

TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2022

**TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 - 9 |
| BASIC FINANCIAL STATEMENTS: | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS: | |
| STATEMENT OF NET POSITION | 10 |
| STATEMENT OF ACTIVITIES | 11 |
| FUND FINANCIAL STATEMENTS: | |
| BALANCE SHEET - GOVERNMENTAL FUND | 12 |
| RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION | 13 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND | 14 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES | 15 |
| STATEMENT OF NET POSITION - PROPRIETARY FUNDS | 16 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS | 17 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS | 18 |
| NOTES TO FINANCIAL STATEMENTS | 19 - 29 |
| REQUIRED SUPPLEMENTAL INFORMATION | |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND - NON-GAAP BUDGET BASIS | 30 |

**TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

TABLE OF CONTENTS – CONTINUED

| | <u>PAGE</u> |
|---|-------------|
| OTHER SUPPLEMENTAL INFORMATION | |
| WATER AND WASTEWATER SYSTEM REVENUE BONDS – SCHEDULE OF DEBT SERVICE REQUIREMENTS | 31 |
| SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – WATER AND WASTEWATER DEPARTMENTS | 32 |
| SCHEDULE OF WATER RATES | 33 |
| SCHEDULE OF WASTEWATER RATES | 34 |
| OTHER REPORTS | |
| 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> | 35 – 36 |
| MANAGEMENT LETTER | 37 – 38 |
| INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE | 39 |

**TOWN OF ZOLFO SPRINGS, FLORIDA
OFFICIALS**

Town of Zolfo Springs, Florida

September 30, 2022

TOWN COMMISSION

ROD CANNON - MAYOR
MARTINA ZUNIGA - VICE MAYOR
VIRGINIA IRBY
GUADALUPE DELEON
SARA SCHOFIELD

TOWN OFFICIALS

TOWN MANAGER, LINDA ROBERSON
TOWN CLERK, SUSAN WILLIAMSON
GERALD BUHR, TOWN ATTORNEY

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Town Commission
Town of Zolfo Springs, 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 Zolfo Springs, Florida (Town), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 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 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

Required Supplementary Information

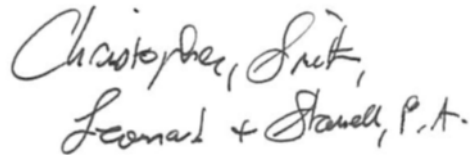
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Handwritten signature of Christopher Smith, Leonard & Stanell, P.A.

**CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.**

December 12, 2022
Bradenton, Florida

TOWN OF ZOLFO SPRINGS

3210 U.S. Hwy. 17 S.
P.O. Box 162
Zolfo Springs, FL 33890-0162

Phone: (863) 735-0405
Fax: (863) 735-1684

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Zolfo Springs, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,412,313 (net position). Of this amount, \$1,815,386 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$756,658 during the year. This was primarily due to grant revenues received to finance capital projects.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,471,260, an increase of \$217,468 from the prior year. Of this amount, unassigned fund balance represents \$1,464,727.
- As of the close of the fiscal year the Town's water and wastewater, and sanitation funds unrestricted net position was \$353,321.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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 statement of net position presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases 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 government's net position has changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector business in that revenue is recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both of the 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, public safety, maintenance and physical environment. The business-type activities of the Town include the water, wastewater, and sanitation services.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the Town. 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.

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 a government'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 government'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 only governmental fund the Town maintains is the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Proprietary funds: The Town utilizes enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds consist of the water and wastewater fund and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's General Fund Budgetary Comparison. Required supplementary information on the General Fund Budget can be found on page 30 of this report.

Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2022 with comparative totals as of September 30, 2021.

Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|-----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Current and other assets | \$ 1,511,929 | \$ 1,319,542 | \$ 1,170,118 | \$ 679,498 | \$ 2,682,047 | \$ 1,999,040 |
| Capital assets (net of depreciation) | <u>1,572,571</u> | <u>1,453,828</u> | <u>9,315,751</u> | <u>8,773,528</u> | <u>10,888,322</u> | <u>10,227,356</u> |
| Total assets | 3,084,500 | 2,773,370 | 10,485,869 | 9,453,026 | 13,570,369 | 12,226,396 |
| Long-term liabilities outstanding | 9,195 | 6,134 | 1,377,659 | 1,406,810 | 1,386,854 | 1,412,944 |
| Other liabilities | <u>40,669</u> | <u>65,750</u> | <u>730,533</u> | <u>92,047</u> | <u>771,202</u> | <u>157,797</u> |
| Total liabilities | 49,864 | 71,884 | 2,108,192 | 1,498,857 | 2,158,056 | 1,570,741 |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 1,572,571 | 1,453,828 | 7,951,751 | 7,374,528 | 9,524,322 | 8,828,356 |
| Restricted | -0- | -0- | 72,605 | 72,587 | 72,605 | 72,587 |
| Unrestricted | <u>1,462,065</u> | <u>1,247,658</u> | <u>353,321</u> | <u>507,054</u> | <u>1,815,386</u> | <u>1,754,712</u> |
| Total net position | <u>\$ 3,034,636</u> | <u>\$ 2,701,486</u> | <u>\$ 8,377,677</u> | <u>\$ 7,954,169</u> | <u>\$ 11,412,313</u> | <u>\$ 10,655,655</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$11,412,313 at the close of September 30, 2022.

The Town's net position includes its investment in capital assets, (83% of total net position), which reflect its capital assets (e.g., land, water plant, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its members; consequently, these assets are *not* available for future spending. Although the Town's investment in 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.

An additional portion of the Town's net position, in the amount of \$72,605, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,815,386 may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities on page 11 of this report.

