

CITY OF WEWAHITCHKA , FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

CITY OF WEWAHITCHKA , FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

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CITY OF WEWAHITCHKA , FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2011

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INTRODUCTORY SECTION

CITY OF WEWAHITCHKA , FLORIDA

PRINCIPAL LIST OF OFFICIALS

September 30, 2011

MAYOR

Phillip Gaskin

COMMISSION MEMBERS

Charlie Pettis

Ralph Fisher

Jimmy C. Nunery

Tony Justice

CITY CLERK

Connie Parrish

CITY MANAGER

Donald Minchew

CITY ATTORNEY

S. Russell Scholz

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

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To the Mayor and Members
of the City Commission
City of Wewahitchka, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the City of Wewahitchka, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wewahitchka, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the City of Wewahitchka, Florida, as of September 30, 2011, and the respective changes in financial position of cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2012, on our consideration of the City of Wewahitchka, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 9 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement

and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison information presented for the major governmental funds is not a required part of the basic financial statements of the City of Wewahitchka, Florida, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedure, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis, and is not a required part of the basic financial statements of the City of Wewahitchka, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

POWELL & JONES
Certified Public Accountants
March 23, 2012

CITY OF WEWAHITCHKA , FLORIDA
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the City of Wewahitchka (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The City has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as protective inspections, fire control, public works, parks and recreation, and general governmental administration. The City's utility and cemetery services are reported as business-type activities. These government-wide statements are designed to be secondary more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has one major governmental fund. A budgetary comparison is presented for this fund. Statements for the City's proprietary funds follow the governmental fund statements and include net assets, revenue, expenses and changes in net assets, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in financial position and differences in operation between the current and prior years.

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at September 30, 2011, follows:

Net Assets at September 30, 2011 and 2010

	Governmental	Business-type	Total Government	
	Activities	Activities	2011	2010
Assets				
Cash and cash equivalents	\$ 906,098	\$ 194,723	\$ 1,100,821	\$ 973,946
Restricted assets	-	455,499	455,499	521,900
Other assets	-	20,056	20,056	21,202
Capital assets	959,012	6,491,211	7,450,223	7,621,904
Total assets	<u>1,865,110</u>	<u>7,161,489</u>	<u>9,026,599</u>	<u>9,138,952</u>
Liabilities				
Current liabilities	46,312	373,006	419,318	502,991
Long-term liabilities	11,556	1,806,038	1,817,594	1,901,699
Total liabilities	<u>57,868</u>	<u>2,179,044</u>	<u>2,236,912</u>	<u>2,404,690</u>
Net assets				
Invested in capital assets, net of related debt	959,012	4,516,310	5,475,322	5,464,430
Restricted for:				
Debt service	-	69,816	69,816	113,421
Renewal and replacement	-	42,995	42,995	7,672
Construction projects	-	201,615	201,615	242,040
Customer deposits	-	11,843	11,843	11,317
City Hall restoration	29,935	-	29,935	-
Unrestricted	818,295	139,866	958,161	895,382
Total net assets	<u>\$ 1,807,242</u>	<u>\$ 4,982,445</u>	<u>\$ 6,789,687</u>	<u>\$ 6,734,262</u>

80% of the City's net assets reflect its investment in capital assets (land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets of \$356,204 consist of earmarked funds for construction in the utility fund, restoration of City Hall, debt service and customer deposits. The remaining balance of unrestricted net assets of \$968,161 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by \$55,425 or 1% over the year.

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

A condensed version of the Statement of Activities follows:

Change in Net Assets
For the Fiscal year ended September 30, 2011 and 2010

	Governmental	Business-type	Total Government	
	Activities	Activities	2011	2010
Revenues				
Program revenues				
Charges for services	\$ 23,302	\$ 839,911	\$ 863,213	\$ 614,568
Grants and contributions	-	76,550	76,550	261,501
General revenues				
Taxes	391,470	-	391,470	419,917
Other taxes	289,517	-	289,517	297,680
Intergovernmental	219,983	-	219,983	176,869
Licenses, permits	13,113	-	13,113	8,805
Interest and other	6,592	11,816	18,408	20,295
Total revenues	<u>943,977</u>	<u>928,277</u>	<u>1,872,254</u>	<u>1,799,635</u>
Expenses				
General government	356,413	-	356,413	338,425
Public safety	73,875	-	73,875	56,883
Transportation	347,071	-	347,071	302,189
Health	14,792	-	14,792	24,505
Culture/recreation	125,447	-	125,447	117,049
Cemetery	-	2,199	2,199	3,230
Utility	-	800,108	800,108	707,231
Interest on long-term debt	-	63,797	63,797	2,379
Total expenses	<u>917,598</u>	<u>866,104</u>	<u>1,783,702</u>	<u>1,551,891</u>
Change in net assets	26,379	62,173	88,552	247,734
Beginning net assets	1,814,335	4,920,272	6,734,607	6,486,527
Prior period adjustment	(33,472)	-	(33,472)	-
Ending net assets	<u>\$1,807,242</u>	<u>\$4,982,445</u>	<u>\$6,789,687</u>	<u>\$6,734,261</u>

Governmental activities:

Taxes provide 74% of the revenues for Governmental Activities, while state shared revenues provide 24%. Most of the Governmental Activities resources are spent for General Government (40%), Transportation (36%), and Culture/Recreation (14%).

Business-type activities:

Business-type activities increased the City's net assets by \$62,173. Key elements of this increase are as follows:

- Utility revenues during the year totaled \$839,117.

The City operated within its budgetary and revenue limits for both the City as a whole, as well as for its separate business-type activities.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2011, the City had approximately \$7.5 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities.

Capital Assets at September 30, 2011 and 2010

	Governmental Activities	Business-type Activities	Total Government	
			2011	2010
Land	\$ 48,556	\$ 73,504	\$ 122,060	\$ 122,060
Buildings and improvements	1,386,026	-	1,386,026	1,441,814
Construction in progress	-	1,296,437	1,296,437	1,219,887
Property, plant and equipment	652,903	8,099,875	8,752,778	8,810,249
Subtotal	2,087,485	9,469,816	11,557,301	11,594,010
Accumulated depreciation	(1,128,473)	(2,978,605)	(4,107,078)	(3,972,106)
Capital assets, net	<u>\$ 959,012</u>	<u>\$ 6,491,211</u>	<u>\$ 7,450,223</u>	<u>\$ 7,621,904</u>

Debt Outstanding

At year-end, the City had \$1,948,342 in debt outstanding versus \$2,137,759 last year, a decrease of \$189,417.

Debt Outstanding at September 30, 2011 and 2010

	Governmental Activities	Business-type Activities	Total Government	
			2011	2010
Debt outstanding	<u>\$ 19,261</u>	<u>\$1,929,081</u>	<u>\$1,948,342</u>	<u>\$2,137,759</u>

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The estimated unemployment rate for Gulf County was 9.8%, which is the approximate rate for the City.
- The estimated population for the City in 2011 was 1,643 and is estimated to be approximately the same in 2012.
- The City's ad valorem tax rate for 2011 was 6.0 mills, which was the same as the prior year.

