

**City of Wewahitchka  
Wewahitchka, Florida**

**Financial Statements**

**September 30, 2009**

**City of Wewahitchka**  
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**September 30, 2009**

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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, 2009, 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, 2009, 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 February 18, 2010, 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.

*Caru, Riggs & Ingram, L.L.C.*

February 18, 2010

## **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, 2009, by \$6,486,528 (net assets). Of this amount, \$1,004,190 (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 \$762,205 (or 13.3%).

As of September 30, 2009, the City of Wewahitchka's governmental funds reported combined ending fund balances of \$887,818; an increase of \$181,847 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 \$135,357.

### ***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 large amount of growth and new construction (residential and commercial) within city limits even though the Florida legislature has changed the laws regarding ad valorem taxes.
- The City's tap records reflect 15 new residential construction starts for this fiscal year; city records also show other construction/new customer activity in the form of 24 site plans; 3 culverts set; and 1 land use change request.
- 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.

## **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 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 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 offered to purchase property from Gulf County including 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. Amount accepted by the county was \$150,000.

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

- 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. 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.
- City road bond funds from the State of Florida were turned over to Gulf County and the county agreed to pave several new roads and resurface others within the city limits under an interlocal agreement. The city's portion of the initial funds plus accrued interest was approximately \$1,000,000.
- The City was able to pay off the US Department of Agriculture bond on the water and sewer system from 1993 in the amount of \$195,661 (principal and interest) and hopes to pay off the 1974 bond to Capmark Financial of the principal outstanding balance of \$74,000 in 2009-2010 to make way for the new loans necessary for the proposed water and sewer projects listed above.

### ***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.

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 spend able 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.

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

The Statement of Activities presents information showing how the City's net assets changed during the 2009 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 governmental 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.

### ***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.

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

### ***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, 2009, the City's assets exceeded liabilities by approximately \$6,486,528.

<i>as of September 30,</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	<b>\$ 896,851</b>	\$ 719,763	<b>\$ 653,716</b>	\$ 906,350	<b>\$1,550,567</b>	\$1,626,113
Non-current assets	<b>927,660</b>	1,001,037	<b>6,574,075</b>	5,896,509	<b>7,501,735</b>	6,897,546
<b>Total assets</b>	<b>1,824,511</b>	1,720,800	<b>7,227,791</b>	6,802,859	<b>9,052,302</b>	8,523,659
Current and other liabilities	<b>9,710</b>	14,785	<b>193,774</b>	286,904	<b>203,484</b>	301,689
Non-current liabilities	<b>75,978</b>	101,207	<b>2,286,312</b>	2,396,440	<b>2,362,290</b>	2,497,647
<b>Total liabilities</b>	<b>85,688</b>	115,992	<b>2,480,086</b>	2,683,344	<b>2,565,774</b>	2,799,336
Invested in capital assets, net of related debt	<b>870,256</b>	916,856	<b>4,298,942</b>	3,506,292	<b>5,169,198</b>	4,423,148
Restricted	-	4,049	<b>313,140</b>	562,505	<b>313,140</b>	566,554
Unrestricted	<b>868,567</b>	683,903	<b>135,623</b>	50,718	<b>1,004,190</b>	734,621
<b>Total net assets</b>	<b>\$1,738,823</b>	\$1,604,808	<b>\$4,747,705</b>	\$4,119,515	<b>\$ 6,486,528</b>	\$ 5,724,323

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.

