

**City of Wewahitchka
Wewahitchka, Florida**

Financial Statements

September 30, 2010

City of Wewahitchka
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September 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewahitchka, Florida as of and for the year ended September 30, 2010, 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, each major fund, and the aggregate remaining fund information of the City of Wewahitchka, Florida as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the major governmental funds 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 our report dated March 11, 2011, on our consideration of the City of Wewahitchka, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 3.1 through 3.9, 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 supplementary information. However, we did not audit the information and express no opinion on it.

Cam, Riggs & Ingram, L.L.C.

March 11, 2011

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Financial Highlights

The assets of the City of Wewahitchka exceeded its liabilities at September 30, 2010, by \$6,734,262 (net assets). Of this amount, \$895,382 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$247,734 (or 4%).

As of September 30, 2010, the City of Wewahitchka's governmental funds reported combined ending fund balances of \$844,707; a decrease of \$43,111 in comparison with the prior year. This fund balance is unreserved/undesignated and is available for spending at the City's discretion.

The City of Wewahitchka's total debt was reduced by \$173,531.

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 2009-2010.
- The City's tap records reflect 11 new residential construction starts or mobile home installations for this fiscal year; city records also show other construction/improvements in the form of 13 site plans; 1 culvert set; and 1 sign installation.
- 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.

**CITY OF WEWAHITCHKA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- 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 \$399,280.00 and Florida State Appropriations (grant) of \$417,000.
- 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.
- 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.
- 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 will be requested the first part of the 2009-2010 year. The bid approved for this project was \$30,300 from LaRue Planning & Management Services, Inc. in Ft Myers, Florida, in April 2010. The adopted EAR was submitted to DCA in October 2010 and in November 2010, DCA issued a letter of receipt for the adoption package. Preliminary sufficiency is due from DCA in January 2011.
- 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.

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 which still continues to the date of this letter.
- 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 was able to pay off the bond with Berkadia Commercial Mortgage LLC (formerly Capmark Finance, Inc.) on the water and sewer system from 1974 in the payoff amount of \$77,710 (principal and interest) to make way for the new loans necessary for the proposed water and sewer projects listed above. The 1993 bond to USDA was paid off last fiscal year for the same purpose.
- The City will also be paying 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.

Using This Annual Report

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

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

Government-wide financial statements

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

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Statement of Activities presents information showing how the City's net assets changed during the 2009-2010 fiscal year, focusing on both the gross and net costs of various activities, both government and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various government services. An increase or decrease in net assets is an indication of whether the City's financial health is improving or deteriorating.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public health and safety, streets, and parks and recreation. The business-type activities of the City consist of the water and sewer systems, garbage pick-up, and cemeteries (lot sales).

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the City's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as government activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The City maintains two governmental funds, the General Fund and the Grants Fund. The City adopts an annual appropriated budget for both these funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the budget.

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds

Proprietary (enterprise) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The city uses an enterprise fund to account for its water/sewer/garbage activities and its cemetery activities. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements

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

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure - roads, bridges, traffic signals, underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement #34 requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record all expenditures incurred (except for additions and improvements which extend the asset life) in lieu of depreciation. The information about the condition and maintenance of condition of the government infrastructure assets should assist financial statement users in evaluating a local government and its performance over time. Pre-retroactive reporting of infrastructure is not required by the City. The City has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

**CITY OF WEWAHITCHKA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2010, the City's assets exceeded liabilities by approximately \$6,734,262.

<i>as of September 30,</i>	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 865,743	\$ 896,851	\$ 651,305	\$ 653,716	\$1,517,048	\$1,550,567
Non-current assets	1,019,095	927,660	6,602,809	6,574,075	7,621,904	7,501,735
Total assets	1,884,838	1,824,511	7,254,114	7,227,791	9,138,952	9,052,302
Current and other liabilities	21,382	9,710	194,549	193,774	215,931	203,484
Non-current liabilities	49,466	75,978	2,139,293	2,286,312	2,188,759	2,362,290
Total liabilities	70,848	85,688	2,333,842	2,480,086	2,404,690	2,565,774
Invested in capital assets, net of related debt	989,732	870,256	4,474,698	4,298,942	5,464,430	5,169,198
Restricted	-	-	374,450	313,140	374,450	313,140
Unrestricted	824,258	868,567	71,124	135,623	895,382	1,004,190
Total net assets	\$1,813,990	\$1,738,823	\$4,920,272	\$4,747,705	\$ 6,734,262	\$ 6,486,528

Approximately eighty percent (80%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related 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.