City Highlights

- Continuation of the 6.0 millage rate, the same as the past several years, is expected to be sufficient at this time based on the reserves on hand. Commissioners realize that with the poor economic situation, and with many of the area residents unemployed, raising the ad valorem taxes would be an unnecessary hardship on them. There continues to be some new construction and several property improvements that will add to the ad valorem tax base. The Commissioners were able to produce a balanced budget even with decreased revenues for 2010-2011.
- The City's tap records reflect 6 new residential construction starts or mobile home installations for this fiscal year; city records also show other construction/improvements in the form of 24 site plans and 2 culverts set.
- The US Department of Agriculture, Rural Development, has approved (May 2009) a grant/loan to expand water facilities known as the Stonemill Creek Water System Project not to exceed \$1,505,200 grant and \$3,940,000 loan. The total expected project cost is expected to be \$5,985,200. The additional funds have been approved from Northwest Florida Water Management Grant for \$400,000 and the Florida State Revolving Fund Loan through the Florida Department of Environmental Protection of \$240,000. Appropriate permits were issued and a test well has been drilled which has been approved to become a production well for the system and water quality has been analyzed and declared cleared for public consumption. Scope of this project includes rehabilitation of the existing water plant inside city limits. This project is on hold for 2010-2011 pending review of decreased need and other grant funding options.
- The US Department of Agriculture, Rural Development is in the process of reviewing a grant/loan to upgrade and expand the existing wastewater treatment facility.. The projected cost of this project is \$5,839,480 per the application filed with Rural Development. Additional funds for this project will be from the Florida State Revolving Fund Loan through the Florida Department of Environmental Protection of \$399,280 and Florida State Appropriations (grant) of \$417,000. This project is on hold for 2010-2011 pending review of decreased need and other grant funding options.
- An additional project involving sprayfields for the wastewater is also in process with Florida State Appropriations (grant) approved funds in the amount of \$408,000 for engineering with an application expected to be submitted to the US Department of Agriculture, Rural

Development as well as other funding sources. Negotiations with area land owners have been implemented to lease or purchase an appropriate land site for the sprayfields. This project is on hold for 2010-2011 pending review of decreased need and other grant funding options.

- Application has been made to Florida Department of Community Affairs, Community Development Block Grant, (DCA, CDBG) for a grant of \$650,000 to cover the up grade of the City's water storage tank.
- Rates for water and sewer services were increased in November/December 2008 to cover the growing need of repair and replacement of water and sewer equipment and systems since the largest percentage of the previous systems were installed in 1974 and 1993. Also increased state and federal regulations require additional employee education as well as upgrades in monitoring equipment. No additional increases have been implemented since 2008 and none are planned until the water and sewer projects presently on hold are approved and progress to construction.
- The State of Florida is requiring local government units to produce a comprehensive Evaluation and Appraisal Report (EAR) to analyze the City's Comprehensive Plan and make any necessary adjustments or changes to better serve the City's citizens. Key elements of this plan include land use, housing, conservation and recreation, infrastructure and public services, capital improvements and planning and zoning regulations. Also necessary to the report are a series of public meetings and workshops for the citizens of the City and then review and approval by the Florida Department of Community Affairs (DCA). The expected cost of this project is \$40,000 to \$50,000 and bids were requested the first part of the 2009-2011 year. The bid approved for this project was \$30,300 from LaRue Planning & Management Services, Inc. in Ft Myers, Florida, in April 2011. The adopted EAR was submitted to DCA in October 2011 and in November 2011, DCA issued a letter of receipt for the adoption package. Preliminary sufficiency is due from DCA in January 2011 which was duly received and the adjustments to the City's Comprehensive Plan was approved by DCA.
- The Commissioners authorized the acceptance of credit card payments primarily for utility services effective November 2008 (other city services, permits and licenses may also be paid by credit card). This, together with larger service deposits implemented in 2005, has significantly reduced the amount of bad debts that become uncollectible and have to be written off each year. In addition, the commission has taken a strong stand on disconnecting delinquent accounts and staff maintains a bad debt list that must be paid before any new service is activated. Bad debts are also referred to the local credit bureau for collection. All this, of course, results in a better financial position for the city.
- The City has purchased property (approximately 3 acres) from Gulf County, Florida, for \$150,000 which includes the road department warehouse/office space and fuel depot as the county is moving their offices to a more centralized facility effective October 1, 2009. The City plans to use the property as its base while renovations are determined at the existing City Hall building. City offices were moved to the new building in August 2010 and it was dedicated as the "Ray Dickens Building, Wewahitchka Annex" in September 2010 honoring Mayor Ray Dickens for his unselfish service to the people of Wewahitchka for more than 30 years. A bid was received from Fisher Construction, Inc., of \$29,500 and approved September 26, 2011, to replace the roof on the City Hall building and construction will commence early in the 2011-2012 fiscal year.

- Mr. Dickens passed away from cancer complications in September 2011 and Phillip Gaskin was duly sworn in as the new Mayor with Jimmy Nunery replacing Mr. Gaskin by appointment on the City Commission until the term of office expires in 2012.
- The Florida Department of Environmental Protection (DEP) contacted the City in December 2010 regarding the fuel depot purchased from the County with the Annex property as there was apparently a seepage of fuel from the depot in 1991 . DEP has funds available in the to handle the additional clean-up required and bids were received from several contractors approved by DEP for this purpose. The City awarded the bid and clean-up contract to CDG Engineers 7 Associates, Inc. (Dothan, AL) in Mar/Apr 2011 for at no cost to the City as they felt the clean-up can be done within the fund allowance of DEP. CDG Engineers & Associates, Inc. has mapped the plume and the monitor wells and has recommended that 3 more wells be drilled to continue watching the plume and are awaiting DEP approval as of this fiscal year end.
- The Florida Department of Environmental Protection (DEP) issued a Consent Order on the City's wastewater treatment facility because of difficulties with the sludge analysis and levels of various chemicals. The City has been working with the engineers of Preble Rish Inc to correct the perceived problems and has progressed substantially with the improvements necessary. DEP requirements have been addressed and the fine has been paid in the amount of \$23,291 (2008-2009 FY). The initial fine had been \$72,000 and was reduced by the timely corrective efforts of city staff, city attorney and city engineers. The wastewater facility upgrades in process as listed above will also alleviate future potential problems with the existing facility.
- The City paid off the 8-year lease to purchase for the 2004 Pierce Kenworth firetruck in June 2011. The original purchase price was financed in June 2003 of \$201,013. The equipment has been maintained in good condition and is one of three firetrucks owned by the City and operated by Wewahitchka Volunteer Fire Department (30 members).
- The City paid off the five year loan with Hancock Bank (original principal \$350,000) in December 2010. This loan was used as the required matching funds for the water lines installed under the Community Development Block Grant (CDBG) started in fiscal year 2005-2006 and completed in fiscal year 2007-2008.
- Buckhorn Cemetery, 20 acres owned by the City and located north of the City limits continues to have sales of an average of 90 lots per year generating income for the cemetery upkeep. The City accepted the maintenance of Jehu Cemetery from a private corporation, located on Jehu Road just within City limits on the north end of town, several years ago and continues to receive a small annual fee from various lot owners for the continued upkeep of the cemetery grounds. Only a few lots are owned by the City which are only available to the indigent.

No major capital projects were completed during the current fiscal year. The large water and sewer expansion projects involving grant/loan funds from various agencies as mentioned under the "City Highlights" section are progressing steadily.

