFERRED INFLOWS OF RESOURCES			
Leases receivable	180,857	-	180,857
Net Position			
Investment in capital assets, net of related debt	740,393	2,230,845	2,971,238
Restricted for Human Services	244,713	-	244,713
Restricted for Streets	24,028	-	24,028
Unrestricted	(19,794)	61,790	41,996
TOTAL NET POSITION	989,340	2,292,635	3,281,975
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 1,225,781	\$ 2,928,943	\$ 4,154,724

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 487,971	\$ 40,890	\$ 2,434	\$ —	\$ (444,647)	\$ —	\$ (44,647)
Public safety	36,005	—	33,784	141,992	139,771	—	139,771
Streets	13,797	—	18,860	—	5,063	—	5,063
Culture and recreation	<u>23,261</u>	<u>4,191</u>	<u>—</u>	<u>—</u>	<u>(19,070)</u>	<u>—</u>	<u>(19,070)</u>
Total governmental activities	<u>561,034</u>	<u>45,081</u>	<u>55,078</u>	<u>141,992</u>	<u>(318,883)</u>	<u>—</u>	<u>(318,883)</u>
Business-Type Activities							
Capital Grants							
Water expenses	<u>488,946</u>	<u>452,858</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(36,088)</u>	<u>(36,088)</u>
Total business-type activities	<u>488,946</u>	<u>452,858</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(36,088)</u>	<u>(36,088)</u>
Total Primary Government	<u>\$ 1,049,980</u>	<u>\$ 497,939</u>	<u>\$ 55,078</u>	<u>\$ 141,992</u>	(318,883)	(36,088)	(354,971)
General Revenues:							
Taxes:							
Franchise and utility taxes					104,938	—	104,938
Sales tax and other shared revenues					190,696	—	190,696
Other taxes					14,516	—	14,516
Investment earnings					7,888	—	7,888
Other general revenue					<u>13,168</u>	<u>—</u>	<u>13,168</u>
Total General Revenues					<u>331,206</u>	<u>—</u>	<u>331,206</u>
Changes in Net Position					12,323	(36,088)	(23,765)
Net Position – Beginning of Year					<u>977,017</u>	<u>2,328,723</u>	<u>3,305,740</u>
Net Position – End of Year					<u>\$ 989,340</u>	<u>\$ 2,292,635</u>	<u>\$ 3,281,975</u>

TOWN OF PONCE DE LEON, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 301,674	\$ 24,028	\$ 325,702
Accounts receivable	15,819	1,345	17,164
Leases receivable	14,629	-	14,629
Due from other funds	-	112,034	112,034
Prepaid expenses	855	-	855
TOTAL ASSETS	332,977	137,407	470,384
LIABILITIES:			
Liabilities:			
Payroll taxes payable	2,926	-	2,926
Payroll payable	12,023	-	12,023
Accounts payable	36,855	2,958	39,813
Due to other funds	166,675	-	166,675
TOTAL LIABILITIES	218,479	2,958	221,437
Fund balance:			
Nonspendable	855	-	855
Restricted for:			
Human services	244,713	-	244,713
Streets	-	24,028	24,028
Committed for:			
Culture and recreation	17,960	-	17,960
Public safety	5,683	-	5,683
Unassigned	(154,713)	110,421	(44,292)
TOTAL FUND BALANCE	114,498	134,449	248,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 332,977	\$ 137,407	\$ 470,384

TOWN OF PONCE DE LEON, FLORIDA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2022

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Fund balance - governmental fund	\$ 248,947
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Amounts reported to overnmental activities in the Statement of Net
Position are differend because:

Capital and right of use assets used in governmental activities are not financial resources; therefore, they are not reported in the governmental funds:	749,844
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Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds:	(9,451)
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NET POSITION OF GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET POSITION	<u>\$ 989,340</u>
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TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>REVENUES:</u>			
Ad Valorem	14,516	-	14,516
Cemetery Income	7,700	-	7,700
Communication Tax	5,165	-	5,165
Copy Fee	331	-	331
Department of Transportation	18,860	-	18,860
Donations	2,434	-	2,434
Electric Franchise & Utility Taxes	104,938	-	104,938
Fire Safety County	33,784	-	33,784
Insurance Proceeds	10,884	-	10,884
Interest Income	7,706	182	7,888
Lease Revenue	20,094	-	20,094
License Fees	2,156	-	2,156
Local Government 1/2 cent tax	19,519	-	19,519
Miscellaneous	150	-	150
Mobile Home Licenses	302	-	302
Qualifying Fees	150	-	150
Recreation Income	4,191	-	4,191
Reimbursed Expenses	1,832	-	1,832
Rents	10,459	-	10,459
State Alcohol	-	-	-
State Discretionary	46,312	-	46,312
State of FL Utility Fees	78,772	-	78,772
State Gas Tax	-	13,427	13,427
State Grants	141,992	-	141,992
State Revenue Sharing	27,501	-	27,501
Total Revenues	559,748	13,609	573,357
<u>EXPENDITURES:</u>			
General Government	404,276	13,797	418,073
Public Safety	36,005	-	36,005
Streets	13,797	-	13,797
Culture and Recreation	23,261	-	23,261
Capital Outlay	-	-	-
Total Expenditures	477,339	13,797	491,136
Excess (deficiency) of revenues over (under) expenditures	\$ 82,409	\$ (188)	\$ 82,221
Net Position at beginning of year			\$ 166,726
NET POSITION AT END OF YEAR			\$ 248,947

**TOWN OF PONCE DE LEON, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

Excess Revenues over Expenditures \$ 82,221

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 and amortization expense
to allocate capital outlay expenditures and leases over the life of the assets:

Depreciation expense	(68,507)
Amortization expense	<u>(1,391)</u>

CHANGE IN NET POSITION OF STATEMENT OF ACTIVITIES **\$ 12,323**

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	<u>Water and Sewer Fund</u>
<u>Business-type Activities - Enterprise Funds -</u>	
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 62,193
Accounts Receivable, (net)	34,574
Due from other funds	<u>54,641</u>
Total current assets	<u>151,408</u>
Noncurrent Assets:	
Land	85,490
Depreciable assets, net of depreciable	<u>2,692,045</u>
Total non-current assets	<u>2,777,535</u>
TOTAL ASSETS	<u><u>2,928,943</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	58,671
Notes payable (current)	50,539
Accrued interest	<u>2,082</u>
Total current liabilities	<u>111,292</u>
Noncurrent liabilities:	
Notes payable (noncurrent)	496,151
Customer deposits	<u>28,865</u>
Total noncurrent liabilities	<u>525,016</u>
TOTAL LIABILITIES	<u>636,308</u>
NET POSITION:	
Invested in capital assets, net of related debt	2,230,845
Unrestricted	<u>61,790</u>
Total net position	<u>2,292,635</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,928,943</u></u>

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022

Business-type Activities - Enterprise Funds - Water Fund

Operating revenues:	
Charges for services	\$ 452,231
Operating expenses:	
Personal services	9,780
Operating expenses:	305,420
Depreciation	<u>144,214</u>
Total operating expenses	<u>459,414</u>
OPERATING INCOME (LOSS)	<u>(7,183)</u>
Non-operating revenues (expenses)	
Insurance proceeds	550
Interest income	77
Interest expense	<u>(29,532)</u>
Total Non-operating revenues (expenses)	<u>(28,905)</u>
INCOME (LOSS) AND CHANGE IN NET POSITION	(36,088)
Net Position at beginning of year	<u>2,328,723</u>
NET POSITION AT END OF YEAR	<u><u>\$ 2,292,635</u></u>

TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:

Receipts from customers and users	\$ 453,728
Payments to suppliers	(327,130)
Payments to employees	<u>(35,636)</u>
Net cash provided by operating activities	<u>90,962</u>

Cash flows from Non-capital and related financing activities:

Interfund borrowing/repayments	<u>(27,797)</u>
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Cash flows from investing activities:

Purchases of fixed assets	<u>(35,917)</u>
Net cash provided (used) for investing activities	<u>(35,917)</u>

Cash flows from financing activities:

Principal paid on long-term debt	<u>(19,144)</u>
Net cash used in capital and related financing activities	<u>(19,144)</u>

Net increase (decrease) in cash and cash equivalents	\$ <u>8,104</u>
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Cash and cash equivalents, beginning of year	<u>54,089</u>
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Cash and cash equivalents, end of year	\$ <u><u>62,193</u></u>
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TOWN OF PONCE DE LEON, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2022

Reconciliation of operating loss to net cash provided by operating activities:

Net income	(36,088)
Adjustments to reconcile operating income (loss)	
to net cash provided by operating activities:	
Depreciation	144,214
(Increase) decrease in assets:	
Accounts receivable	1,497
Increase (decrease) in liabilities:	
Accounts payable	(20,608)
Customer deposits	2,020
Accrued interest	(73)
Net cash provided by operating activities	<u>\$ 90,962</u>

TOWN OF PONCE DE LEON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ponce de Leon (The Town) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body that establishes governmental accounting and financial reporting principles.