\$374,450 of the City's net assets are subject to external restrictions on how they may be used. The balance of unrestricted net assets \$895,382 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**CITY OF WEWAHITCHKA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Activities

The following table reflects the condensed Statement of Activities for the current year.

CONDENSED STATEMENT OF ACTIVITIES

<i>as of September 30,</i>	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 31,747	\$ 36,891	\$ 614,568	\$ 627,669	\$ 646,315	\$ 664,560
Operating grants and contributions	17,189	17,375	-	-	17,189	17,375
Capital grants and contributions	-	-	261,501	674,833	261,501	674,833
General Revenues						
Property taxes	419,917	437,606	-	-	419,917	437,606
Franchise taxes	297,680	284,139	-	-	297,680	284,139
Sales tax and other shared revenues	176,859	135,913	-	-	176,859	135,913
Interest earnings	9,190	10,371	6,819	16,025	16,009	26,396
Miscellaneous and transfers	4,146	8,034	140	-	4,286	8,034
Total revenues	956,728	930,329	883,028	1,318,527	1,839,756	2,248,856
Expenses						
Program activities						
General government	338,425	273,334	-	-	338,425	273,334
Public safety	74,072	82,308	-	-	74,072	82,308
Highways and streets	325,131	296,254	-	-	325,131	296,254
Parks and recreation	117,049	119,168	-	-	117,049	119,168
Health and welfare	24,505	21,593	-	-	24,505	21,593
Interest on long-term debt	2,379	3,657	-	-	2,379	3,657
Business-type activities	-	-	710,461	690,337	710,461	690,337
Total expenses	881,561	796,314	710,461	690,337	1,592,022	1,486,651
Change in net assets	75,167	134,015	172,567	628,190	247,734	762,205
Net assets – beginning	1,738,823	1,604,808	4,747,705	4,119,515	6,486,528	5,724,323
Net assets – ending	\$1,813,990	\$1,738,823	\$4,920,272	\$4,747,705	\$6,734,262	\$6,486,528

Governmental Activities

Governmental activities increased the City's net assets by \$75,167, thereby accounting for thirty percent (30%) of the total increase in the net assets of the City.

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities

Business-type activities increased the City's net assets by \$172,567, accounting for seventy percent (70%) of the total growth of the City's net assets.

Financial Analysis of the City's Funds

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

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

As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$844,707.

Proprietary funds. The City's proprietary (enterprise) funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at September 30, 2010, amounted to \$71,124.

General Fund Budgetary Highlights:

There were no differences between the original budget and the final budget of the City.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$7,621,904 (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, water and sewer transmission lines and facilities, vehicles, equipment and construction in progress.

No major capital projects were completed during the current fiscal year except the property purchased from Gulf County as listed under "***City Highlights***". The large water and sewer expansion projects involving grant funds from various agencies as mentioned under the "***City Highlights***" section are progressing steadily.

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$2,188,759.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

CITY OF WEWAHITCHKA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2010 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. 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 2010-2011 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.

Please review "***City Highlights***" section for additional items of interest.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, PO Box 966, Wewahitchka, Florida 32465. (Street address for City Hall is 109 South 2 Street).

Basic Financial Statements

City of Wewahitchka
Statement of Net Assets

September 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 677,474	\$ 94,509	\$ 771,983
Accounts receivable, net	30,552	138,450	169,002
Due from other governments	32,961	-	32,961
Interfund receivables	94,821	(94,821)	-
Other assets	-	21,202	21,202
Restricted cash and cash equivalents	29,935	491,965	521,900
Capital assets			
Nondepreciable	48,556	1,293,391	1,341,947
Depreciable, net	970,539	5,309,418	6,279,957
Total assets	1,884,838	7,254,114	9,138,952
Liabilities			
Accounts payable	18,601	62,714	81,315
Customer deposits	-	104,120	104,120
Accrued interest payable	346	27,715	28,061
Deferred revenue	2,435	-	2,435
Long-term liabilities			
Due within one year			
Accrued compensated absences	8,041	9,830	17,871
Notes payable	29,363	172,826	202,189
Revenue bonds payable	-	16,000	16,000
Bonds payable - matured	-	51,000	51,000
Due in more than one year			
Accrued compensated absences	12,062	14,747	26,809
Notes payable	-	613,910	613,910
Revenue bonds payable, net	-	1,260,980	1,260,980
Total liabilities	70,848	2,333,842	2,404,690
Net assets			
Invested in capital assets, net of related debt	989,732	4,474,698	5,464,430
Restricted for			
Construction	-	242,040	242,040
Debt service	-	113,421	113,421
Renewal and replacement	-	7,672	7,672
Customer deposits	-	11,317	11,317
Unrestricted	824,258	71,124	895,382
Total net assets	\$ 1,813,990	\$ 4,920,272	\$ 6,734,262