**Changes in Net Position
For the Years Ended September 30, 2022 and 2021**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|-----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 38,144 | \$ 22,656 | \$ 1,050,191 | \$ 965,366 | \$ 1,088,335 | \$ 988,022 |
| Operating grants and contributions | 0- | 0- | 0- | 0- | 0- | 0- |
| Capital grants and contributions | 124,000 | 139,301 | 1,087,347 | 341,786 | 1,211,347 | 481,087 |
| General revenues: | | | | | | |
| Taxes | 938,230 | 858,610 | 0- | 0- | 938,230 | 858,610 |
| Transfers | 20,006 | 27,014 | (20,006) | (27,014) | 0- | 0- |
| Other | 16,874 | 36,990 | 640 | 1,109 | 17,514 | 38,099 |
| Total revenues | 1,137,254 | 1,084,571 | 2,118,172 | 1,281,247 | 3,255,426 | 2,365,818 |
| Expenses: | | | | | | |
| General government | 244,058 | 211,978 | 0- | 0- | 244,058 | 211,978 |
| Public safety | 216,148 | 183,285 | 0- | 0- | 216,148 | 183,285 |
| Maintenance | 305,058 | 419,268 | 0- | 0- | 305,058 | 419,268 |
| Physical environment | 38,840 | 37,693 | 0- | 0- | 38,840 | 37,693 |
| Interest on long-term debt | 0- | 0- | 31,478 | 32,243 | 31,478 | 32,243 |
| Water | 0- | 0- | 436,481 | 285,579 | 436,481 | 285,579 |
| Sewer | 0- | 0- | 1,117,580 | 838,127 | 1,117,580 | 838,127 |
| Sanitation | 0- | 0- | 109,125 | 100,357 | 109,125 | 100,357 |
| Total expenses | 804,104 | 852,224 | 1,694,664 | 1,256,306 | 2,498,768 | 2,108,530 |
| Change in net position | 333,150 | 232,347 | 423,508 | 24,941 | 756,658 | 257,288 |
| Net position - Beginning of year | 2,701,486 | 2,469,139 | 7,954,169 | 7,929,228 | 10,655,655 | 10,398,367 |
| Net position - End of year | <u>\$ 3,034,636</u> | <u>\$ 2,701,486</u> | <u>\$ 8,377,677</u> | <u>\$ 7,954,169</u> | <u>\$ 11,412,313</u> | <u>\$ 10,655,655</u> |

Governmental activities: Governmental activities increased the Town's net position by \$333,150. Revenues increased by \$52,683 largely due to increased tax revenue. Expenditures decreased over prior year by \$48,120 which was largely due to reduced maintenance costs during 2022.

Business-type activities. Business-type activities increased the Town's net assets by \$423,508. Key elements for the difference between the current year and prior year are:

- Revenues increased by \$836,925, of which consisted of increases in charges for services and grant revenues of approximately \$85,000 and \$746,000, respectively.
- Expenses increased by \$438,358 from the prior year. The increase is largely related to repair and maintenance expenses and personnel costs of approximately \$202,000 and \$158,000, respectively.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported ending fund balances of \$1,471,260. \$1,464,727 of this total amount is unassigned fund balance, which is available for spending at the Town's discretion.

The fund balance of the Town's general fund increased by \$217,468. Overall the increase was consistent with the prior year. Revenues increased by \$59,691 and expenditures decreased by \$18,644. The general fund also included other financing sources of \$20,006, which are transfers from the proprietary fund.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following are the noteworthy changes from the prior year:

- Operating revenues increased over the prior year by \$84,825 due to increased rates and use of services. Operating expenses increased by \$439,123 largely due to sewer repairs required during the year and increased personnel cost. For the year ended September 30, 2022, operating expenses exceeded operating revenues by \$612,995.
- The non-operating revenues (expense) line, which is a total net expense of \$30,838, was consistent with prior year and is due largely to interest expense on the revenue bonds.
- Grants of \$1,087,347 were received mainly for water and sewer line projects and included as part of capital contributions in 2022, compared to \$341,786 received during 2020.

General Fund Budgetary Highlights

For the year ended September 30, 2022, the General Fund budget was not amended. Budgeted revenues were \$1,569,492 and budgeted expenditures were \$1,594,492. The budget anticipated grant related revenues and expenditures of approximately \$745,000, of which only \$124,000 was recognized during the year. For the current fiscal year, actual revenues were less than budgeted revenues by \$452,244 due to timing of the grant activity. Actual expenditures were less than budget by \$674,706 also due to timing of the grant activity.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$10,888,322 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer line improvements, water system improvements, machinery and equipment, and construction in progress.

Current changes for governmental activities include additions of \$232,660 offset by depreciation totaling \$113,917.

Current changes for business-type activities include additions of \$1,004,029 offset by depreciation totaling \$461,806.

**Town of Zolfo Springs
Capital Assets (Net of Depreciation)**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---------------------------------|--------------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|-----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Land | \$ 15,808 | \$ 15,808 | \$ 658,576 | \$ 658,576 | \$ 674,384 | \$ 674,384 |
| Building and Improvements | 1,003,594 | 1,053,569 | 4,778,984 | 4,979,222 | 5,782,578 | 6,032,791 |
| Infrastructure | 383,226 | 300,118 | -0- | -0- | 383,226 | 300,118 |
| Sewer/water system improvements | -0- | -0- | 3,416,950 | 2,797,100 | 3,416,950 | 2,797,100 |
| Machinery and equipment | 169,943 | 32,333 | 362,340 | 196,904 | 532,283 | 229,237 |
| Construction in progress | -0- | 52,000 | 98,901 | 141,726 | 98,901 | 193,726 |
| Total | <u>\$ 1,572,571</u> | <u>\$ 1,453,828</u> | <u>\$ 9,315,751</u> | <u>\$ 8,773,528</u> | <u>\$ 10,888,322</u> | <u>\$ 10,227,356</u> |

Additional information on the Town's capital assets can be found in note 2 D. of this report.

Long-Term Debt. At the end of the current fiscal year, the Town had enterprise fund bonded debt outstanding of \$1,364,000.

**Town of Zolfo Springs
Revenue Bonds and Notes Payable**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---------------|--------------------------------|----------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenue bonds | \$ -0- | \$ -0- | \$ 1,364,000 | \$ 1,399,000 | \$ 1,364,000 | \$ 1,399,000 |
| Total | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,364,000</u> | <u>\$ 1,399,000</u> | <u>\$ 1,364,000</u> | <u>\$ 1,399,000</u> |

Additional information on the Town's long-term debt can be found in note 2, E. of this report.