Economic Factors and Next Year's Budget and Rates.

The City's elected and appointed officials considered many factors when adopting the fiscal year end 2011 budget. The budget emphasis continues to be the expansion of the City's water/sewer services. These actions are planned in order to better serve our citizens as well as increase the revenue participation from the water/sewer system so that the City can hold any rate increases to a minimum. To fund these services, the City increased the utility rates in November 2008.

The City received the renewal of its Consumptive Use Permit from Northwest Florida Water Management District in 2008-2009 which is good for five (5) years. At the present time, revenues from the water/sewer systems are sufficient to operate the systems without consideration of additional rate adjustments.

The City has received grant/loan approval from USDA for water system expansion/improvements and a grant/loan for wastewater facility improvements has begun the application/review process. Additional funding through the State of Florida Special Appropriations was approved for wastewater as well as additional funding from the Florida Department of Environmental Protection and Northwest Florida Water Management. Other avenues of funds are being pursued to continue with additional water/sewer service expansion for additional service areas north and south of the city limits within a five-mile radius.

There are no ad valorem millage increases contemplated for fiscal year 2011-2012 due to continued new construction and property improvements within city limits that continue to add to the existing tax base and the fact that city officials balanced a very tight budget within the prevailing poor economic conditions.

Water Capacity Facilities Charges were passed in October 2007 which will affect new construction after January 1, 2008, to generate additional water/sewer income to fund the construction of water treatment and distribution systems for the increased usage by the new developments and annexations as Commissioners did not feel it was fair for existing customers to have to pay for the construction of facilities for service provided new customers. These charges have been placed on hold for the time being because of economic conditions curtailing the development of new subdivisions and the fact that home owners are improving existing property rather than constructing new homes.

Requests for Information

A new City website should be ready early in 2012 which will include the current financial audits as well as proposed budgets, various ordinances, and other information regarding the City of Wewahitchka. The expected Internet address will be www.CityofWewahitchka.com.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk at Wewahitchka City Hall, P.O. Box 966, Wewahitchka, FL 32465.

BASIC FINANCIAL STATEMENTS

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 783,973	\$ 100,067	\$ 884,040
Accounts receivable, net	38,712	94,256	132,968
Due from other funds	44,555	400	44,955
Due from other governmental units	38,858	-	38,858
Total current assets	<u>906,098</u>	<u>194,723</u>	<u>1,100,821</u>
Restricted assets:			
Bond interest and sinking	-	92,455	92,455
Renewal and replacement	-	42,995	42,995
Construction projects	-	201,615	201,615
Customer deposits	-	118,434	118,434
Total restricted asstes	<u>-</u>	<u>455,499</u>	<u>455,499</u>
Non-current assets:			
Other assets	-	20,056	20,056
Capital assets, net	959,012	6,491,211	7,450,223
Total non-current assets	<u>959,012</u>	<u>6,511,267</u>	<u>7,470,279</u>
Total assets	<u>1,865,110</u>	<u>7,161,489</u>	<u>9,026,599</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	38,229	24,890	63,119
Due to other funds	378	44,577	44,955
Accrued liabilities	7,705	11,128	18,833
Total current liabilities (payable from current assets)	<u>46,312</u>	<u>80,595</u>	<u>126,907</u>
Current liabilities (payable from restricted assets):			
Note payable, current portion	-	93,916	93,916
Accrued interest payable	-	22,639	22,639
Customer deposits	-	106,856	106,856
Bond payable, current	-	18,000	18,000
Bond payable, matured	-	51,000	51,000
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>292,411</u>	<u>292,411</u>
Total current liabilities	<u>46,312</u>	<u>373,006</u>	<u>419,318</u>
Long-term liabilities			
Accrued compensated absences	11,556	16,692	28,248
Note payable, less current portion	-	547,366	547,366
Bond payable	-	1,241,980	1,241,980
Total long-term liabilities	<u>11,556</u>	<u>1,806,038</u>	<u>1,817,594</u>
Total liabilities	<u>57,868</u>	<u>2,179,044</u>	<u>2,236,912</u>

(continued)

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
NET ASSETS			
Invested in long-term assets, net of related debt	\$ 959,012	\$ 4,516,310	\$ 5,475,322
Restricted for:			
Debt service	-	69,816	69,816
Renewal and replacement	-	42,995	42,995
Construction projects	-	201,615	201,615
Customer deposits	-	11,843	11,843
City Hall restoration	29,935	-	29,935
Unrestricted	818,295	139,866	958,161
Total net assets	<u>\$ 1,807,242</u>	<u>\$ 4,982,445</u>	<u>\$ 6,789,687</u>

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 356,413	\$ -	\$ -	\$ -	\$ (356,413)	\$ -	\$ (356,413)
Public safety	73,875	-	-	-	(73,875)	-	(73,875)
Transportation	347,071	23,302	-	-	(323,769)	-	(323,769)
Culture and recreation	125,447	-	-	-	(125,447)	-	(125,447)
Health and welfare	14,792	-	-	-	(14,792)	-	(14,792)
Total governmental activities	917,598	23,302	-	-	(894,296)	-	(894,296)
Business-type activities							
Utility services	800,108	830,011	-	76,550	-	106,453	106,453
Cemeter services	2,199	9,900	-	-	-	7,701	7,701
Interest in long-term debt	63,797	-	-	-	-	(63,797)	(63,797)
Total business-type activities	866,104	839,911	-	76,550	-	50,357	50,357
Total government	\$ 1,783,702	\$ 863,213	\$ -	\$ 76,550	(894,296)	50,357	(843,939)
General revenues							
Property taxes					391,470	-	391,470
Other taxes					289,517	-	289,517
Intergovernmental					219,983	-	219,983
Licenses and permits					13,113	-	13,113
Interest					2,561	2,030	4,591
Other fees and miscellaneous					4,031	9,786	13,817
Total general revenues					920,675	11,816	932,491
Change in net assets					26,379	62,173	88,552
Net assets - beginning					1,814,335	4,920,272	6,734,607
Prior period adjustment					(33,472)	-	(33,472)
Net assets - ending					\$ 1,807,242	\$ 4,982,445	\$ 6,789,687

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET
September 30, 2011

	<u>General Fund</u>	
ASSETS		
Cash	\$	783,973
Accounts receivable		38,712
Due from other governmental units		38,858
Due from other funds		44,555
Total assets		<u>906,098</u>
 LIABILITIES		
Accounts payable		38,229
Due to other funds		378
Total liabilities		<u>38,607</u>
 FUND BALANCES		
Committed - City Hall restoration		29,935
Unassigned		837,556
Total fund balances		<u>867,491</u>

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

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.
- Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds

Net assets of governmental activities

959,012
(19,261)
<u>\$ 1,807,242</u>

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2011

	<u>General Fund</u>
REVENUES	
Property taxes, levied for general purposes	\$ 391,470
Other taxes	289,517
Intergovernmental	219,983
Licenses and permits	13,113
Charges for service	23,302
Interest	2,561
Other fees and miscellaneous	4,031
Total revenues	<u>943,977</u>
EXPENDITURES	
Current	
General government	346,698
Public safety	51,682
Transporation	342,167
Culture and recreation	94,505
Health and welfare	14,792
Capital outlay	40,599
Debt service	
Principal	29,364
Interest	1,386
Total expenditures	<u>921,193</u>
Net change in fund balance	22,784
Fund balance at beginning of year	844,707
Fund balance at end of year	<u>\$ 867,491</u>