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Activities

For the year ended September 30, 2010

Functions / Programs	Net (Expenses) Revenues and Changes In Net Assets						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 338,425	\$ 8,805	-	-	\$ (329,620)	\$ -	\$ (329,620)
Public safety	74,072	-	17,189	-	(56,883)	-	(56,883)
Highways and streets	325,131	22,942	-	-	(302,189)	-	(302,189)
Culture and recreation	117,049	-	-	-	(117,049)	-	(117,049)
Health and welfare	24,505	-	-	-	(24,505)	-	(24,505)
Interest on long-term debt	2,379	-	-	-	(2,379)	-	(2,379)
Total governmental activities	881,561	31,747	17,189	-	(832,625)	-	(832,625)
Business-type activities:							
Water, sewer and garbage	707,231	610,841	-	261,501	-	165,111	165,111
Cemetery	3,230	3,727	-	-	-	497	497
Total business-type activities	710,461	614,568	-	261,501	-	165,608	165,608
Total primary government	\$ 1,592,022	\$ 646,315	\$ 17,189	\$ 261,501	(832,625)	165,608	(667,017)
General revenues							
Taxes							
Franchise and public service taxes					297,680	-	297,680
Property taxes, levied for general purposes					419,917	-	419,917
State shared revenues					176,859	-	176,859
Miscellaneous					4,286	-	4,286
Interest earnings					9,190	6,819	16,009
Transfers					(140)	140	-
Total general revenues and transfers					907,792	6,959	914,751
Change in net assets					75,167	172,567	247,734
Net assets - beginning					1,738,823	4,747,705	6,486,528
Net assets - ending					\$ 1,813,990	\$ 4,920,272	\$ 6,734,262

See accompanying notes to financial statements.

City of Wewahitchka
Balance Sheet
Governmental Funds

September 30, 2010

	General Fund
Assets	
Cash and cash equivalents	\$ 677,474
Restricted cash and cash equivalents	29,935
Accounts receivable, net	30,552
Interfund receivable	94,821
Due from other governments	32,961
Total assets	\$ 865,743
Liabilities	
Accounts payable	\$ 18,601
Deferred revenue	2,435
Total liabilities	21,036
Fund balances	
Unreserved, reported in Designated	
City Hall Restoration	29,935
Undesignated	
General fund	814,772
Total fund balances	844,707
Total liabilities and fund balances	\$ 865,743

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

Total fund balances - governmental funds	\$ 844,707
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet	1,019,095
Long-term liabilities, net of cost of issuance, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet	(49,466)
Accrued interest payable is not due in the current period and, therefore, is not reported in the governmental funds balance sheet	(346)
Net assets of governmental activities	\$ 1,813,990

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the year ended September 30, 2010

	General Fund
Revenues	
Property taxes, levied for general purposes	\$ 419,917
Other taxes	297,680
Intergovernmental	194,048
Licenses and permits	8,405
Charges for services	23,342
Interest	9,190
Other fees and miscellaneous	4,286
Total revenues	956,868
Expenditures	
Current	
General government	314,828
Public safety	52,142
Highways and streets	314,994
Culture and recreation	94,825
Health and welfare	24,505
Capital outlay	167,794
Debt service	
Principal	28,041
Interest	2,710
Total expenditures	999,839
Excess of revenues over (under) expenditures	(42,971)
Other financing sources	
Transfer out	(140)
Net other financing sources	(140)
Net change in fund balances	(43,111)
Fund balances - beginning	887,818
Fund balances - ending	\$ 844,707

See accompanying notes to financial statements.