This summary of the Town's significant accounting policies is presented to assist the reader in interpreting the financial statements and other information in this report. These policies are essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

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.

Component Unit

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Town are composed of the following:

- Government-wide financial statements
- Fund Financial Statements
- Notes to financial statements

Government-wide and Fund Financial 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, gas, 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

TOWN OF PONCE DE LEON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 30 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

NOTE 1 - 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.

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.

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.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the 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.

Budgets and Budgetary Accounting

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the Town's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the Board.

The budgetary information presented for the general fund and any major governmental funds is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

The Town considers the following to be cash or cash equivalents: bank deposits, demand deposits, interest bearing accounts such as time deposits and certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivables are recorded at their net realizable value. The balances at September 30, 2022 were \$17,164 and \$34,574 for governmental activities and business-type activities, respectively.

Internal Balances

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.

Prepaid Expenses

General fund expenditures for insurance and similar services extended over more than one year are accounted for as expenditures in the year paid. In addition, due to timing of payroll, negative direct deposit liabilities are reclassified as prepaid expenses as of the date of the fiscal year end.

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

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is recorded on the straight-line basis over the estimated useful lives of assets generally as follows:

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

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued No. 87, Leases to better meet the information needs of financial statement users, by improving accounting and financial reporting for leases by governments. GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial assets for a period of time in an exchange or exchange-like transaction. Leases that do not convey a right of control over nonfinancial assets, (land, buildings, vehicles, equipment), are not considered leases under GASB 87, (i.e. intangible assets, biological assets, inventory, service concessions, and supply contracts). Leases between Town entities, leases without stated ending dates, and leases for nominal amounts are also not considered leases under GASB 87. Lease assets and lease receivables are not recorded for short-term leases, (12 months or less), and certain regulated leases. The Town implemented GASB Statement No. 87 as of October 1, 2021. In accordance with GASB Statement No. 87, lease assets were recorded based on the present value of future lease payments as of the implementation date.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lessor: The Town is a lessor for a lease of real property. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue over the life of the lease term.

Key estimates and judgments include how the Town determines: (1) the discount rate used to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts. The Town uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the period of the lease and any extension periods from options that are reasonably certain of being exercised. Lease receipts included in the measurement of the lease receivable is composed of minimum expected fixed payments from the lessee. The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report, when applicable, a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, is a consumption of net assets by the government that applies to a future reporting period and so, will not be recognized as an expense/expenditure until then.

The next deferred inflows of resources are reported in the governmental and proprietary funds as deferred inflows related to leases. Deferred inflows related to leases are an aggregate of items related to leases calculated in accordance with GASB Statement No. 87, Leases. The deferred inflows related to leases will be recognized as a reduction to lease revenue in future reporting years. Details on the composition of the deferred inflows related to leases are discussed further in Note "X".

The final deferred inflows of resources arise only under the modified accrual basis of accounting. The unavailable revenue amounts are deferred as of the balance sheet date because they were not collected within the Town's period of availability. The deferred amounts will be recognized as an inflow of resources in the period that the amounts become available.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Town Council, the Town's highest level of decision-making authority. Commitments may only be modified or removed by formal resolution of the Town Council.

Assigned Fund Balance – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town's Council is authorized to make assignments.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned Fund Balance – is represented by the residual classification of the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes. 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 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.

Use of Estimates

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

Use of Restricted Assets

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Subsequent events

The Town evaluated subsequent events through August 29, 2023, the date which the financial statements were available to be issued. The Town did not have any subsequent events requiring disclosure or recording in these financial statements.