CITY OF WEWAHITCHKA, FLORIDA

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

For the Fiscal Year Ended September 30, 2011

Net change in fund balance - total governmental funds		\$	22,784
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures			
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	\$	40,599	
Less current year depreciation		<u>(67,210)</u>	
			(26,611)
Repayment of notes are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets			
Note principal payments			29,364
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Decrease in compensated absences			<u>842</u>
Change in net assets of governmental activities		\$	<u>26,379</u>

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2011

	Utilities Fund	Cemetery Fund	Total
ASSETS			
Current assets			
Cash	\$ 56,983	\$ 43,084	\$ 100,067
Accounts receivable, net	94,056	200	94,256
Due from other funds	378	22	400
Total current assets	<u>151,417</u>	<u>43,306</u>	<u>194,723</u>
Restricted cash and cash equivalents			
Bond interest and sinking	92,455	-	92,455
Renewal and replacement	42,995	-	42,995
Construction projects	201,615	-	201,615
Customer deposits	118,434	-	118,434
Total restricted cash and cash equivalents	<u>455,499</u>	<u>-</u>	<u>455,499</u>
Noncurrent assets			
Other assets	20,056	-	20,056
Fixed assets			
Land	15,675	57,829	73,504
Construction in progress	1,296,437	-	1,296,437
Property, plant and equipment	8,086,348	13,527	8,099,875
Allowance for depreciation	(2,968,302)	(10,303)	(2,978,605)
Total fixed assets	<u>6,430,158</u>	<u>61,053</u>	<u>6,491,211</u>
Total noncurrent assets	<u>6,450,214</u>	<u>61,053</u>	<u>6,511,267</u>
Total assets	<u>\$ 7,057,130</u>	<u>\$ 104,359</u>	<u>\$ 7,161,489</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 24,880	\$ 10	\$ 24,890
Due to other funds	44,577	-	44,577
Compensated absences	11,128	-	11,128
Note payable, current portion	93,916	-	93,916
Accrued interest payable	22,639	-	22,639
Customer deposits	106,856	-	106,856
Bond payable, current	18,000	-	18,000
Bond payable, matured	51,000	-	51,000
Total current liabilities	<u>372,996</u>	<u>10</u>	<u>373,006</u>
Long-term liabilities			
Accrued compensated absences	16,692	-	16,692
Note payable, less current portion	547,366	-	547,366
Bond payable	1,241,980	-	1,241,980
Total long-term liabilities	<u>1,806,038</u>	<u>-</u>	<u>1,806,038</u>
Total liabilities	<u>2,179,034</u>	<u>10</u>	<u>2,179,044</u>
(continued)			

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET ASSETS
September 30, 2011

	Utilities Fund	Cemetery Fund	Total
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,455,257	\$ 61,053	\$ 4,516,310
Restricted for:			
Debt service	69,816	-	69,816
Renewal and replacement	42,995	-	42,995
Construction projects	201,615	-	201,615
Customer deposits	11,843	-	11,843
Unrestricted	96,570	43,296	139,866
Total net assets	<u>4,878,096</u>	<u>104,349</u>	<u>4,982,445</u>
Total liabilities and net assets	<u>\$ 7,057,130</u>	<u>\$ 104,359</u>	<u>\$ 7,161,489</u>

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended September 30, 2011

	Utilities Fund	Cemetery Fund	Total
OPERATING REVENUES			
Water sales	\$ 279,818	\$ -	\$ 279,818
Sewer fees	266,853	-	266,853
Garbage fees	261,403	-	261,403
Lot sales	-	9,900	9,900
Tap fees	2,670	-	2,670
Late charges	19,267	-	19,267
Miscellaneous income	9,106	680	9,786
Total operating revenues	<u>839,117</u>	<u>10,580</u>	<u>849,697</u>
OPERATING EXPENSES			
Personal services	176,425	-	176,425
Services and supplies	292,591	-	292,591
Utilities	45,445	162	45,607
Meters, tap services and testing	13,365	-	13,365
Repairs and maintenance	27,749	932	28,681
Fuel and oil	11,534	-	11,534
Other operating expenses	34,093	971	35,064
Depreciation and amortization	198,798	55	198,853
Miscellaneous expenses	108	79	187
Total operating expenses	<u>800,108</u>	<u>2,199</u>	<u>802,307</u>
Total operating income	<u>39,009</u>	<u>8,381</u>	<u>47,390</u>
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	76,550	-	76,550
Interest earnings	1,827	203	2,030
Interest expense	(63,797)	-	(63,797)
Total nonoperating revenues (expenses)	<u>14,580</u>	<u>203</u>	<u>14,783</u>
Net income	53,589	8,584	62,173
Net assets, beginning of year	4,824,507	95,765	4,920,272
Net assets, end of year	<u>\$ 4,878,096</u>	<u>\$ 104,349</u>	<u>\$ 4,982,445</u>

CITY OF WEWAHITCHKA, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Fiscal Year Ended September 30, 2011

	Utilities Fund	Cemetery Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Cash received from customers, including cash deposits	\$ 885,590	\$ 11,040	\$ 896,630
Cash paid to suppliers	(462,641)	(2,213)	(464,854)
Cash paid to employees	(173,183)	-	(173,183)
Net cash provided by operating activities	<u>249,766</u>	<u>8,827</u>	<u>258,593</u>
Cash flows from capital and related financing activities:			
Grant receipts	76,550	-	76,550
Principal payments	(162,454)	-	(162,454)
Interest payments	(68,873)	-	(68,873)
Acquisition and construction of capital assets	(82,831)	(3,279)	(86,110)
Interfund payable, net	(50,622)	(22)	(50,644)
Net cash used for capital and related financing activities	<u>(288,230)</u>	<u>(3,301)</u>	<u>(291,531)</u>
Cash flows from investing activities:			
Investment income	1,827	203	2,030
Net cash provided by investing activities	<u>1,827</u>	<u>203</u>	<u>2,030</u>
Net increase (decrease) in cash	(36,637)	5,729	(30,908)
Cash, at beginning of year	<u>549,119</u>	<u>37,355</u>	<u>586,474</u>
Cash, at end of year	<u>\$ 512,482</u>	<u>\$ 43,084</u>	<u>\$ 555,566</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF CASH FLOWS
RECONCILIATION OF OPERATING INCREASE TO NET CASH PROVIDED BY OPERATING ACTIVITIES
PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 2011

	Utilities Fund	Cemetery Fund	Total
Net operating income	\$ 39,009	\$ 8,381	\$ 47,390
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	198,798	55	198,853
Changes in assets decrease (increase) and liabilities (decrease) increase:			
Accounts receivable, net	43,734	460	44,194
Accounts payable	(37,756)	(69)	(37,825)
Compensated absences	3,242	-	3,242
Customer deposits	2,739	-	2,739
Total adjustments	<u>210,757</u>	<u>446</u>	<u>211,203</u>
Net cash provided by operating activities	<u>\$ 249,766</u>	<u>\$ 8,827</u>	<u>\$ 258,593</u>

CITY OF WEWAHITCHKA , FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

City of Wewahitchka Community Volunteer Fire Department – The Wewahitchka Volunteer Fire Department is considered a component unit of the City. However, its operation and assets are not material to the City's financial statements. Accordingly, the Volunteer Fire Department's operations and financial position are not included in the City's financial statements.