City of Wewahitchka
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2010

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

Net change in fund balances - total governmental funds	\$ (43,111)
Capital outlay net of gains on disposition, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets	167,794
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.	(76,359)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets	28,041
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. These expenses include:	
Compensated absences	(1,529)
Accrued interest	331
Change in net assets of governmental activities	\$ 75,167

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund

For the year ended September 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues				
Property taxes, levied for general purposes	\$ 422,666	\$ 422,666	\$ 419,917	\$ (2,749)
Other taxes	251,000	251,000	297,680	46,680
Intergovernmental	139,319	139,319	194,048	54,729
Licenses and permits	11,050	11,050	8,405	(2,645)
Charges for services	24,440	24,440	23,342	(1,098)
Interest	5,000	5,000	9,190	4,190
Other fees and miscellaneous	255,649	255,649	4,286	(251,363)
Total revenues	1,109,124	1,109,124	956,868	(152,256)
Expenditures				
Current				
General government	349,350	349,350	314,828	34,522
Public safety	61,753	61,753	52,142	9,611
Highways and streets	353,221	353,221	314,994	38,227
Culture and recreation	111,136	111,136	94,825	16,311
Health and welfare	27,625	27,625	24,505	3,120
Capital outlay	167,840	167,840	167,794	46
Debt service	30,751	30,751	30,751	-
Total expenditures	1,101,676	1,101,676	999,839	101,837
Excess of revenues over (under) expenditures	7,448	7,448	(42,971)	(50,419)
Other financing sources				
Transfer out	-	-	(140)	(140)
Net other financing sources	-	-	(140)	(140)
Net change in fund balances	7,448	7,448	(43,111)	(50,559)
Fund balances - beginning	887,818	887,818	887,818	-
Fund balances - ending	\$ 895,266	\$ 895,266	\$ 844,707	\$ (50,559)

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Net Assets
Proprietary Funds

September 30, 2010

	Business-type Activities / Enterprise Funds		
	Waterworks and Sewer System Fund	Cemetery Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 57,154	\$ 37,355	\$ 94,509
Accounts receivable, net	137,790	660	138,450
Total current assets	194,944	38,015	232,959
Noncurrent assets			
Restricted cash and cash equivalents			
Bond interest and sinking	126,816	-	126,816
Renewal and replacement	7,672	-	7,672
Customer deposits	115,437	-	115,437
Construction projects	242,040	-	242,040
Other assets	21,202	-	21,202
Capital assets			
Nondepreciable	1,235,562	57,829	1,293,391
Depreciable, net	5,309,418	-	5,309,418
Total noncurrent assets	7,058,147	57,829	7,115,976
Total assets	7,253,091	95,844	7,348,935
Liabilities			
Current liabilities			
Accounts payable	62,635	79	62,714
Interfund payable	94,821	-	94,821
Interest payable	14,320	-	14,320
Compensated absences payable	9,830	-	9,830
Liabilities payable			
Accrued interest payable	13,395	-	13,395
Notes payable	172,826	-	172,826
Bonds payable - current	16,000	-	16,000
Bonds payable - matured	51,000	-	51,000
Customer deposits	104,120	-	104,120
Total current liabilities	538,947	79	539,026
Noncurrent liabilities			
Accrued compensated absences	14,747	-	14,747
Notes payable	613,910	-	613,910
Revenue bonds payable, net	1,260,980	-	1,260,980
Total noncurrent liabilities	1,889,637	-	1,889,637
Total liabilities	2,428,584	79	2,428,663
Net assets			
Invested in capital assets, net of related debt	4,416,869	57,829	4,474,698
Restricted for:			
Debt service	113,421	-	113,421
Renewal and replacement	7,672	-	7,672
Construction project	242,040	-	242,040
Customers deposits	11,317	-	11,317
Unrestricted	33,188	37,936	71,124
Total net assets	\$ 4,824,507	\$ 95,765	\$ 4,920,272

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds		
	Waterworks and Sewer System Fund	Cemetery Fund	Total
Operating revenues			
Water sales	\$ 278,738	\$ -	\$ 278,738
Garbage fees	24,032	-	24,032
Sewer fees	276,583	-	276,583
Lot sales	-	2,460	2,460
Tap fees	2,880	-	2,880
Late charges	19,484	-	19,484
Miscellaneous income	9,124	1,267	10,391
Total operating revenues	610,841	3,727	614,568
Operating expenses			
Personal services	160,181	-	160,181
Services and supplies	51,175	-	51,175
Heat, light and power	53,149	149	53,298
Meters, tap services and testing	12,575	-	12,575
Repairs and maintenance	24,266	1,058	25,324
Gas and oil	10,794	-	10,794
Other operating expenses	29,515	-	29,515
Depreciation	200,814	899	201,713
Miscellaneous expense	77,966	1,124	79,090
Total operating expenses	620,435	3,230	623,665
Net operating income (loss)	(9,594)	497	(9,097)
Nonoperating revenues (expenses)			
Interest income	6,218	601	6,819
Interest expense	(86,796)	-	(86,796)
Total nonoperating revenues (expenses)	(80,578)	601	(79,977)
Capital contributions	261,501	-	261,501
Transfers, net	140	-	140
Change in net assets	171,469	1,098	172,567
Net assets - beginning	4,653,038	94,667	4,747,705
Net assets - ending	\$ 4,824,507	\$ 95,765	\$ 4,920,272