Economic Factors and Next Year's Budgets and Rates

The millage rate for 2022 - 2023 is the same as the prior year. The Town's total budget for all funds for fiscal year 2022 - 2023 has budgeted revenues and expenses of \$4,392,302, an increase over 2022 - 2023 final budget of \$890,903. The increase from the prior year budget is principally due to grant revenues and related capital outlay in 2022 - 2023 for renovations to the water and wastewater system and road improvements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Zolfo Springs, Florida finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Zolfo Springs, 3210 U.S. Hwy. 17 S., Zolfo Springs, Florida 33890.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,534,502 | \$ 669,649 | \$ 2,204,151 |
| Receivables (net of allowance for uncollectibles) | 19,823 | 89,795 | 109,618 |
| Due from other governmental units | 22,264 | 203,303 | 225,567 |
| Internal balances | (71,193) | 71,193 | - |
| Prepaid expenses | 6,533 | 8,703 | 15,236 |
| Restricted assets: | | | |
| Cash | - | 127,475 | 127,475 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 15,808 | 658,576 | 674,384 |
| Building and improvements | 1,003,594 | 4,778,984 | 5,782,578 |
| Infrastructure | 383,226 | - | 383,226 |
| Sewer/water system improvements | - | 3,416,950 | 3,416,950 |
| Machinery and equipment | 169,943 | 362,340 | 532,283 |
| Construction in progress | - | 98,901 | 98,901 |
| TOTAL ASSETS | <u>3,084,500</u> | <u>10,485,869</u> | <u>13,570,369</u> |
| LIABILITIES | | | |
| Accounts payable and other accrued expenses | 40,669 | 228,555 | 269,224 |
| Unearned revenue | - | 444,007 | 444,007 |
| Accrued interest | - | 3,101 | 3,101 |
| Customer deposits | - | 54,870 | 54,870 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,300 | 39,414 | 41,714 |
| Due in more than one year | 6,895 | 1,338,245 | 1,345,140 |
| Total liabilities | <u>49,864</u> | <u>2,108,192</u> | <u>2,158,056</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,572,571 | 7,951,751 | 9,524,322 |
| Restricted for: | | | |
| Revenue bond retirement | - | 72,605 | 72,605 |
| Unrestricted | 1,462,065 | 353,321 | 1,815,386 |
| TOTAL NET POSITION | <u>\$ 3,034,636</u> | <u>\$ 8,377,677</u> | <u>\$ 11,412,313</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenue and Change in Net Position | | |
|--------------------------------------|----------------------------|----------------------------|------------------------------------|----------------------------------|---|----------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 244,058 | \$ 3,367 | \$ - | \$ - | \$ (240,691) | \$ - | \$ (240,691) |
| Police department | 216,148 | 34,497 | - | - | (181,651) | - | (181,651) |
| Maintenance | 305,058 | 280 | - | 124,000 | (180,778) | - | (180,778) |
| Physical environment | 38,840 | - | - | - | (38,840) | - | (38,840) |
| Total Governmental Activities | <u>804,104</u> | <u>38,144</u> | <u>-</u> | <u>124,000</u> | <u>(641,960)</u> | <u>-</u> | <u>(641,960)</u> |
| Business-type Activities: | | | | | | | |
| Water | 436,481 | 386,084 | - | 819,174 | - | 768,777 | 768,777 |
| Wastewater | 1,149,058 | 537,157 | - | 268,173 | - | (343,728) | (343,728) |
| Sanitation | 109,125 | 126,950 | - | - | - | 17,825 | 17,825 |
| Total Business-type Activities | <u>1,694,664</u> | <u>1,050,191</u> | <u>-</u> | <u>1,087,347</u> | <u>-</u> | <u>442,874</u> | <u>442,874</u> |
| Total Government | <u>\$ 2,498,768</u> | <u>\$ 1,088,335</u> | <u>\$ -</u> | <u>\$ 1,211,347</u> | <u>(641,960)</u> | <u>442,874</u> | <u>(199,086)</u> |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 286,513 | - | 286,513 |
| Franchise fees and taxes | | | | | 317,033 | - | 317,033 |
| Local government option gas tax | | | | | 37,132 | - | 37,132 |
| Half-cent sales tax | | | | | 75,230 | - | 75,230 |
| One-cent sales tax | | | | | 180,964 | - | 180,964 |
| Motor fuel tax | | | | | 4,345 | - | 4,345 |
| State revenue sharing of 1/8 cent | | | | | 37,013 | - | 37,013 |
| Investment earnings | | | | | 1,801 | 640 | 2,441 |
| Other revenue | | | | | 15,073 | - | 15,073 |
| Total general revenues | | | | | <u>955,104</u> | <u>640</u> | <u>955,744</u> |
| Transfers | | | | | 20,006 | (20,006) | - |
| Total general revenues and transfers | | | | | <u>975,110</u> | <u>(19,366)</u> | <u>955,744</u> |
| Change in net position | | | | | 333,150 | 423,508 | 756,658 |
| Net Position – Beginning of Year | | | | | 2,701,486 | 7,954,169 | 10,655,655 |
| Net Position – End of Year | | | | | <u>\$ 3,034,636</u> | <u>\$ 8,377,677</u> | <u>\$ 11,412,313</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
SEPTEMBER 30, 2022**

| | General Fund |
|--|-------------------------|
| ASSETS | |
| Cash | \$ 1,534,502 |
| Accounts receivable net of allowance | 19,823 |
| Due from other governmental units | 22,264 |
| Prepaid items | 6,533 |
| Total assets | \$ 1,583,122 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 31,745 |
| Accrued expense | 8,924 |
| Due from other funds | 71,193 |
| Total liabilities | 111,862 |
| Fund balances: | |
| Nonspendable – Prepaid items | 6,533 |
| Spendable: | |
| Unassigned | 1,464,727 |
| Total fund balances | 1,471,260 |
| Total liabilities and fund balances | \$ 1,583,122 |

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|-----------------------------------|
| Fund Balance – Governmental Fund | \$ 1,471,260 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 1,572,571 |
| Long-term liabilities include compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(9,195)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 3,034,636</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | General Fund |
|---|-------------------------|
| REVENUES | |
| Property taxes | \$ 286,513 |
| Intergovernmental revenue | 334,684 |
| Franchise fees and taxes | 317,033 |
| Fines and forfeitures | 34,497 |
| Charges for services | 280 |
| Interest | 1,801 |
| Licenses and permits | 3,367 |
| Grants | 124,000 |
| Miscellaneous revenues | 15,073 |
| Total Revenues | 1,117,248 |
| EXPENDITURES | |
| General government | 235,777 |
| Police department | 197,351 |
| Maintenance department | 241,148 |
| Recreation | 12,850 |
| Capital outlay | 232,660 |
| Total Expenditures | 919,786 |
| Excess of Revenues (Under) Over Expenditures Before Other Financing Sources (Uses) | 197,462 |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in (out) | 20,006 |
| Total Other Financing Sources (Uses) | 20,006 |
| Net Changes in Fund Balance | 217,468 |
| FUND BALANCE – Beginning of Year | 1,253,792 |
| FUND BALANCE – End of Year | \$ 1,471,260 |