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

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

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

Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the City also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the City's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

As applicable, non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds – The City's Utilities and Cemetery Funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants, subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting – GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has three major funds as follows:

1. Governmental Major Funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

2. Proprietary Major Funds:

Utilities Fund – The Utilities Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, waste water, and sanitation services.

Cemetery Fund - The Cemetery Fund accounts for the revenues, expenses, assets and liabilities association with the City owned and maintained cemetery.

3. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments – Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

2. Allowance for Doubtful Accounts - As applicable year-to-year, the City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2011, there was an allowance for doubtful accounts for water billings of \$5,000.

3. Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental

activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
5. Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981, are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Certain interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20 - 40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

6. Deferred Revenues - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The City had no deferred revenues at year end.
7. Accrued Compensated Absences – The City maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from City service if certain criteria are met. Those benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to 300 hours. Payment of unused sick leave, upon termination, is also provided for 25% of balance for those employed between one and five years. For those employed for more than five years, they may be paid 50% of unused sick leave. Sick leave has no maximum accumulation threshold.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the

government fund level statements for these amounts until payment is made. Proprietary Fund types accrue vacation and sick leave in the period they are earned. Compensated absences liability is based on current rates of pay. This is accounted for pursuant to GASB Statement No. 16, "Accounting for Compensated Absences".

8. Cash Equivalents – The City's cash at September 30, 2011, consists of legally authorized deposits in institutions which are certified as Qualified Public Depositories under the Florida public Deposits Act. Therefore, the City's cash at September 30, 2011, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. At year end the City's cash totaled \$1,339,539, and consisted of checking accounts, certificates of deposit, and money market accounts in a local bank.
9. Prepaid Items – As applicable year to year, significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2011, are recorded as prepaid items.
10. Bond Discounts and Issue Costs – In the Proprietary Fund, bond discounts, premiums, and issue costs are amortized over the term of the bonds using the straight-line method which, for the bond discounts and premiums, is not materially different than the effective interest method. Unamortized bond discounts and premiums are presented in the financial statements as reductions/additions in bond payable and unamortized bond issue costs as deferred charges.
11. Short-term Interfund Receivable/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."
12. Inventories - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
13. Fund Balances /Net Assets

A. Governmental Funds

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purpose because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision making authority for the City. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s general policy, only the City Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2011, fund balances are composed of the following:

	<u>General Fund</u>
Committed, City Hall restoration	\$ 29,935
Unassigned	837,556
	<u>\$ 867,491</u>

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

B. Proprietary Funds

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

As of September 30, 2011, net assets are composed of the following:

	<u>Purpose</u>	<u>Amount</u>
Invested in capital assets, net		\$4,516,310
Restricted for:	Debt service	69,816
	Renewal and replacement	42,995
	Construction projects	201,615
	Customer deposits	11,843
Unrestricted		139,866
		<u>\$4,982,445</u>

14. Proprietary Activity Accounting and Financial Reporting - The City applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 10, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB’s).
15. Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund,

are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

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

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

"Total fund balances" of the City's governmental funds \$867,491 differs from "net assets" of governmental activities \$1,807,242 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,087,485
Accumulated depreciation	<u>(1,128,473)</u>
Total	<u>\$ 959,012</u>

Long-term debt transactions

Long-term liabilities to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2011 were:

Compensated absences	<u>\$ 19,261</u>
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CITY OF WEWAHITCHKA, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long - Term Debt Transactions	Statement of Net Assets
ASSETS				
Cash	\$ 783,973	\$ -	-	\$ 783,973
Accounts receivable	38,712	-	-	38,712
Due from other governmental units	38,858	-	-	38,858
Due from other funds	44,555	-	-	44,555
Capital asset - net	-	959,012	-	959,012
Total assets	<u>\$ 906,098</u>	<u>\$ 959,012</u>	<u>-</u>	<u>\$ 1,865,110</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 38,229	\$ -	-	38,229
Due to other funds	378	-	-	378
Compensated absences	-	-	19,261	19,261
Total liabilities	<u>38,607</u>	<u>-</u>	<u>19,261</u>	<u>57,868</u>
Fund balance/net assets	<u>867,491</u>	<u>959,012</u>	<u>(19,261)</u>	<u>1,807,242</u>
Total liabilities and fund balances/net assets	<u>\$ 906,098</u>	<u>\$ 959,012</u>	<u>-</u>	<u>\$ 1,865,110</u>

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

The "net change in fund balances" for governmental funds \$22,784 differs from the "change in net assets" for governmental activities \$26,379 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 40,599
Depreciation expense	<u>(67,210)</u>
Total	<u>\$ (26,611)</u>

Long-term debt transactions

Repayment of debt principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing the fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Debt principal payments made	<u>\$ 29,364</u>
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Compensated absences

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, do not result in an expense in Governmental Funds.

Net decrease in compensated absences	<u>\$ 842</u>
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CITY OF WEWAHITCHKA, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
REVENUES				
Property taxes, levied for general purposes	\$ 391,470	\$ -	\$ -	\$ 391,470
Other taxes	289,517	-	-	289,517
Intergovernmental	219,983	-	-	219,983
Licenses and permits	13,113	-	-	13,113
Charges for service	23,302	-	-	23,302
Interest	2,561	-	-	2,561
Other fees and miscellaneous	4,031	-	-	4,031
Total revenues	943,977	-	-	943,977
EXPENDITURES				
Current expenditures				
General government	346,698	9,951	(236)	356,413
Public safety	51,682	20,807	-	72,489
Transportation	342,167	5,333	(429)	347,071
Culture and recreation	94,505	31,119	(177)	125,447
Health and welfare	14,792	-	-	14,792
Capital outlay	40,599	(40,599)	-	-
Debt service				
Principal	29,364	-	(29,364)	-
Interest	1,386	-	-	1,386
Total expenditures	921,193	26,611	(30,206)	917,598
Net change in fund balance	22,784	(26,611)	30,206	26,379
Fund balance at beginning of year	844,707	1,019,095	(49,467)	1,814,335
Prior period adjustment		(33,472)		(33,472)
Fund balance at end of year	\$ 867,491	\$ 959,012	\$ (19,261)	\$ 1,807,242

NOTE 3. LEGAL COMPLIANCE --BUDGETS

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

1. Prior to September 1, the City Commission develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Commission.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations which were amended.
6. The following is a comparison of the appropriations to total expenditures for the general fund for the fiscal year ended September 30, 2011:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Positive Variance</u>
Primary government			
General funds:			
General	<u>\$ 1,030,637</u>	<u>\$ 921,193</u>	<u>\$ 109,444</u>