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Cash Flows
Proprietary Funds

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds		
	Waterworks and Sewer System Fund	Cemetery Fund	Total
Operating activities			
Receipts from customers and users	\$ 584,805	\$ 6,121	\$ 590,926
Payments to suppliers	(260,312)	(2,252)	(262,564)
Payments to employees	(160,178)	-	(160,178)
Other receipts (payments)	10,722	1,267	11,989
Net cash provided by operating activities	175,037	5,136	180,173
Noncapital financing activities			
Advances from/to other funds	43,961	-	43,961
Net cash provided by noncapital financing activities	43,961	-	43,961
Capital and related financing activities			
Long-term debt proceeds	288,053	-	288,053
Capital contributions	261,501	-	261,501
Purchase of capital assets	(230,447)	-	(230,447)
Principal paid on debt	(435,075)	-	(435,075)
Interest paid on debt	(86,796)	-	(86,796)
Net cash (used for) provided by capital and related financing activities	(202,764)	-	(202,764)
Investing activities			
Interest received	6,218	601	6,819
Net cash provided by investing activities	6,218	601	6,819
Net Increase in cash and cash equivalents	22,452	5,737	28,189
Cash and cash equivalents - beginning	526,667	31,618	558,285
Cash and cash equivalents - ending	\$ 549,119	\$ 37,355	\$ 586,474
Classified as			
Current assets - cash and cash equivalents	\$ 57,154	\$ 37,355	\$ 94,509
Restricted assets - cash and cash equivalents	491,965	-	491,965
	\$ 549,119	\$ 37,355	\$ 586,474

See accompanying notes to financial statements.

City of Wewahitchka
Statement of Cash Flows
Proprietary Funds (Continued)

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds		
	Waterworks and Sewer System Fund	Cemetery Fund	Total
Reconciliation of net operating income to net cash provided by operating activities			
Net operating income (loss)	\$ (9,594)	\$ 497	\$ (9,097)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	200,814	899	201,713
Changes in:			
Decrease in prepaid expenses	30	-	30
(Increase) decrease in accounts receivable, net	(16,912)	3,661	(13,251)
(Decrease) increase in accounts payable	(899)	79	(820)
Increase in customer deposit	1,598	-	1,598
Net cash provided by operating activities	\$ 175,037	\$ 5,136	\$ 180,173

See accompanying notes to financial statements.

City of Wewahitchka, Florida Notes to Financial Statements

NOTE 1 - REPORTING ENTITY

The City of Wewahitchka, Florida (the City) is located in northwest Florida in northern Gulf County. The City operates under an elected Mayor and a four-member City Commission and serves approximately 2,000 residents. The City provides a full range of municipal services, including public works activities, parks and recreation, and general administrative services. The City operates a water, sewer and garbage utility. In addition, the City operates a cemetery.

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 to determine whether the entity is: (a) part of the primary government; (b) a component unit which should be included in the reporting entity (blended or discretely presented); (c) an organization which should be excluded from the reporting entity entirely.

The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has previously implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. Significant City accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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 certain legally separate component units, if any, for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

- **General Fund** - The general fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

The City reports the following major proprietary fund:

- **The Waterworks and Sewer System Fund** is used to account for the operations of the City's water, sewer and garbage system, which is financed in a manner similar to private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for water, sewer, and garbage service. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Activities

For enterprise activities, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB) and its predecessor bodies, unless those pronouncements conflict with or contradict GASB pronouncements. Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB statements and interpretations issued after November 30, 1989.

Budgets and Budgetary Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Restricted Cash

The City considers cash to be money deposited in the bank, demand deposits and interest-bearing accounts such as time deposits and certificates of deposit, unrestricted and restricted.

Restricted cash consists of amounts required by resolution, debt covenants or contractual agreements to be set aside for specific purposes and are therefore not available for general operating purposes.