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|--|-----------|------------------------------|
| Net change in fund balance – total governmental fund | \$ | 217,468 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital additions included as expenditures in the fund | | 232,660 |
| Depreciation | | <u>(113,917)</u> |
| <p>Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.</p> | | |
| Change in compensated absences | | <u>(3,061)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u><u>333,150</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2022

| | Business-Type Activities | | |
|---|---------------------------------|---------------------|---------------------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 669,649 | \$ - | \$ 669,649 |
| Accounts receivable (net of allowance for uncollectibles) | 87,532 | 2,263 | 89,795 |
| Grants receivable | 203,303 | - | 203,303 |
| Due from other funds | 71,193 | - | 71,193 |
| Prepaid expenses | 8,703 | - | 8,703 |
| Total current assets | <u>1,040,380</u> | <u>2,263</u> | <u>1,042,643</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash | 127,475 | - | 127,475 |
| Total restricted assets | <u>127,475</u> | <u>-</u> | <u>127,475</u> |
| Capital assets: | | | |
| Land | 658,576 | - | 658,576 |
| Building and improvements | 7,581,635 | - | 7,581,635 |
| Sewer/water system improvements | 7,544,459 | - | 7,544,459 |
| Machinery and equipment | 1,138,378 | - | 1,138,378 |
| Construction in progress | 98,901 | - | 98,901 |
| Less accumulated depreciation | (7,706,198) | - | (7,706,198) |
| Total capital assets (net) | <u>9,315,751</u> | <u>-</u> | <u>9,315,751</u> |
| Total noncurrent assets | <u>9,443,226</u> | <u>-</u> | <u>9,443,226</u> |
| TOTAL ASSETS | <u>10,483,606</u> | <u>2,263</u> | <u>10,485,869</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable and other accrued expenses | 228,555 | - | 228,555 |
| Unearned revenue | 444,007 | - | 444,007 |
| Total current liabilities | <u>672,562</u> | <u>-</u> | <u>672,562</u> |
| Current liabilities payable from restricted assets: | | | |
| Accrued interest payable | 3,101 | - | 3,101 |
| Customer deposits | 54,870 | - | 54,870 |
| Compensated absences – current portion | 3,414 | - | 3,414 |
| Revenue bonds payable – current portion | 36,000 | - | 36,000 |
| Total current liabilities payable from restricted assets | <u>97,385</u> | <u>-</u> | <u>97,385</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 10,245 | - | 10,245 |
| Revenue bonds payable | 1,328,000 | - | 1,328,000 |
| Total noncurrent liabilities | <u>1,338,245</u> | <u>-</u> | <u>1,338,245</u> |
| TOTAL LIABILITIES | <u>2,108,192</u> | <u>-</u> | <u>2,108,192</u> |
| NET POSITION | | | |
| Net investment in capital assets | 7,951,751 | - | 7,951,751 |
| Restricted for revenue bond retirement and grants | 72,605 | - | 72,605 |
| Unrestricted | 351,058 | 2,263 | 353,321 |
| TOTAL NET POSITION | <u>\$ 8,375,414</u> | <u>2,263</u> | <u>\$ 8,377,677</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Business-Type Activities | | |
|--|---------------------------------|-------------------|---------------------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Wastewater sales | \$ 537,157 | - | \$ 537,157 |
| Water sales | 342,439 | - | 342,439 |
| Sanitation | - | 126,950 | 126,950 |
| Connection fees | 43,645 | - | 43,645 |
| Total Operating Revenues | <u>923,241</u> | <u>126,950</u> | <u>1,050,191</u> |
| OPERATING EXPENSES | | | |
| Cost of sales and services | | | |
| Personal services | 408,349 | - | 408,349 |
| Operating | 683,906 | 109,125 | 793,031 |
| Depreciation | 461,806 | - | 461,806 |
| Total Operating Expenses | <u>1,554,061</u> | <u>109,125</u> | <u>1,663,186</u> |
| Operating Income (Loss) | <u>(630,820)</u> | <u>17,825</u> | <u>(612,995)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest income | 640 | - | 640 |
| Interest expense | (31,478) | - | (31,478) |
| Total Non-Operating Revenue (Expenses) | <u>(30,838)</u> | <u>-</u> | <u>(30,838)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>(661,658)</u> | <u>17,825</u> | <u>(643,833)</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Capital contributions | 1,087,347 | - | 1,087,347 |
| Transfers in (out) | - | (20,006) | (20,006) |
| Total Capital Contributions and Transfers | <u>1,087,347</u> | <u>(20,006)</u> | <u>1,067,341</u> |
| Change in Net Position | <u>425,689</u> | <u>(2,181)</u> | <u>423,508</u> |
| Net Position – Beginning of Year | <u>7,949,725</u> | <u>4,444</u> | <u>7,954,169</u> |
| Net Position – Ending of Year | <u>\$ 8,375,414</u> | <u>\$ 2,263</u> | <u>\$ 8,377,677</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| | Business-Type Activities | | |
|---|---------------------------------|-------------------------|---------------------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash receipts from customers | \$ 925,454 | \$ 129,131 | \$ 1,054,585 |
| Cash payments to suppliers | (491,437) | (109,125) | (600,562) |
| Cash payments for personal services | (402,500) | - | (402,500) |
| Net cash provided (used) by operating activities | <u>31,517</u> | <u>20,006</u> | <u>51,523</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in (out)/advances from (to) other funds | (311,909) | (20,006) | (331,915) |
| Net cash provided (used) by noncapital financing activities | <u>(311,909)</u> | <u>(20,006)</u> | <u>(331,915)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Capital expenditures | (1,004,029) | - | (1,004,029) |
| Capital grant proceeds | 1,341,896 | - | 1,341,896 |
| Interest paid on revenue bonds and long-term borrowings | (31,478) | - | (31,478) |
| Principal payments on long-term debt | (35,000) | - | (35,000) |
| Net cash provided (used) by capital and related financing activities | <u>271,389</u> | <u>-</u> | <u>271,389</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest on investments | 640 | - | 640 |
| Net cash provided (used) by investing activities | <u>640</u> | <u>-</u> | <u>640</u> |
| NET INCREASE (DECREASE) IN CASH | (8,363) | - | (8,363) |
| CASH AT BEGINNING OF YEAR | 805,487 | - | 805,487 |
| CASH AT END OF YEAR | <u>\$ 797,124</u> | <u>\$ -</u> | <u>\$ 797,124</u> |
| DETAILS OF CASH AT END OF YEAR | | | |
| Unrestricted | \$ 669,649 | \$ - | \$ 669,649 |
| Restricted | 127,475 | - | 127,475 |
| | <u>\$ 797,124</u> | <u>\$ -</u> | <u>\$ 797,124</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (630,820) | \$ 17,825 | \$ (612,995) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 461,806 | - | 461,806 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 203 | 2,181 | 2,384 |
| Increase (decrease) in accounts payable and other accrued expenses | 192,469 | - | 192,469 |
| Increase (decrease) in compensated absences | 5,849 | - | 5,849 |
| Increase (decrease) in customer deposits payable | 2,010 | - | 2,010 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 31,517</u> | <u>\$ 20,006</u> | <u>\$ 51,523</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Zolfo Springs, Florida (Town) was incorporated in 1913 under the laws of Florida Chapter 59–1996 (House Bill 1768). The present charter (which was last amended in May of 2006) calls for a Town Manager and a five–member commission. Under the present charter, the Town has the power to impose license taxes on occupations, to levy taxes on Town property, and to levy charges for services as required for the improvement and government of the Town. Services authorized to be provided under the present charter are as follows: public safety, streets and roads, sanitation, health and social services, culture – recreation, public improvements, planning and zoning, and general administrative services. No potential component units exist.