\$313,140 of the City's net assets are subject to external restrictions on how they may be used. The balance of unrestricted net assets \$1,004,190 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2009, 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>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 36,891	\$ 52,473	\$ 627,669	\$ 531,098	\$ 664,560	\$ 583,571
Operating grants and contributions	17,375	17,375	-	-	17,375	17,375
Capital grants and contributions	-	-	674,833	215,657	674,833	215,657
<b>General Revenues</b>						
Property taxes	437,606	456,637	-	-	437,606	456,637
Franchise taxes	284,139	270,869	-	-	284,139	270,869
Sales tax and other shared revenues	135,913	130,907	-	-	135,913	130,907
Interest earnings	10,371	14,976	16,025	20,309	26,396	35,285
Miscellaneous and transfers	8,034	11,674	-	-	8,034	11,674
<b>Total revenues</b>	<b>930,329</b>	<b>954,911</b>	<b>1,318,527</b>	<b>767,064</b>	<b>2,248,856</b>	<b>1,721,975</b>
<b>Expenses</b>						
<b>Program activities</b>						
General government	273,334	288,606	-	-	273,334	288,606
Public safety	82,308	96,652	-	-	82,308	96,652
Highways and streets	296,254	312,299	-	-	296,254	312,299
Parks and recreation	119,168	126,141	-	-	119,168	126,141
Health and welfare	21,593	12,395	-	-	21,593	12,395
Interest on long-term debt	3,657	4,878	-	-	3,657	4,878
Business-type activities	-	-	690,337	659,832	690,337	659,832
<b>Total expenses</b>	<b>796,314</b>	<b>840,971</b>	<b>690,337</b>	<b>659,832</b>	<b>1,486,651</b>	<b>1,500,803</b>
<b>Change in net assets</b>	<b>134,015</b>	<b>113,940</b>	<b>628,190</b>	<b>107,232</b>	<b>762,205</b>	<b>221,172</b>
<b>Net assets – beginning</b>	<b>1,604,808</b>	<b>1,490,868</b>	<b>4,119,515</b>	<b>4,012,283</b>	<b>5,724,323</b>	<b>5,503,151</b>
<b>Net assets – ending</b>	<b>\$1,738,823</b>	<b>\$1,604,808</b>	<b>\$4,747,705</b>	<b>\$4,119,515</b>	<b>\$6,486,528</b>	<b>\$5,724,323</b>

**Governmental Activities**

Governmental activities increased the City's net assets by \$134,015, thereby accounting for eighteen percent (18%) 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 \$628,190, accounting for eighty-two percent (82%) 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 spend able 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, 2009, the City's governmental funds reported combined ending fund balances of \$887,818.

***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, 2009, amounted to \$135,623.

### ***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, 2009, amounts to \$7,501,735 (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; 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 \$2,362,290.

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 2009 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 has received the renewal of its Consumptive Use Permit from Northwest Florida Water Management District. 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 2009-2010 due to increased new construction within city limits and the fact that city officials balanced a very tight budget within the prevailing economic conditions.

Water Capacity Facilities Charges were passed in October 2007 which will affect new construction after Jan 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.

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).

**City of Wewahitchka**  
**Statement of Net Assets**

September 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 801,821	\$ 97,228	\$ 899,049
Accounts receivable, net	21,208	125,199	146,407
Due from other governments	22,752	-	22,752
Interfund receivables	51,000	(51,000)	-
Prepaid insurance	70	30	100
Other assets	-	21,202	21,202
Restricted cash and cash equivalents	-	461,057	461,057
Capital assets			
Nondepreciable	48,556	1,501,255	1,549,811
Depreciable, net	879,104	5,072,820	5,951,924
<b>Total assets</b>	<b>1,824,511</b>	<b>7,227,791</b>	<b>9,052,302</b>
<b>Liabilities</b>			
Accounts payable	6,383	63,537	69,920
Customer deposits	-	102,522	102,522
Accrued interest payable	677	27,715	28,392
Deferred revenue	2,650	-	2,650
Long-term liabilities			
Due within one year			
Accrued compensated absences	7,430	9,830	17,260
Notes payable	28,040	153,092	181,132
Revenue bonds payable	-	32,000	32,000
Bonds payable - matured	-	51,000	51,000
Due in more than one year			
Accrued compensated absences	11,144	14,744	25,888
Notes payable	29,364	674,666	704,030
Revenue bonds payable, net	-	1,350,980	1,350,980
<b>Total liabilities</b>	<b>85,688</b>	<b>2,480,086</b>	<b>2,565,774</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	870,256	4,298,942	5,169,198
Restricted for			
Construction	-	139,059	139,059
Debt service	-	108,516	108,516
Renewal and replacement	-	52,397	52,397
Customer deposits	-	13,168	13,168
Unrestricted	868,567	135,623	1,004,190
<b>Total net assets</b>	<b>\$ 1,738,823</b>	<b>\$ 4,747,705</b>	<b>\$ 6,486,528</b>

See accompanying notes to financial statements.