Receivables

Customer accounts receivable are recorded in the enterprise funds at their net realizable value, reduced by an allowance for uncollectible accounts, where applicable. The allowance at September 30, 2010 was \$7,000. Unbilled amounts are not recorded.

Interfund Receivables / Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables."

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. Inventory in the proprietary funds consists of utility supplies held for consumption or capital improvements, of which the amount is estimated to be immaterial.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs exceed \$20,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective October 1, 2003. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required by the City.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings	25-75
Improvements other than buildings	10-30
Machinery and equipment	3-10
Infrastructure	15-25

In the government-wide statements, major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

Deferred Revenues

Deferred revenues reported in the 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 or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

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. These benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

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 sick leave and vacation benefits 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*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Under Florida law, the assessment of all properties and the collection of all County, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2010 was 6 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year.

Property tax revenue is recognized when taxes are received by the City. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes due are not accrued at year end.

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

Property taxes are collected by the Gulf County Tax Collector. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates.

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

Use of 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.

Use of Restricted Assets

It is generally the practice of the City to utilize restricted net assets before unrestricted net assets when possible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Discounts and Issue Costs

In the proprietary funds, 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 bonds payable and unamortized bond issue costs as deferred charges.

Encumbrances

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The City does not record encumbrances outstanding at year end.

Long-term Obligations

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

Prepaid Expenses

General fund expenditures for insurance and similar services extended over more than one accounting year are accounted for as expenditures in the year paid.

Subsequent Events

The City has evaluated subsequent events through the date of the Independent Auditors' Report.

NOTE 3 - CASH AND INVESTMENTS

At year end, the carrying amount of the City's deposits was \$1,293,883 and the bank balance was \$1,441,871. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis. All City cash consists of checking accounts, certificates of deposit, and money market accounts in a local bank.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Florida Statutes authorize the City to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the statutes allow the City to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

For the purposes of the statement of cash flows, the City considers, cash and cash equivalents to include cash and investments with an original maturity of three months or less.

Credit Risk

At September 30, 2010, the City did not hold any investments that were considered to have credit risk.

Interest Rate Risk

At September 30, 2010, the City did not hold any investments that were considered to have interest rate risk.

Custodial Credit Risk

At September 30, 2010, the City did not hold any deposits or investments that were considered to have custodial credit risk.

Concentration of Credit Risk

At September 30, 2010, the City did not hold any investments that were considered to have concentration of credit risk.

NOTE 4 - RECEIVABLES, NET

Receivables at September 30, 2010, consist of the following:

	General Fund	Business-type Activities	Totals
Customers	\$ -	\$ 138,450	\$ 138,450
Other	30,552	-	30,552
Accounts receivable net	\$ 30,552	\$ 138,450	\$ 169,002

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances are generally used to meet cash demands necessary to pay operating expenses. Amounts are generally repaid during the next fiscal year. Interfund balances at September 30, 2010, consisted of the following:

	Interfund Receivables	Interfund Payables
Business-type funds		
Waterworks and Sewer System Fund	\$ -	\$ 94,821
Governmental funds		
General fund	94,821	-
Total governmental activities	\$ 94,821	\$ 94,821

The balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made. Amounts are generally repaid during the next fiscal year.

NOTE 6 - LONG-TERM DEBT AND BONDS PAYABLE

Long-term liability activity for the year ended September 30, 2010 is as follows:

	Original Balance	Balance 09/30/09	Additions (Reductions)	Balance 09/30/10	Due Within One Year
Governmental activities					
Note payable and other liabilities:					
Installment obligation to acquire fire truck, eight annual payments of \$30,750 through 2011, including 4.72% interest	\$ 201,013	\$ 57,404	\$ (28,041)	\$ 29,363	\$ 29,363
Liability for compensated absences	-	18,574	1,529	20,103	8,041
Total governmental activities	\$ 201,013	\$ 75,978	\$ (26,512)	\$ 49,466	\$ 37,404