B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

The government–wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government–wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the Town’s governmental and business–type activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three components; net investment in capital assets, restricted net position and unrestricted net position. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund and the proprietary funds. All governmental and enterprise funds are considered major funds and are presented as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

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 collectible 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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 and available only when cash is received by the government.

The Town reports the following governmental fund:

General Fund

The general fund is the Town's general operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Expenditures paid in this fund include general operating expenditures, and the capital improvement costs not paid through other funds.

The Town reports the following proprietary funds:

Water and Wastewater

The water and wastewater fund accounts for the operation of the Town's water and wastewater system.

Sanitation

The sanitation fund accounts for the activities of the Town's garbage operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and wastewater fund and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water and wastewater fund and the sanitation fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

Florida Statute 218.415 authorizes the Town to invest surplus funds in the following:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

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

(c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02, Florida Statutes.

(d) Direct obligations of the U.S. Treasury.

All Town bank accounts and certificates of deposit are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). The Town does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2022, the Town only had demand deposits and time deposits.

E. RECEIVABLES AND PAYABLES

All trade receivables are shown net of allowance for doubtful accounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not spendable financial resources.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. PROPERTY TAXES

Property taxes become due and payable on November 1st of each year. The county tax collector remits the Town’s portion as such revenues are received. The Town collects nearly all of its tax revenue during the period November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

| | |
|---|--------------|
| Assessment roll validated | July 1 |
| Millage resolution approved | September 30 |
| Beginning of fiscal year for which taxes have been levied | October 1 |
| Tax bills rendered and due | November 1 |
| | |
| Property taxes payable: | |
| Maximum discount | November 30 |
| Delinquent | April 1 |
| Tax certificates sold | May 31 |

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

G. RESTRICTED ASSETS AND RESERVES

Certain proceeds of the Town’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Enterprise Funds

Restricted assets, provided for by ordinances adopted by the Town for the issuance of the Sewer System Bonds and customer deposits are as follows:

| | |
|-------------------|--|
| | QUALIFIED PUBLIC DEPOSITORY |
| Reserve Fund | \$ 72,605 |
| Customer Deposits | <u>54,870</u> |
| Restricted Assets | <u>\$ 127,475</u> |

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. CAPITAL ASSETS – CONTINUED

Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected to report general infrastructure assets on a prospective basis only. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20 - 50 |
| Sewer line improvements | 20 - 50 |
| Infrastructure | 10 - 40 |
| Machinery and equipment | 5 - 15 |
| Furniture and equipment | 5 - 15 |
| Other equipment | 5 - 15 |

I. COMPENSATED ABSENCES

The Town personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. A liability for this amount is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded in the governmental fund only if they have matured.

J. LONG-TERM OBLIGATIONS

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

K. NET POSITION

Net position is reported in three parts as applicable: net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

L. FUND BALANCE

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 54 which established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND BALANCE – CONTINUED

Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The Town classifies governmental fund balance as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the Board of Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the Board of Commissioners through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The Town uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of spendable fund balance when expenditures are made. The Town does not have a formal minimum fund balance policy.

| | |
|----------------------------------|-------------------------|
| | <u>General Fund</u> |
| Non Spendable (prepaid expenses) | \$ 6,533 |
| <u>Spendable:</u> | |
| Restricted | -0- |
| Committed | -0- |
| Assigned | -0- |
| Unassigned | <u>1,464,727</u> |
| Total Fund Balances | <u>\$ 1,471,260</u> |

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered cash.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. When applicable, unavailable revenue for those revenues not received and not meeting the availability criteria for revenue recognition are classified as deferred inflows of resources. The Town did not have any deferred inflows as of September 30, 2022.

O. ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, deferred inflows, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental fund except transfers, which were not included in the budget. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the Town Commission.

Q. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

Effective October 1, 2021, the Town adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB No. 87), which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases based on the foundational principle that leases are financings of the right to use an underlying asset. Upon implementation, management determined that there were no material leases that would require recognition under GASB No. 87.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At year-end, the Town's carrying amount of deposits was \$2,331,626 and the bank balance was \$2,394,769.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Receivables

Receivables as of year-end for the Town's funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

| <u>Receivables</u> | <u>General Fund</u> | <u>Water and Wastewater Fund</u> | <u>Sanitation Fund</u> |
|---------------------------------------|-------------------------|--|----------------------------|
| Gross accounts receivables | \$ 19,823 | \$ 110,032 | \$ 2,263 |
| Less: allowance for uncollectibles | <u>-0-</u> | <u>(22,500)</u> | <u>-0-</u> |
| Net total receivables | <u>\$ 19,823</u> | <u>\$ 87,532</u> | <u>\$ 2,263</u> |

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2022 is as follows:

| <u>Transfer In: General Fund:</u> | <u>Transfer Out: Sanitation Fund:</u> | <u>Due from Wastewater Due to General</u> |
|---------------------------------------|---|---|
| <u>\$ 20,006</u> | <u>\$ 20,006</u> | <u>\$ 71,193</u> |

At September 30, 2022, the water and wastewater fund was owed \$71,193 by the general fund for items paid on behalf of the general fund. Transfers were made to transfer income to the respective funds.