**City of Wewahitchka**  
**Statement of Activities**

For the year ended September 30, 2009

Functions / Programs	Expenses	Net (Expenses) Revenues and Changes in Net Assets						Total
		Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
<b>Primary government</b>								
Governmental activities:								
General government	\$ 273,334	\$ 14,344	\$ -	\$ -	\$ (258,990)	\$ -	\$ (258,990)	
Public safety	82,308	-	17,375	-	(64,933)	-	(64,933)	
Highways and streets	296,254	22,547	-	-	(273,707)	-	(273,707)	
Culture and recreation	119,168	-	-	-	(119,168)	-	(119,168)	
Health and welfare	21,593	-	-	-	(21,593)	-	(21,593)	
Interest on long-term debt	3,657	-	-	-	(3,657)	-	(3,657)	
<b>Total governmental activities</b>	<b>796,314</b>	<b>36,891</b>	<b>17,375</b>	<b>-</b>	<b>(742,048)</b>	<b>-</b>	<b>(742,048)</b>	
Business-type activities:								
Water, sewer and garbage	687,179	616,507	-	674,833	-	604,161	604,161	
Cemetery	3,158	11,162	-	-	-	8,004	8,004	
<b>Total business-type activities</b>	<b>690,337</b>	<b>627,669</b>	<b>-</b>	<b>674,833</b>	<b>-</b>	<b>612,165</b>	<b>612,165</b>	
<b>Total primary government</b>	<b>\$ 1,486,651</b>	<b>\$ 664,560</b>	<b>\$ 17,375</b>	<b>\$ 674,833</b>	<b>(742,048)</b>	<b>612,165</b>	<b>(129,883)</b>	
General revenues								
Taxes								
Franchise and public service taxes					284,139	-	284,139	
Property taxes, levied for general purposes					437,606	-	437,606	
State shared revenues					135,913	-	135,913	
Miscellaneous					8,034	-	8,034	
Interest earnings					10,371	16,025	26,396	
<b>Total general revenues and transfers</b>					<b>876,063</b>	<b>16,025</b>	<b>892,088</b>	
Change in net assets					134,015	628,190	762,205	
Net assets - beginning					1,604,808	4,119,515	5,724,323	
Net assets - ending					\$ 1,738,823	\$ 4,747,705	\$ 6,486,528	

See accompanying notes to financial statements.

**City of Wewahitchka**  
**Balance Sheet**  
**Governmental Funds**

*September 30, 2009*

	General Fund	Grants Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 801,821	\$ -	\$ 801,821
Accounts receivable, net	21,208	-	21,208
Interfund receivable	51,000	-	51,000
Due from other governments	22,752	-	22,752
Prepaid insurance	70	-	70
<b>Total assets</b>	<b>\$ 896,851</b>	<b>\$ -</b>	<b>\$ 896,851</b>
<b>Liabilities</b>			
Accounts payable	\$ 6,383	\$ -	\$ 6,383
Deferred revenue	2,650	-	2,650
<b>Total liabilities</b>	<b>9,033</b>	<b>-</b>	<b>9,033</b>
<b>Fund balances</b>			
Unreserved, reported in General fund	887,818	-	887,818
<b>Total fund balances</b>	<b>887,818</b>	<b>-</b>	<b>887,818</b>
<b>Total liabilities and fund balances</b>	<b>\$ 896,851</b>	<b>\$ -</b>	

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

Total fund balances - governmental funds	887,818
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet	927,660
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	(75,978)
Accrued interest payable is not due in the current period and, therefore, is not reported in the governmental funds balance sheet	(677)
<b>Net assets of governmental activities</b>	<b>\$ 1,738,823</b>