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

	Original Balance	Balance 09/30/09	Additions (Reductions)	Balance 09/30/10	Due Within One Year
Business-type activities					
Note payable and other liabilities:					
Installment obligation for interim financing for CDBG water expansion, five annual payments of \$79,172 through 2011, including 4.25% interest	\$ 350,000	\$ 148,794	\$ (72,849)	\$ 75,945	\$ 75,945
Capital revenue note, Series 2007 for financing for water/sewer expansion, interest only payable monthly during the construction phase, commencing May 1, 2008 monthly payments of \$1,863 through 2013, including 4.47% interest	100,000	73,893	(19,441)	54,452	20,335
State of Florida – State Revolving Fund, commencing February 2010 payable in semiannual installments of \$14,289 through 2016, including 2.66% interest	240,000	174,936	56,742	231,678	27,581
State of Florida – State Revolving Fund, payable in semiannual installments of \$12,653 through 2029, including 1.96% interest	417,474	410,807	(17,384)	393,423	17,727
Vision Bank – Line of Credit, payable on demand through 2010, including 3.250% interest	150,000	19,328	11,910	31,238	31,238
Bonds payable:					
5% Sewer Revenue Bonds, Series 1974, proceeds used to finance the acquisition and construction of the City's sewer system	521,500	90,000	(90,000)	-	-
4.12% Water and Sewer Revenue Bonds, Series 2007, proceeds used to upgrade City's wastewater treatment facilities	1,323,980	1,292,980	(16,000)	1,276,980	16,000
Liability for compensated absences	-	24,574	3	24,577	9,830
Total business-type activities	\$ 3,102,954	\$ 2,235,312	\$ (147,019)	\$ 2,088,293	\$ 198,656

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

Debt service requirements on long-term debt at September 30, 2010 are as follows:

Year ending September 30	GOVERNMENTAL ACTIVITIES Notes Payable	
	Principal	Interest
2011	\$ 29,363	\$ 1,386
Total	\$ 29,363	\$ 1,386

The Gulf County Board of County Commissioners has agreed to reimburse the City each year for one-half of the annual fire truck installment payments of \$30,750 to be made by the City.

Debt service requirements on proprietary fund debt at September 30, 2010 are as follows:

Year ending September 30	Business-Type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 16,000	\$ 52,800	\$ 172,826	\$ 10,288
2012	17,000	52,140	67,042	5,582
2013	17,000	51,438	59,114	4,380
2014	18,000	50,737	46,745	3,883
2015	19,000	49,995	47,239	3,574
2016-2020	106,000	237,640	194,179	14,204
2021-2025	130,000	213,879	112,049	8,321
2026-2030	160,000	184,758	87,543	2,693
2031-2035	195,000	148,953	-	-
2036-2040	240,000	105,186	-	-
2041-2045	292,000	51,520	-	-
2046	66,980	2,887	-	-
Total	\$ 1,276,980	\$ 1,201,933	\$ 786,737	\$ 52,925

A synopsis of long-term debt covenants for the sewer revenue bonds follows:

- (a) Sewer Revenue Bonds, Series 2007 - \$1,276,980 balance. The City issued \$1,323,980 in revenue bonds in 2007 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. The bonds are senior in lien preference to the Sewer Revenue Bonds, Series 1993. 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 account during the year ended September 30, 2010.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)

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 enterprise funds at September 30, 2010, are as follows:

	2008 SRF	2009 SRF	2007 Issue	Note 2007 Series	Total
Sinking fund – principal and interest	\$ 36,112	\$ 3,572	\$ 19,307	\$ 67,825	\$ 126,816
Reserve account	-	-	7,672	-	7,672
Total	\$ 36,112	\$ 3,572	\$ 26,979	\$ 67,825	\$ 134,488

Compensated Absences - Records kept for compensated absences relate only to hours earned, used, and available. Accordingly, only the net change in compensated absences payable is presented.

NOTE 7 - EMPLOYEES' RETIREMENT PLAN

Employees who have completed one 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 to the Plan Administrator. During the fiscal years ended September 30, 2010, 2009 and 2008 retirement expense was \$19,772, \$19,899 and \$18,786, respectively. At September 30, 2010, 2009, and 2008 the net assets in the plan available for participants' benefits were \$351,193, \$307,506 and \$271,815, respectively. Total payroll for the fiscal years ended September 30, 2010, 2009, and 2008 were \$421,239, \$413,962 and \$401,839, respectively. Forty-percent (40%) vesting occurs after four service years and increases 10% per year thereafter with full vesting occurring upon reaching ten years in the plan. The accounts of nonvested 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.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 48,556	\$ -	\$ -	\$ 48,556
Total capital assets not being depreciated	48,556	-	-	48,556
Capital assets being depreciated:				
Other property, plant and equipment	1,980,324	167,794	-	2,148,118
Total capital assets being depreciated	1,980,324	167,794	-	2,148,118
Less accumulated depreciation	1,101,220	76,359	-	1,177,579
Total capital assets being depreciated, net	879,104	91,435	-	970,539
Governmental activities capital assets, net	\$ 927,660	\$ 91,435	\$ -	\$ 1,019,095
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 73,504	\$ -	\$ -	\$ 73,504
Construction in progress	1,427,751	220,992	428,856	1,219,887
Total capital assets not being depreciated	1,501,255	220,992	428,856	1,293,391
Capital assets being depreciated:				
Property, plant and equipment	7,665,634	438,311	-	8,103,945
Total capital assets being depreciated	7,665,634	438,311	-	8,103,945
Less accumulated depreciation for:				
Property, plant and equipment	2,592,814	201,713	-	2,794,527
Total accumulated depreciation	2,592,814	201,713	-	2,794,527
Total capital assets being depreciated, net	5,072,820	236,598	-	5,309,418
Business-type activities capital assets, net	\$ 6,574,075	\$ 457,590	\$ 428,856	\$ 6,602,809