D. Capital Assets

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 15,808 | \$ -0- | \$ -0- | \$ -0- | \$ 15,808 |
| Construction in progress | <u>52,000</u> | <u>32,000</u> | <u>-0-</u> | <u>(84,000)</u> | <u>-0-</u> |
| Total capital assets, not being depreciated | <u>67,808</u> | <u>32,000</u> | <u>-0-</u> | <u>(84,000)</u> | <u>15,808</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 1,588,103 | -0- | -0- | -0- | 1,588,103 |
| Infrastructure | 1,233,671 | 47,575 | -0- | 84,000 | 1,365,246 |
| Furniture and equipment | 169,609 | 145,005 | -0- | -0- | 314,614 |
| Machinery and equipment | <u>77,338</u> | <u>8,080</u> | <u>-0-</u> | <u>-0-</u> | <u>85,418</u> |
| Total capital assets being depreciated | <u>3,068,721</u> | <u>200,660</u> | <u>-0-</u> | <u>84,000</u> | <u>3,353,381</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (534,534) | (49,975) | -0- | -0- | (584,509) |
| Infrastructure | (933,553) | (48,467) | -0- | -0- | (982,020) |
| Machinery and equipment | <u>(214,614)</u> | <u>(15,475)</u> | <u>-0-</u> | <u>-0-</u> | <u>(230,089)</u> |
| Total accumulated depreciation | <u>(1,682,701)</u> | <u>(113,917)</u> | <u>-0-</u> | <u>-0-</u> | <u>(1,796,618)</u> |
| Total capital assets, being depreciated, net | <u>1,386,020</u> | <u>86,743</u> | <u>-0-</u> | <u>84,000</u> | <u>1,556,763</u> |
| Governmental activities capital assets, net | <u>\$ 1,453,828</u> | <u>\$ 118,743</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,572,571</u> |

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital Assets – continued

Business-type activities:

Capital assets, not being depreciated:

| | | | | | |
|---|----------------|---------------|------------|------------------|----------------|
| Land | \$ 658,576 | \$ -0- | \$ -0- | \$ -0- | \$ 658,576 |
| Construction in progress | <u>141,726</u> | <u>98,901</u> | <u>-0-</u> | <u>(141,726)</u> | <u>98,901</u> |
| Total capital assets, not being depreciated | <u>800,302</u> | <u>98,901</u> | <u>-0-</u> | <u>(141,726)</u> | <u>757,477</u> |

Capital assets, being depreciated:

| | | | | | |
|--|-------------------|----------------|------------|----------------|-------------------|
| Buildings and improvements | 7,581,635 | -0- | -0- | -0- | 7,581,635 |
| Sewer line improvements | 4,752,493 | -0- | -0- | 141,726 | 4,894,219 |
| Water system improvements | 1,956,122 | 694,118 | -0- | -0- | 2,650,240 |
| Machinery and equipment | <u>927,368</u> | <u>211,010</u> | <u>-0-</u> | <u>-0-</u> | <u>1,138,378</u> |
| Total capital assets being depreciated | <u>15,217,618</u> | <u>905,128</u> | <u>-0-</u> | <u>141,726</u> | <u>16,264,472</u> |

Less accumulated depreciation for:

| | | | | | |
|--------------------------------|--------------------|------------------|------------|------------|--------------------|
| Buildings and improvements | (2,602,413) | (200,238) | -0- | -0- | (2,802,651) |
| Sewer line improvements | (3,400,613) | (151,574) | -0- | -0- | (3,552,187) |
| Water system improvements | (510,902) | (64,420) | -0- | -0- | (575,322) |
| Machinery and equipment | <u>(730,464)</u> | <u>(45,574)</u> | <u>-0-</u> | <u>-0-</u> | <u>(776,038)</u> |
| Total accumulated depreciation | <u>(7,244,392)</u> | <u>(461,806)</u> | <u>-0-</u> | <u>-0-</u> | <u>(7,706,198)</u> |

 Total capital assets, being depreciated, net

Business-type activities capital assets, net

| | | | | | |
|--|---------------------|-------------------|---------------|----------------|---------------------|
| | <u>7,973,226</u> | <u>443,322</u> | <u>-0-</u> | <u>141,726</u> | <u>8,558,274</u> |
| | <u>\$ 8,773,528</u> | <u>\$ 542,223</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 9,315,751</u> |

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

Governmental activities:

| | |
|----------------|---------------|
| Administration | \$ 6,536 |
| Public Safety | 18,797 |
| Maintenance | 62,594 |
| Recreation | <u>25,990</u> |

Total depreciation expense – governmental activities \$ 113,917

Business-type activities:

 Water & Wastewater \$ 461,806

E. Long-Term Debt

Long-term debt – Governmental Activities

Long-term debt activity for the year ended September 30, 2022:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|--------------------------|------------------|-------------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 6,134 | \$ 11,815 | \$ (8,754) | \$ 9,195 | \$ 2,300 |
| Governmental activities | <u>\$ 6,134</u> | <u>\$ 11,815</u> | <u>\$ (8,754)</u> | <u>\$ 9,195</u> | <u>\$ 2,300</u> |

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – continued

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|-------------------------|---------------------------|----------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | \$ 1,399,000 | \$ -0- | \$ (35,000) | \$1,364,000 | \$ 36,000 |
| Compensated absences | <u>7,810</u> | <u>17,551</u> | <u>(11,702)</u> | <u>13,659</u> | <u>3,414</u> |
| Business-type activities | <u>\$ 1,406,810</u> | <u>\$ 17,551</u> | <u>\$ (46,702)</u> | <u>\$ 1,377,659</u> | <u>\$ 39,414</u> |

Revenue Bonds

During 2012, the Town issued water and wastewater system revenue bonds series 2012 in the amount of \$1,654,000. The holder of the series 2012 bonds is the U.S. Department of Agriculture, Rural Development, Rural Utility Services (USDA). The series 2012 bond issuance was authorized by the Town of Zolfo Springs Commission through Resolution 2012-02. The purpose of the bonds was to finance the cost of acquisition and construction of improvements to the wastewater system and to refinance existing 1987 water and sewer revenue bonds. The series 2012 bonds have an interest rate of 2.25% and mature in 2051. Principal and interest payments are due September 1 of each year. The bonds are secured by a first lien on the revenues from the Town's water and wastewater system.

The bonds require the use of a debt sinking fund equal to 1/12th of one-tenth of the maximum bond service requirement.