NOTE 4. DEPOSITS AND INVESTMENTS

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

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2010-2011 fiscal year were levied in October 2010. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificate s on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Prior Period Adjustments	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>					
Capital assets:					
Land	\$ 48,556	\$ -	\$ -	\$ -	\$ 48,556
Buildings and improvements	835,147	(55,788)	-	-	779,359
Improvements other than building	606,667	-	-	-	606,667
Furniture and equipment	706,304	-	40,599	(94,000)	652,903
Total capital assets	<u>2,196,674</u>	<u>(55,788)</u>	<u>40,599</u>	<u>(94,000)</u>	<u>2,087,485</u>
Less accumulated depreciation					
Buildings and improvements	(229,811)	22,316	(17,125)	-	(224,620)
Improvements other than building	(330,503)	-	(18,824)	-	(349,327)
Furniture and equipment	(617,265)	-	(31,261)	94,000	(554,526)
Total accumulated depreciation	<u>(1,177,579)</u>	<u>22,316</u>	<u>(67,210)</u>	<u>94,000</u>	<u>(1,128,473)</u>
Governmental activities capital assets, net	<u>\$ 1,019,095</u>	<u>\$ (33,472)</u>	<u>\$ (26,611)</u>	<u>\$ -</u>	<u>\$ 959,012</u>
<u>Business-type activities:</u>					
Land	\$ 73,504	\$ -	\$ -	\$ -	\$ 73,504
Construction in progress	1,219,887	-	76,550	-	1,296,437
Property, plant and equipment	8,103,945	-	9,560	(13,630)	8,099,875
Total capital assets	<u>9,397,336</u>	<u>-</u>	<u>86,110</u>	<u>(13,630)</u>	<u>9,469,816</u>
Less accumulated depreciation	(2,794,522)	-	(197,713)	13,630	(2,978,605)
Business-type activities capital assets, net	<u>\$ 6,602,814</u>	<u>\$ -</u>	<u>\$ (111,603)</u>	<u>\$ -</u>	<u>\$ 6,491,211</u>

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

Governmental activities:	
General government	\$ 9,951
Public safety	20,807
Transportation	5,333
Health	-
Culture/recreation	31,119
Total depreciation expense - governmental activities	<u>\$ 67,210</u>
Business -type activities:	
Utility	\$ 197,658
Cemetery	55
	<u>\$ 197,713</u>

Based on a comprehensive inventory of fixed assets, the following adjustments, reported as prior period adjustments, were made to the fixed assets account balances:

Government Capital Assets	
Decrease	
Buildings and improvements	\$ (55,788)
Accumulated depreciation	22,316
Total prior period adjustment	<u>\$ (33,472)</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2011.

Fund	Interfund Receivables	Interfund Payables
General	\$ 44,555	\$ 378
Utilities	378	44,577
Cemetery	22	-
	<u>\$ 44,955</u>	<u>\$ 44,955</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2011, were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	\$ 38,712	\$ 38,858	\$ 77,570
Business-type activities:			
Utility	94,056	-	94,056
Cemetery	200	-	200
	<u>\$ 132,968</u>	<u>\$ 38,858</u>	<u>\$ 171,826</u>

Payables

Payables at September 30, 2011, were as follows:

	Vendors
Governmental activities:	
General	<u>\$ 38,229</u>
Business-type activities:	
Utilities	\$ 24,880
Cemetery	10
	<u>\$ 24,890</u>

NOTE 9. LONG-TERM DEBT

Governmental Activities

A summary of all long-term debt associated with governmental activities of the City as of September 30, 2011, follows:

A. Oshkosh Capital, Note - On June 27, 2003, the City obtained a loan from Oshkosh Capital in the amount of \$201,013 to acquire a firetruck for the Volunteer Fire Department. This loan was payable in eight annual payments of \$30,760 including interest of 4.72%. This loan was paid in full during the year ended September 30, 2011.

	Balance			Balance	
	October, 2010	Additions	Deletions	September, 2011	
Compensated absences	\$ 20,103	\$ -	\$ 842	\$ 19,261	

Summary of Changes in Governmental Activities Long-term Liabilities

The following summarized the changes in the City's governmental long-term liabilities during the period ended September 30, 2011.

	Balance			Balance	
	October 1, 2010	Additions	Deductions	September 30, 2011	Due Within One Year
Governmental Activities:					
Oshkosh Capital	\$ 29,364	\$ -	\$ (29,364)	\$ -	\$ -
Compensated absences	20,103	-	(842)	19,261	7,705
	<u>\$ 49,467</u>	<u>\$ -</u>	<u>\$ (30,206)</u>	<u>\$ 19,261</u>	<u>\$ 7,705</u>

Business-type Activities

A. Hancock Bank, CDBG Note – On December 21, 2005, the City entered into a loan agreement with Hancock Bank for \$350,000 for the purpose of the Community Development Block Grant financing of the water system expansion. This loan was payable in five annual payments of \$79,172, including interest of 4.25%. This loan was paid in full during the year ended September 30, 2011.

B. Hancock Bank Capital Revenue Note, Series 2007 – On April 10, 2007, the City entered into a loan agreement with Hancock Bank for \$100,000 for the purpose of financing the expansion of its water and sewer systems. The loan requires monthly interest only payments during the construction phase, and commencing May 1, 2008 monthly payments of \$1,863 including an interest rate of 4.47%. The net revenues of the utility stream are pledged as collateral for this loan.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$1,285 are as follows:

Fiscal Year Ending	
September 30,	
2012	\$ 22,355
2013	13,041
	<u>\$ 35,396</u>

- C. Vision Bank, Line of Credit – On October 6, 2010 the City received a line of credit loan from Vision Bank in the amount of \$150,000 with a term of one year, maturing on October 6, 2011. The funds are to be utilized in supplementing reimbursements of payment for the upgrade to the City’s wastewater treatment facilities. This loan is payable on demand with 12 monthly interest payments at 3.25%. Outstanding principal balance as of September 30, 2011 was \$30,339, including \$129 of interest, due October 6, 2011. This loan is secured by Florida State Appropriations (CBIRS). This line of credit was paid in full subsequent to year end.
- D. State Revolving Loan (SRL) – On March 14, 2008, the City obtained a loan from the Florida Department of Environmental Protection in the amount of \$240,000 under the State Revolving Loan Program. As of September 30, 2011 the total due was \$204,165, including capitalized interest and service charges. The proceeds were used for the purpose of completing preconstruction activities on the Stone Mill Creek Water Plant. The current loan requires 20 semi-annual payments of \$14,289, adjusted to \$14,203 on August 15, 2011, including interest of 2.66%. The loan is collateralized by net revenues of the utility fund.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$23,763 are as follows:

Fiscal Year Ending September 30,	
2012	\$ 28,406
2013	28,406
2014	28,406
2015	28,406
2016	28,406
2017-2019	85,216
	<u>\$ 227,246</u>

- D. State Revolving Loan (SRL) – On August 24, 2006, the City obtained a loan from the Florida Department of Environmental Protection in the amount of \$1,166,121, and on April 9, 2009 amended the agreement to decrease the loan amount by \$766,841 to \$399,280 under the State Revolving Loan Program. As of September 30, 2011 the total due was \$375,495, including capitalized interest and service charges. The proceeds were used for the purpose of expansion and upgrade of the wastewater treatment plant and disposal system with a new collection system. The current loan requires 40 semi-annual payments of \$12,653 including interest of 1.96%. The loan is collateralized by net revenues of the utility fund.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$34,742 are as follows:

Fiscal Year Ending September 30,	
2012	\$ 25,305
2013	25,305
2014	25,305
2015	25,305
2016	25,306
2017-2020	101,224
2021-2025	126,525
2026-2028	53,818
	<u>\$ 408,093</u>

- E. USDA Rural Development Water and Sewer Revenue Bond, Series 2007- On February 15, 2007, the City issued \$1,323,980 in revenue bonds to finance the upgrade of the City's water and sewer system. The City pledged the net revenues of the system, certain municipal excise taxes and special assessments to secure payment of the bonds. The bonds bear interest at 4.125% per annum, payable annually on April 1, and mature serially each April 1 in varying amounts with final maturity in 2046. A sinking fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due. Also, a renewal and replacement reserve account is required with monthly payments of 1/12 of 10% of the maximum Bond Service Requirement until such time as the funds in the reserve account shall equal the maximum bond service requirements to reach and maintain a fund equal to \$69,980. The City began funding the renewal and replacement reserve accounting during the year ended September 30, 2010.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$1,153,133 are as follows:

Fiscal Year Ending September 30,	
2012	\$ 69,140
2013	68,438
2014	68,737
2015	68,995
2016	69,211
2017-220	274,429
2021-2025	343,879
2026-2030	344,758
2031-2035	343,953
2036-2040	345,186
2041-2046	416,387
	<u>\$ 2,413,113</u>

There are a number of limitations and restrictions contained in the various bond indentures, including the establishment of specific debt service sinking and reserve accounts. The City is in compliance with all significant limitations and restrictions.

Restricted cash account balances relating to the bond issues and notes payable in the proprietary funds as September 30, 2011, are as follows:

	2008 SRF	2009 SRF	2007 Bond Issue	Note 2007 Series	Total
Sinking fund - principal and interest	\$ 37,682	\$ 17,336	\$ 21,353	\$ 16,084	\$ 92,455
Reserve account	-	-	42,995	-	42,995
	<u>\$ 37,682</u>	<u>\$ 17,336</u>	<u>\$ 64,348</u>	<u>\$ 16,084</u>	<u>\$ 135,450</u>

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

	Balance 9/30/2010	Additions	Deductions	Balance 9/30/11	Due Within One Year
Business-type Activities					
Note payable and other liabilities:					
Hancock Bank, CDBG	\$ 75,945	\$ -	\$ (75,945)	\$ -	\$ -
Hancock Bank	54,452	-	(20,341)	34,111	22,355
Vision Bank	31,238	-	(899)	30,339	30,339
State Revolving Loan	393,425	-	(20,074)	373,351	18,076
State Revolving Loan	231,678	-	(28,195)	203,483	23,146
Compensated absences	24,577	3,242	-	27,819	11,128
Bonds payable:					
Water and Sewer Revenue Bonds	1,276,980	-	(17,000)	1,259,980	18,000
	<u>\$ 2,088,295</u>	<u>\$ 3,242</u>	<u>\$ (162,454)</u>	<u>\$ 1,929,083</u>	<u>\$ 123,044</u>

NOTE 10. WATERWORKS SYSTEM BONDS PAYABLE AND OTHER DEBT

The City issued \$300,000 in waterworks revenue bonds in 1960 to refinance the construction of the City's Water System. The amount of \$51,000 remains outstanding on this bond issue plus accrued interest of \$14,320. The \$51,000 amount of bonds matured in 1975, but the City has been unable to locate the holder, if any, of the bonds.

NOTE 11. INTERLOCAL AGREEMENTS

The City entered into an interlocal agreement in July 2006, with Gulf County, Florida, whereby Gulf County, Florida, assumed responsibility for a period of 25 years for paving, resurfacing and maintenance of all roads within the city limits of the City. As consideration to Gulf County, Florida, the City agreed to waive its rights to receive the six-cent local option gas taxes for a period of 25 years.

A service agreement exists between the City and the Sheriff of Gulf County, Florida, whereby the Sheriff of Gulf County provides daily law enforcement protection within the City. The City pays the Sheriff, through the Board of County Commissioners of Gulf County, the sum of \$2,800 per month

in consideration of these services. As additional consideration, law enforcement education funds collected for the City and cash or property forfeited have been assigned to the Sheriff.

The City entered into an interlocal agreement in April 2008, with the Gulf County Board of County Commissioners (the County), whereby by the County assumed responsibility of providing building official services and building inspection services in order to provide the required services to the citizens and builders of the City. As consideration for Gulf County, the City agreed allow the County to collect and retain all revenues derived from building permit fees generated within the City. This agreement shall remain in effect until terminated or modified.

NOTE 12. RETIREMENT SYSTEM

Employees who have completed the year of service with the City participate in a Money Purchase Pension Plan (a defined contribution plan administered by the Florida League of Cities). Payments amounting to 5% of the gross salaries of each eligible employee are made by the City. During the fiscal years ended September 30, 2011, 2010 and 2009, retirement expense was \$20,532, \$19,772, and \$19,899, respectively. At September 30, 2011, 2010 and 2009 the net assets in the plan available for participants' benefits were \$380,960, \$421,239, and \$413,962, respectively. 40% vesting occurs after four service years and increase 10% per year thereafter with full vesting occurring upon reaching ten years in the plan. The accounts of non-vested terminated employees are forfeited and can be used to reduce the current year contributions. The liability for future benefit payments remains with the plan, and the City's funding policy is to make contributions equal to annual pension cost incurred. Under the provisions of the retirement plan, a maximum contribution of 25% of an employee's annual pay may be made. Benefits consist of the individual account balances.

NOTE 13. RELATED PARTY TRANSACTIONS

During the year the City had transactions with related parties. Payments that totaled \$33,883 were made to two businesses owned by a Commission member for building supplies and construction work. Other payments in the amount of \$1,080 were made to a business owned by another Commission member for pest control services. In accordance with City policy, these contracts were awarded based upon competitive bids, with the related parties abstaining from voting on the awards.

NOTE 14. CONTINGENCIES AND COMMITMENTS

At September 30, 2011, the City has an ongoing agreement for engineering services related to the wastewater treatment facility.

There is a contingent liability due to the fact that all possible applicable regulatory audits have not been completed for the fiscal year ended September 30, 2011. Under provisions of the funding agreements, any eventual expenditure determined to be not in compliance with grant regulations would be subject to repayment by the City. The City's administration believes that all expenditures were significantly in compliance with appropriate grant regulations.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WEWAHITCHKA, FLORIDA
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes, levied for general purposes	\$ 377,957	\$ 391,470	\$ 13,513
Other taxes	272,000	289,517	17,517
Intergovernmental	198,315	219,983	21,668
Licenses and permits	11,000	13,113	2,113
Charges for service	24,101	23,302	(799)
Interest	5,000	2,561	(2,439)
Other fees and miscellaneous	630	4,031	3,401
Total revenues	<u>889,003</u>	<u>943,977</u>	<u>54,974</u>
EXPENDITURES			
Current			
General government	357,346	346,698	10,648
Public safety	63,344	51,682	11,662
Transportation	382,776	342,167	40,609
Culture and recreation	126,671	94,505	32,166
Health and welfare	15,450	14,792	658
Capital outlay	54,300	40,599	13,701
Debt service			
Principal	29,364	29,364	-
Interest	1,386	1,386	-
Total expenditures	<u>1,030,637</u>	<u>921,193</u>	<u>109,444</u>
Net change in fund balance	(141,634)	22,784	164,418
Fund balance at beginning of year	844,707	844,707	-
Fund balance at end of year	<u>\$ 703,073</u>	<u>\$ 867,491</u>	<u>\$ 164,418</u>

See notes to financial statements.