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

General government	\$ 22,068
Public safety	21,930
Highways and streets	10,137
Parks and recreation	22,224
<hr/>	
Total depreciation expense - governmental activities	\$ 76,359

Depreciation expense was charged to business-type activities of the primary government as follows:

Water/sewer	\$ 200,814
Cemetery	899
<hr/>	
Total depreciation expense - business-type activities	\$ 201,713

NOTE 9 - 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 of the bonds.

NOTE 10 - INTERLOCAL AGREEMENTS

The City entered into an interlocal agreement in September 1995, with Gulf County, Florida, whereby Gulf County, Florida, assumed responsibility for a period of fifteen 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 fifteen 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 \$2,600 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. This service agreement was renewed in September 2010 for the sum of \$2,800 per month.

City of Wewahitchka, Florida
Notes to Financial Statements

NOTE 11 - RESERVED FUND EQUITY

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

Funds	Purpose	Amount
Waterworks and sewer system	Construction of utility system	\$ 242,040
Waterworks and sewer system	Renewal and replacement	7,672
Waterworks and sewer system	Debt service	113,421
Waterworks and sewer system	Customer deposits	11,317
Total restricted fund equity		\$ 374,450

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purpose:

Funds	Purpose	Amount
General fund	Restoration of City Hall	\$ 29,935

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which the government carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

NOTE 13 - GRANTS

The City participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2010, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

NOTE 14 - CONTINGENCIES AND COMMITMENTS

At September 30, 2010, the City had an ongoing agreement for engineering services related to the wastewater treatment facility.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to year end, the City renewed it's Line of Credit with Vision Bank.

Supplementary Information

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Wewahitchka, Florida (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City of Wewahitchka, Florida's basic financial statements and have issued our report thereon dated March 11, 2011. 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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.

DEFICIENCY OVER FINANCIAL REPORTING, FINDING 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 on 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.

RECOMMENDATION: We understand that the cost-benefit of hiring someone with this expertise is not practical, therefore; we recommend the City continue to request outside assistance in recording more complex transactions.

STATUS: This condition continues to exist.

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

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Wewahitchka's response to the findings identified in our audit is described in the accompanying letter. We did not audit the City of Wewahitchka's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

March 11, 2011

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

We have audited the financial statements of the City of Wewahitchka, Florida (the City), as of and for the year ended September 30, 2010, and have issued our report thereon dated March 11, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' report Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports and schedule, which are dated March 11, 2011, should be considered in conjunction with this management letter.

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. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted under the heading "Prior Year Findings and Recommendations".
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that City of Wewahitchka complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations that improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.

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

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established by Chapter 59-1983, Laws of Florida.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Wewahitchka for the year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the City of Wewahitchka, Florida, City Commissioners and management, and the State of Florida Auditor General and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Casey Riggs & Ingram, L.L.C.

March 11, 2011

(850)639-2605—(850)639-5816

Fax (850)639-2701



City of Wewahitchka

Post Office Box 966—Wewahitchka, Florida 32465

Office of the Auditor General
Tallahassee, Florida

RESPONSE TO AUDITOR'S MANAGEMENT LETTER FISCAL YEAR 2009-2010

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.

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. 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 manually written occupational

Office of the Auditor General
Tallahassee, Florida

RESPONSE TO
AUDITOR'S MANAGEMENT LETTER FISCAL YEAR 2009-2010
Page 2

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. We are delighted there are no additional current year audit findings detrimental to the City's finances and over-all position in the audit for this fiscal year.

Respectfully,

CITY OF WEWAHITCHKA



Ray Dickens, Mayor

DJM/cds