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.” The details of this difference are as follows:

Cost of capital assets	\$ 2,212,316
Less: accumulated depreciation	<u>(1,464,618)</u>
Net capital assets	<u>747,698</u>
Cost of right of use assets	4,173
Less: accumulated amortization	<u>(2,027)</u>
Net right of use assets	<u>2,146</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 749,844</u>

Another element of that reconciliation states, “long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.” The details of this difference are as follows:

Notes payable	\$ 7,305
Leases payable	<u>(2,146)</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 9,451</u>

Explanation of certain differences between the governmental funds statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities and depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.” The details of this difference are as follows:

Depreciation expense	\$ (68,507)
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (68,507)

Another element of that reconciliation states, “amortization expense on governmental right of use assets is included in the governmental activities in the statement of activities.” The details of this difference are as follows:

Amortization expense	\$ (1,391)
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (1,391)

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the Town are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the Town’s funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts they are assessed on a pro-rata basis. The Town’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments Policies

Florida Statutes, Section 218.415, authorizes the Town to invest surplus funds in the following:

The Local government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided sec. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest – bearing time deposits or savings accounts in state-certified qualified public depositories as defined in sec. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

Credit Risk

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the Town investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risk

At September 30, 2022, the Town did not hold any deposits or investments other than those disclosed below that were considered to be an interest rate risk

Custodial Risk

At September 30, 2022, the Town did not hold any deposits or investments that were considered to be a custodial risk.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

As September 30, 2022, the Town did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2022, the Town's cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	Total Carrying Amount
Cash	(1)	\$325,702	\$ —	\$ 325,702
Total		\$325,702	—	\$ 325,702

(1) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

The Town does not have a formal policy relating to interest rate risk.

NOTE 4 – 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, 2022 is \$17,164.

Proprietary Fund:

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

Water and Sewer accounts receivable	\$36,394
Allowance for doubtful accounts	(1,820)
Net accounts receivable	<u>\$34,574</u>

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LEASES RECEIVABLE

The Town leases its real property to another company. The lease is renewed on an annual basis with nine one-year options for extension. At each anniversary date, the annual rent increases by 3%. Governmental activities lease receivables are held by the general fund. As of September 30, 2022, the Town recognized a total lease receivable with an ending balance of \$186,857:

	2022
Lease receivable, current	\$ 14,629
Lease receivable, long-term	172,228
Total lease receivable	\$ 186,857

The Town recognized a deferred inflow of resources for governmental activities of \$180,857.

Additionally, in governmental activities, the Town recognized \$20,094 in lease revenue and \$7,684 in lease interest revenue.

Future revenue relating to the lease receivables are as follows:

Year Ending September 30,	Lease Revenue	Interest Revenue
2023	20,095	7,803
2024	20,095	7,143
2025	20,095	6,424
2026	20,095	5,643
2027	20,095	4,794
Thereafter	80,382	9,224
	\$ 180,857	\$ 41,031

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Government Activities:</u>				
Capital assets, not being depreciated:				
Land	185,771	-	-	185,771
Total capital assets, not being depreciated	185,771	-	-	185,771
Capital assets, being depreciated:				
Buildings	310,298	-	-	310,298
Equipment	836,156	-	(3,417)	832,739
Improvements	883,508	-	-	883,508
Total capital assets, being depreciated	2,029,962	-	(3,417)	2,026,545
Total Cost of Capital Assets	2,215,733	-	(3,417)	2,212,316
<u>Less accumulated depreciation:</u>				
Buildings	239,574	4,279	-	243,853
Equipment	772,334	24,128	(3,417)	793,045
Improvements	387,621	40,099	-	427,720
Total accumulated depreciation	1,399,529	68,506	(3,417)	1,464,618
Total capital assets, being depreciated, net	630,433	(68,506)	-	561,927
Total capital assets, net	<u>\$ 816,204</u>	<u>\$ (68,506)</u>	<u>\$ -</u>	<u>\$ 747,698</u>

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

Governmental Activities:

Buildings	\$ 4,279
Equipment	24,128
Improvements	40,099
Total Depreciation Expense - governmental activities	<u><u>\$ 68,506</u></u>

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - 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	-	-	85,490
Total capital assets, not being depreciated	85,490	-	-	85,490
Capital assets, being depreciated:				
Buildings	8,021			8,021
Equipment	127,160	35,917	-	163,077
Infrastructure	5,422,785			5,422,785
Total capital assets, being depreciated	5,557,966	35,917	-	5,593,883
Total Cost of Capital Assets	5,643,456	35,917	-	5,679,373
<u>Less accumulated depreciation:</u>				
Buildings	7,168	200	-	7,368
Equipment	107,913	9,574	-	117,487
Infrastructure	2,642,543	134,440	-	2,776,983
Total accumulated depreciation	2,757,624	144,214	-	2,901,838
Total capital assets, being depreciated, net	2,800,342	(108,297)	-	2,692,045
Total capital assets, net	<u>\$ 2,885,832</u>	<u>\$ (108,297)</u>	<u>\$ -</u>	<u>\$ 2,777,535</u>

NOTE 7 - LONG-TERM DEBT

The Governmental activities General Fund has long term debt to Peoples South Bank. The debt was assumed in fiscal year 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, 2022 is \$7,305. The current portion of the loan is \$5,116 and the long-term portion of the loan is \$2,189.