COMPLIANCE SECTION

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 City Commission
City of Wewahitchka , Florida

We have audited the basic financial statements of the City of Wewahitchka , Florida as of and for the year ended September 30, 2011, and have issued our report thereon dated March 23, 2012, We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Wewahitchka , Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wewahitchka , Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wewahitchka , Florida's internal control over financial reporting.

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

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

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required

footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

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

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the City of Wewahitchka, Florida in a separate letter dated March 23, 2012 on pages 48 - 49.

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



POWELL & JONES
March 23, 2012

CITY OF WEWAHITCHKA, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The prior auditor noted the following deficiencies in internal control:

SEGREGATION OF DUTIES FINDING 05-01 – NOT RESOLVED

COMMENT: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not considered feasible by the City because of its size and limited number of employees. The City recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived. The City also recognizes the inherent limitations of an internal control structure. Mistakes and irregularities may occur in any event with or without an adequate internal control structure. Furthermore, adequate segregation of duties can be circumvented by collusion among persons. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to.

RECOMMENDATION: We recommend the City continue to seek ways to strengthen internal control through segregation of duties.

STATUS: There is still a lack of segregation of duties between employees who have recordkeeping responsibilities and employees with custody of City assets. However, the City has implemented improved policies and procedures to increase internal controls where feasible.

DEFICIENCY OVER FINANCIAL REPORTING, FINDINGS 07-01 – NOT RESOLVED

COMMENT: The City has a very capable individual providing bookkeeping services; however, the City does not have an individual on staff with the accounting education experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP).

AICPA Statement of Auditing Standards (SAS) No. 112, *Communicating Internal Control Matters Identified in an Audit*, effective for years ended after December 15, 2006, requires that auditors communicate matters related to an entity's internal controls over financial reporting. Internal controls should be implemented to provide reasonable assurance that all financial transactions will be properly recorded and that financial statements will be prepared in accordance with GAAP. SAS 112 requires a significant deficiency to be reported whenever an auditor discovers that these controls are not in place.

The fact that the City does not have someone on staff to prepare the financial statements in accordance with generally accepted accounting principles and to record complex adjustments results in a significant deficiency under professional standards.

STATUS: This continuing finding is further discussed in our report on pages 51 - 52.

MANAGEMENT LETTER

To The City Commission
City of Wewahitchka , Florida

We have audited the financial statements of the City of Wewahitchka , Florida, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 23, 2012. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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

PRIOR YEAR FINDINGS

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

CURRENT YEAR FINDINGS

Bank Reconciliations – Due to the limited financial staff, the City's Finance Director currently opens and reconciles the monthly bank statements. The bank reconciliations are then available for review by the City Manager.

To increase internal controls over the bank reconciliation process, we recommend that the City Manager initially receive and open the monthly bank statements. He should then scan the check images and verify any unfamiliar or unusual payments.

AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Wewahitchka , Florida, for the fiscal year ended September 30, 2011.

Investment of Public Funds - The City complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

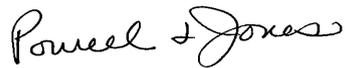
Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Financial Emergency Status – Nothing came to our attention that caused us to believe that the City had met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

CONCLUSION

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

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

POWELL & JONES
Certified Public Accountants
March 23, 2012

(850)639-2605—(850)639-5816
Fax (850)639-2701



City of Wewahitchka
Post Office Box 966—Wewahitchka, Florida 32465

April 16, 2012

Office of the Auditor General
Tallahassee, Florida

RESPONSE TO
AUDITOR'S MANAGEMENT LETTER FISCAL YEAR 2010-2011

Prior Year Audit Findings and Recommendation

Internal Control Over Financial Reporting

1. Need for Segregation of Duties Finding 05-01 (not resolved)

Response:

The City realizes this is a continuing problem and concurs with the auditors regarding the need to strengthen internal control through segregation of duties. The City continues to seek ways to accomplish this goal.

Additional checks and balances have been instituted to address this situation. The Utility Clerk accepts payments through a cash register, then posts payments to customer accounts through the utility billing program, balances a daily cash receipts report including credit cards and cash drawer and makes the deposit manually to the City bank accounts. Credit cards are electronically deposited to the City bank account and the Utility Clerk prints a settlement statement to be included in the balancing of that day's report. The City Clerk also performs these functions as a cross trained back-up to the Utility Clerk. The City Manager reviews and initials the dailies, verifying that deposits, both manual and electronic, are made daily. Florida Department of Revenue funds are not handled by the Utility Clerk or City Clerk but are automatically deposited to the general fund bank account and reported on the state FLAIR system for the City's reconciliation.

The Finance Director then verifies the cash register tape to the daily to the deposits and credit card deposits and posts the income to a separate accounting program and reconciles the bank statements monthly. Bank statements are opened, initialed and reviewed by the City Manager. The Finance Director handles no cash at any time.

In addition, the Finance Director reviews the accounts receivable detail each month to compare with the entries to the general ledger. Customer Deposits are also verified, labeled and tracked through the utility computer program and the separate accounting program. Customer Deposits, initial service connection fees and other miscellaneous income are also receipted in a manually written receipt book which is verified with the dailies. The original receipt is given to the customer. There is also a

April 16, 2012
Office of the Auditor General
Tallahassee, Florida

RESPONSE TO
AUDITOR'S MANAGEMENT LETTER FISCAL YEAR 2010-2011
Page 2

manually written occupational (business) license and fee receipt book which is verified with the dailies and the original of that receipt/license is given to the customer.

Each person responsible for accepting funds has a separate cash register and separate daily transaction sheet so that any problems can be traced and corrected immediately.

If one clerk needs to close the cash register of another clerk, either the City Manager or the Finance Director observes and verifies the cash receipts, postings, and bank deposits and credit card deposits as a cross check to avoid any collusion or inconsistencies.

2. Deficiency Over Financial Reporting, Finding 07-01

Response:

The City concurs with the Auditor's comments regarding the accounting education and experience needed to properly record more complex accounting transactions and prepare financial statements.

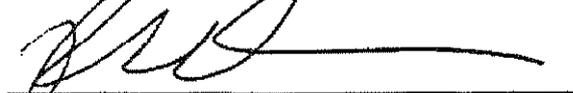
The City also concurs with the Auditor's recommendation to continue to request outside assistance as needed in recording more complex transactions. This outside assistance will also be beneficial in spotting any possible collusion or other problems within the city accounting procedures because of the city's limited personnel structure and the ongoing finding of the need for more segregation of duties.

Current Year Audit Findings and Recommendation

1. Bank reconciliations – The City Manager now opens, initials and reviews the bank statements before giving them to the Finance Director to reconcile. This procedure has also been added to "Segregation of Duties" above.

Respectfully,

CITY OF WEWAHITCHKA



Phillip Gaskin, Mayor

DJM/cds