The Town has the following revenue bonds issued for business-type activities and accounted for in the enterprise fund:

| | |
|---|----------------------------|
| Water and Wastewater System Revenue Bonds | <u>\$ 1,364,000</u> |
|---|----------------------------|

Total annual debt service requirements for all outstanding enterprise fund revenue bonds as of September 30, 2022 are as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|----------------------------|--------------------------|----------------------------|
| 2023 | \$ 36,000 | \$ 30,690 | \$ 66,690 |
| 2024 | 37,000 | 29,880 | 66,880 |
| 2025 | 38,000 | 29,048 | 67,048 |
| 2026 | 38,000 | 28,193 | 66,193 |
| 2027 | 38,000 | 27,337 | 65,337 |
| 2028 – 2032 | 201,000 | 123,548 | 324,548 |
| 2033 – 2037 | 225,000 | 99,900 | 324,900 |
| 2038 – 2042 | 248,000 | 73,485 | 321,485 |
| 2043 – 2047 | 271,000 | 44,573 | 315,573 |
| 2048 – 2051 | <u>232,000</u> | <u>13,206</u> | <u>245,206</u> |
| Total | <u>\$ 1,364,000</u> | <u>\$ 499,860</u> | <u>\$ 1,863,860</u> |

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – EMPLOYEE BENEFIT PLAN

The Town adopted a defined contribution retirement plan, effective October 1, 1999 for all full-time employees over 18 years of age and with a minimum of 12 months of service. The name of the Plan is the Retirement Plan and Trust for the Employees of the Town of Zolfo Springs and the plan is administered by the Florida League of Cities, Inc. The Florida Municipal Pension Trust Fund is the Trustee. The Town may amend the plan by giving the Trustee written notification of such Amendments as adopted.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town's Commission. For each employee in the pension plan, the Town is required to contribute 5 percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits and not to exceed 10 percent of their compensation. For the year ended September 30, 2022, employee contributions totaled \$12,483, and the Town recognized pension expense of \$15,010.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 5 years of creditable service with the Town. Non-vested Town contributions are forfeited upon termination of employment. Such forfeitures are to be used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2022, the Town did not have any available forfeitures to apply towards the Town's contribution expense.

NOTE 4 – 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 carries commercial insurance. There has been no significant reduction in coverage from the prior year. The Town has not experienced any settlements in excess of coverage over the past three years.

NOTE 5 – CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government or the state of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures (or expenses) that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GENERAL FUND
NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|----------------------------|----------------------------|----------------------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 284,120 | \$ 284,120 | \$ 286,513 | \$ 2,393 |
| Intergovernmental revenue | 279,298 | 279,298 | 334,684 | 55,386 |
| Franchise fees and taxes | 250,789 | 250,789 | 317,033 | 66,244 |
| Fines and forfeitures | - | - | 34,497 | 34,497 |
| Charges for services | 280 | 280 | 280 | - |
| Interest | 700 | 700 | 1,801 | 1,101 |
| Licenses and permits | 1,900 | 1,900 | 3,367 | 1,467 |
| Grants | 745,405 | 745,405 | 124,000 | (621,405) |
| Miscellaneous revenues | 7,000 | 7,000 | 15,073 | 8,073 |
| Total Revenues | <u>1,569,492</u> | <u>1,569,492</u> | <u>1,117,248</u> | <u>(452,244)</u> |
| Expenditures | | | | |
| General government | 191,991 | 191,991 | 235,777 | (43,786) |
| Police department | 199,240 | 199,240 | 197,351 | 1,889 |
| Maintenance department | 323,884 | 323,884 | 241,148 | 82,736 |
| Recreation | 9,000 | 9,000 | 12,850 | (3,850) |
| Capital outlay | 870,377 | 870,377 | 232,660 | 637,717 |
| Total Expenditures | <u>1,594,492</u> | <u>1,594,492</u> | <u>919,786</u> | <u>674,706</u> |
| Net Changes in Fund Balance | (25,000) | (25,000) | 197,462 | 222,462 |
| Fund Balance – Beginning of Year | <u>1,253,792</u> | <u>1,253,792</u> | <u>1,253,792</u> | <u>-</u> |
| Fund Balance – End of Year | <u>\$ 1,228,792</u> | <u>\$ 1,228,792</u> | <u>\$ 1,451,254</u> | <u>\$ 222,462</u> |

NOTE 1 – BUDGETARY BASIS

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles with the exception of transfers in(out).

NOTE 2 – RECONCILIATION OF DIFFERENCES BETWEEN NON-GAAP BUDGETARY BASIS AND GAAP (MODIFIED ACCRUAL) BASIS

The Town did not budget for transfers in. As a result \$20,006 of transfers in were not included in the general fund budget.

| | Actual On GAAP Basis | To Budgetary Basis | Actual On Budget Basis |
|---|--------------------------|---------------------------|------------------------------|
| Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses) | \$ 197,462 | \$ - | \$ 197,462 |
| Other Financing Sources | | | |
| Transfers in | \$ 20,006 | \$ (20,006) | \$ - |
| Total Other Financing Sources | <u>\$ 20,006</u> | <u>\$ (20,006)</u> | <u>\$ -</u> |
| Net Changes in Fund Balance | <u>\$ 217,468</u> | <u>\$ (20,006)</u> | <u>\$ 197,462</u> |

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF ZOLFO SPRINGS, FLORIDA
WATER AND WASTEWATER SYSTEM REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS**

| <u>Year Ending September 30,</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|--------------------------------------|--------------------------|----------------------------|----------------------------|
| 2023 | \$ 30,690 | \$ 36,000 | \$ 66,690 |
| 2024 | 29,880 | 37,000 | 66,880 |
| 2025 | 29,048 | 38,000 | 67,048 |
| 2026 | 28,193 | 38,000 | 66,193 |
| 2027 | 27,337 | 38,000 | 65,337 |
| 2028 | 26,483 | 39,000 | 65,483 |
| 2029 | 25,605 | 39,000 | 64,605 |
| 2030 | 24,728 | 40,000 | 64,728 |
| 2031 | 23,828 | 41,000 | 64,828 |
| 2032 | 22,904 | 42,000 | 64,904 |
| 2033 | 21,960 | 43,000 | 64,960 |
| 2034 | 20,993 | 44,000 | 64,993 |
| 2035 | 20,002 | 45,000 | 65,002 |
| 2036 | 18,990 | 46,000 | 64,990 |
| 2037 | 17,955 | 47,000 | 64,955 |
| 2038 | 16,898 | 48,000 | 64,898 |
| 2039 | 15,818 | 49,000 | 64,818 |
| 2040 | 14,715 | 50,000 | 64,715 |
| 2041 | 13,590 | 50,000 | 63,590 |
| 2042 | 12,464 | 51,000 | 63,464 |
| 2043 | 11,318 | 53,000 | 64,318 |
| 2044 | 10,125 | 53,000 | 63,125 |
| 2045 | 8,933 | 54,000 | 62,933 |
| 2046 | 7,717 | 55,000 | 62,717 |
| 2047 | 6,480 | 56,000 | 62,480 |
| 2048 | 5,220 | 56,000 | 61,220 |
| 2049 | 3,960 | 57,000 | 60,960 |
| 2050 | 2,677 | 59,000 | 61,677 |
| 2051 | 1,349 | 60,000 | 61,349 |
| | <u>\$ 499,860</u> | <u>\$ 1,364,000</u> | <u>\$ 1,863,860</u> |

TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND WASTEWATER DEPARTMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | ENTERPRISE FUNDS | | |
|--|-------------------|---------------------|-------------------|
| | WATER | WASTEWATER | TOTAL |
| OPERATING REVENUES | | | |
| Charges for services | | | |
| Wastewater | \$ - | \$ 537,157 | \$ 537,157 |
| Water | 386,084 | - | 386,084 |
| Total Operating Revenues | <u>386,084</u> | <u>537,157</u> | <u>923,241</u> |
| OPERATING EXPENSES | | | |
| Personal services | 203,572 | 204,777 | 408,349 |
| Operating | 146,191 | 537,715 | 683,906 |
| Depreciation | 86,718 | 375,088 | 461,806 |
| Total Operating Expenses | <u>436,481</u> | <u>1,117,580</u> | <u>1,554,061</u> |
| Operating Income (Loss) | <u>(50,397)</u> | <u>(580,423)</u> | <u>(630,820)</u> |
| NON-OPERATING REVENUES AND EXPENSES | | | |
| Interest income | 640 | - | 640 |
| Interest expense | - | (31,478) | (31,478) |
| Total Non-Operating Revenues (Expenses) | <u>640</u> | <u>(31,478)</u> | <u>(30,838)</u> |
| Income (Loss) Before Capital Contributions | <u>(49,757)</u> | <u>(611,901)</u> | <u>(661,658)</u> |
| CAPITAL CONTRIBUTIONS | | | |
| Capital contributions | 819,174 | 268,173 | 1,087,347 |
| Total Capital Contributions | <u>819,174</u> | <u>268,173</u> | <u>1,087,347</u> |
| CHANGE IN NET POSITION | <u>\$ 769,417</u> | <u>\$ (343,728)</u> | <u>\$ 425,689</u> |

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF WATER RATES
EFFECTIVE AS OF SEPTEMBER 30, 2022**

RESIDENTIAL

| <u>USAGE IN GALLONS</u> | <u>AMOUNT</u> |
|--|---------------------|
| 0 to 3,000 | \$1.32 per thousand |
| 3,001 to 4,999 | \$3.74 per thousand |
| 5,000 to 9,999 | \$3.87 per thousand |
| 10,000 to 14,999 | \$4.14 per thousand |
| 15,000 to 19,999 | \$4.40 per thousand |
| Over 20,000 | \$4.64 per thousand |
| Minimum bill and surcharge when vacant | \$12.25 |

COMMERCIAL

| <u>USAGE IN GALLONS</u> | <u>AMOUNT</u> |
|--|---------------------|
| 0 to 3,000 | \$1.44 per thousand |
| 3,001 to 4,999 | \$4.14 per thousand |
| 5,000 to 9,999 | \$4.40 per thousand |
| 10,000 to 14,999 | \$4.64 per thousand |
| 15,000 to 19,999 | \$4.93 per thousand |
| Over 20,000 | \$5.29 per thousand |
| Minimum bill and surcharge when vacant | \$14.84 |

A 10% utility tax is to be added to all statements with the exception of the Post Office and School.

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF WASTEWATER RATES
EFFECTIVE AS OF SEPTEMBER 30, 2022**

RESIDENTIAL

| <u>USAGE IN GALLONS</u> | <u>AMOUNT</u> |
|-------------------------|---------------------|
| 0 to 3,000 | \$1.94 per thousand |
| Over 3,000 | \$5.82 per thousand |
| Minimum Charge | \$32.26 |
| Surcharge when Vacant | \$32.26 |

COMMERCIAL

| <u>USAGE IN GALLONS</u> | <u>AMOUNT</u> |
|--------------------------------------|---------------------|
| 0 to 3,000 | \$1.94 per thousand |
| over 3,000 | \$5.82 per thousand |
| Surcharge in Mobile Home Parks | \$12.90 per site |
| Surcharge in RV parks | \$3.87 per site |
| Apartments (Multi-structure) | \$7.74 per unit |
| Motels | \$3.87 per room |
| Minimum Charge | \$45.16 |
| Surcharge when Vacant | \$45.16 |

OTHER REPORTS

**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***

MANAGEMENT LETTER

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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

To the Honorable Town Commission
Town of Zolfo Springs, 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 Zolfo Springs, Florida (Town), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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.

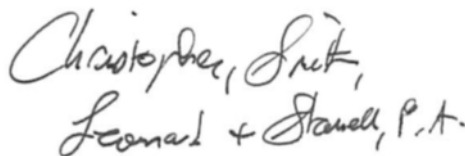
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature of Christopher Smith, Leonard & Stanell, P.A.

CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.

December 12, 2022
Bradenton, Florida

MANAGEMENT LETTER

To the Honorable Town Commission
Town of Zolfo Springs, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Zolfo Springs, Florida (Town) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated December 12, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 12, 2022, 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 findings and recommendations made in the preceding annual financial 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 statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

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

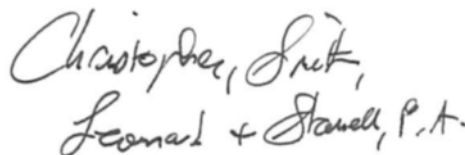
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we 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, Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.

December 12, 2022
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

To the Honorable Town Commission
Town of Zolfo Springs, Florida

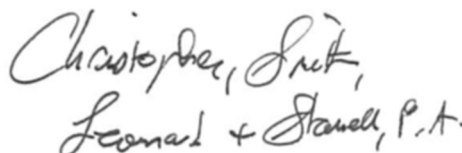
We have examined the Town of Zolfo Springs, Florida's (Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. Management of the Town is responsible for the Town's compliance with Section 218.415, Florida Statutes. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

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

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 Section 218.415, Florida Statutes for the year ended September 30, 2022.

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

A handwritten signature in black ink that reads 'Christopher, Smith, Leonard & Stanell, P.A.'.

CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.

December 12, 2022
Bradenton, Florida