The maturities of debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	5,116	233
2024	2,189	24
	<u>\$ 7,305</u>	<u>\$ 257</u>

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 dated August 2018 were used to refinance outstanding bond issuances. The debt requires monthly payments of \$5,672 through February 2032. The interest rate is 4.6% annually. The balance of the loan as of September 30, 2022 is \$520,812. The current portion of the loan is \$45,241 and the long-term portion of the loan is \$475,571.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (continued)

The maturities of debt are as follows:

The Water and Sewer fund acquired debt to Peoples South Bank for a new truck for the Town utility employees in April 2022. The Town will make monthly payments of \$533 for 60 months at an interest rate of 4.68%. The unpaid balance of principal and interest is due in full in April 2027. The balance of the loan as of September 30, 2022 is \$25,878. The current portion of the loan is \$5,298 and the long-term portion of the loan is \$20,580.

Year Ending September 30,	Principal	Interest
2023	45,241	22,823
2024	47,367	20,697
2025	49,592	18,472
2026	51,922	16,142
2027	54,361	13,703
Thereafter	272,329	28,287
	<u>\$ 520,812</u>	<u>\$ 120,124</u>

The maturities of debt are as follows:

Year Ending September 30,	Principal	Interest
2023	5,298	1,098
2024	5,552	845
2025	5,817	580
2026	6,095	301
2027	3,116	43
	<u>\$ 25,878</u>	<u>\$ 2,867</u>

NOTE 8 – INTERNAL BALANCES

Internal balances 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 fiscal year. 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, 2022 are displayed below:

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - INTERNAL BALANCES (continued)

Governmental Activities:

General Fund - Due to Proprietary Fund	\$ (98,539)
General Fund - Due to Special Revenue Fund	(68,136)
Special Revenue Fund - Due from General Fund	68,136
Special Revenue Fund - Due from Proprietary Fund	<u>43,898</u>
Total Governmental Interfund Balance	<u>\$ (54,641)</u>

Proprietary Fund

Proprietary Fund - Due from General Fund	98,539
Proprietary Fund - Due to Special Revenue Fund	<u>(43,898)</u>
Total Proprietary Interfund Balance	<u>\$ 54,641</u>

NOTE 9 – RECENT ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town’s financial statements:

- (a) GASB issued Statement No. 87 *Leases*, in June 2017, GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

TOWN OF PONCE DE LEON, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LEASE EQUIPMENT AND LEASE LIABILITY

The Town implemented GASB Statement 87 (Leases) due to an existing copier effective as of October 1, 2021. The lease has a remaining term of 18 months, through April 2024 with monthly payments of \$123. The amortization of the leased equipment will be over the life of the lease. The cumulative effect of this implementation on the beginning net position is not material. As of September 30, 2022, the leased equipment, accumulated amortization and lease liability are as follows:

	September 30, 2022
Leased equipment	\$ 4,173
Accumulated amortization	(2,027)
Leased equipment, net	<u>\$ 2,146</u>
Lease liability, current	\$ 1,415
Lease liability, long-term	731
Lease liability	<u>\$ 2,146</u>

Amortization expense for the year ended September 30, 2022, was \$1,931.

Future payments relating to the lease liability are as follows:

Year Ending September 30	Principal	Interest	Total
2023	1,415	65	1,480
2024	731	10	741
	<u>\$ 2,146</u>	<u>\$ 75</u>	<u>\$ 2,221</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PONCE DE LEON, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	Beginning Budgeted Amounts	Ending Budgeted Amounts	Actual Amounts	Variance Amounts
<u>REVENUES:</u>				
Ad Valorem	\$ 25,000	\$ 14,516	\$ 14,516	\$ -
American Rescue Plan	266,992	141,992	141,992	-
Business License Fees	3,500	2,156	2,156	-
Cemetery	500	7,700	7,700	-
Copy Fees	300	331	331	-
Donations	5,000	2,434	2,434	-
Fire Department	25,000	33,784	33,784	-
Franchise Fees	50,000	45,602	46,233	631
Gas Tax Revenue	16,500	12,083	13,609	1,526
Insurance Proceeds	-	-	10,884	10,884
Interest Income	350	-	7,706	7,706
Lease Revenue	-	-	20,094	20,094
Miscellaneous	-	-	1,982	1,982
Qualifying Fees	-	-	150	150
Recreation	2,865	4,191	4,191	-
Refunds	-	15,352	-	(15,352)
Rental Income	31,000	30,370	10,459	(19,911)
Sales Tax	1,600	1,397	-	(1,397)
SCOP Grant	200,000	-	-	-
State of Florida	140,000	182,278	196,431	14,153
Utility Tax	40,000	58,345	58,705	360
Total Revenues	\$ 808,607	\$ 552,531	\$ 573,357	\$ 20,826

TOWN OF PONCE DE LEON, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUND (continued)
YEAR ENDED SEPTEMBER 30, 2022

	<u>Beginning Budgeted Amounts</u>	<u>Ending Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Amounts</u>
<u>EXPENDITURES:</u>				
American Rescue Plan	266,992	85,500	-	(85,500)
Amortization	-	1,391	1,391	-
CDBG-CV	-	3,500	3,500	-
Cemetery	1,500	1,823	1,510	(313)
Depreciation	-	68,507	68,507	-
Elections/Media	3,500	3,500	-	(3,500)
Fire Department	25,000	36,000	36,005	5
Gas Tax Expenses	16,500	16,500	13,797	(2,703)
General to Fire	3,500	3,500	-	(3,500)
Insurance	85,000	120,000	130,369	10,369
Interest Expense	-	558	558	-
Legal & Accounting	16,000	38,000	37,069	(931)
Office Expenses	3,315	7,885	4,062	(3,823)
Recreation	1,000	25,765	21,751	(4,014)
Repairs & Maintenance	3,000	5,760	5,562	(198)
Salaries	84,250	124,250	119,330	(4,920)
Sales Tax	1,600	1,600	1,519	(81)
SCOP Grant	200,000	-	-	-
Service Fees	500	500	-	(500)
Supplies	3,000	8,000	4,062	(3,938)
Transportation	1,100	4,000	1,297	(2,703)
Utilities	37,816	110,000	110,745	745
Total Expenditures	<u>753,573</u>	<u>666,539</u>	<u>561,034</u>	<u>(105,505)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 55,034</u>	<u>\$ (114,008)</u>	<u>\$ 12,323</u>	<u>\$ 126,331</u>

COMPLIANCE

Vance CPA LLC

Certified Public Accountants

219-B Avenue E • Apalachicola, FL 32320
Phone (706)278-1221 Fax (800)-532-1015
ben@vancecpa.com

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and Members of the
Of the Town Commission
Town of Ponce De Leon, Florida

We have examined the Town of Ponce De Leon, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022, as required by Section 10.556(10)(a) *Rules of the Auditor General*.

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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States 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, 2022.

Vance CPA LLC

Apalachicola, Florida
August 29, 2023

Vance CPA LLC

Vance CPA LLC

Certified Public Accountants

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members of the
Of the Town Commission
Town of Ponce De Leon, Florida

We have audited the financial statements of the Town of Ponce De Leon, Florida as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated August 29, 2023.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our 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 Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated August 29, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings:

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the preceding audit report.

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 statement. This information is disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedure and report the results of our determination as to whether or not the Town of Ponce De Leon, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town of Ponce De Leon, Florida was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 our audit, we did not have any such findings.

Purpose of this Letter

Our 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 Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Apalachicola, Florida
August 29, 2023

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Certified Public Accountants

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INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Ponce De Leon, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ponce De Leon, Florida's basic financial statements, and have issued our report thereon dated August 29, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Vance CPA LLC

Apalachicola, Florida
August 29, 2023

Vance CPA LLC

TOWN OF PONCE DE LEON, FLORIDA
SUMMARY SCHEDULE OF AUDIT FINDINGS AND RESPONSES
SEPTEMBER 30, 2022

None Noted

TOWN OF PONCE DE LEON, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2022

None Noted