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, 2009*

	General Fund	Grants Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes, levied for general purposes	\$ 437,606	\$ -	\$ 437,606
Other taxes	284,139	-	284,139
Intergovernmental	153,288	-	153,288
Licenses and permits	13,271	-	13,271
Charges for services	23,620	-	23,620
Interest	10,358	13	10,371
Other fees and miscellaneous	8,034	-	8,034
<b>Total revenues</b>	<b>930,316</b>	<b>13</b>	<b>930,329</b>
<b>Expenditures</b>			
Current			
General government	252,677	-	252,677
Public safety	60,379	-	60,379
Highways and streets	284,761	-	284,761
Culture and recreation	89,615	1,500	91,115
Health and welfare	21,593	-	21,593
Capital outlay	7,207	-	7,207
Debt service			
Principal	26,777	-	26,777
Interest	3,973	-	3,973
<b>Total expenditures</b>	<b>746,982</b>	<b>1,500</b>	<b>748,482</b>
<b>Excess of revenues over (under) expenditures</b>	<b>183,334</b>	<b>(1,487)</b>	<b>181,847</b>
<b>Other financing sources</b>			
Transfer in	2,562	-	2,562
Transfer out	-	(2,562)	(2,562)
<b>Net other financing sources</b>	<b>2,562</b>	<b>(2,562)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>185,896</b>	<b>(4,049)</b>	<b>181,847</b>
<b>Fund balances - beginning</b>	<b>701,922</b>	<b>4,049</b>	<b>705,971</b>
<b>Fund balances - ending</b>	<b>\$ 887,818</b>	<b>\$ -</b>	<b>\$ 887,818</b>

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, 2009*

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

Net change in fund balances - total governmental funds	\$	181,847
Capital outlay net of gains on disposition, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets		7,207
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(80,584)
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		26,777
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		(1,548)
Accrued interest		316
Change in net assets of governmental activities	\$	134,015

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, 2009*

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Property taxes, levied for general purposes	\$ 446,473	\$ 446,473	\$ 437,606	\$ (8,867)
Other taxes	245,100	245,100	284,139	39,039
Intergovernmental	149,219	149,219	153,288	4,069
Licenses and permits	11,000	11,000	13,271	2,271
Charges for services	23,696	23,696	23,620	(76)
Interest	5,000	5,000	10,358	5,358
Other fees and miscellaneous	52,006	52,006	8,034	(43,972)
<b>Total revenues</b>	<b>932,494</b>	<b>932,494</b>	<b>930,316</b>	<b>(2,178)</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	319,585	319,585	252,677	66,908
Public safety	68,942	68,942	60,379	8,563
Highways and streets	319,610	319,610	284,761	34,849
Culture and recreation	100,758	100,758	89,615	11,143
Health and welfare	25,650	25,650	21,593	4,057
Capital outlay	59,890	59,890	7,207	52,683
Debt service	30,751	30,751	30,750	1
<b>Total expenditures</b>	<b>925,186</b>	<b>925,186</b>	<b>746,982</b>	<b>178,204</b>
Excess of revenues over (under) expenditures	7,308	7,308	183,334	176,026
<b>Other financing sources</b>				
Transfer in	-	-	2,562	2,562
<b>Net other financing sources</b>	<b>-</b>	<b>-</b>	<b>2,562</b>	<b>2,562</b>
<b>Net change in fund balances</b>	<b>7,308</b>	<b>7,308</b>	<b>185,896</b>	<b>178,588</b>
<b>Fund balances - beginning</b>	<b>701,922</b>	<b>701,922</b>	<b>701,922</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 709,230</b>	<b>\$ 709,230</b>	<b>\$ 887,818</b>	<b>\$ 178,588</b>

See accompanying notes to financial statements.

**City of Wewahitchka**  
**Statement of Net Assets**  
**Proprietary Funds**

September 30, 2009

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Waterworks and Sewer System Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 65,610	\$ 31,618	\$ 97,228
Accounts receivable, net	120,878	4,321	125,199
Prepaid insurance	30	-	30
<b>Total current assets</b>	<b>186,518</b>	<b>35,939</b>	<b>222,457</b>
Noncurrent assets			
Restricted cash and cash equivalents			
Bond interest and sinking Renewal and replacement	153,911	-	153,911
Customer deposits	52,397	-	52,397
Construction projects	115,690	-	115,690
Other assets	139,059	-	139,059
Capital assets	21,202	-	21,202
Nondepreciable	1,443,426	57,829	1,501,255
Depreciable, net	5,071,921	899	5,072,820
<b>Total noncurrent assets</b>	<b>6,997,606</b>	<b>58,728</b>	<b>7,056,334</b>
<b>Total assets</b>	<b>7,184,124</b>	<b>94,667</b>	<b>7,278,791</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	63,537	-	63,537
Interfund payable	51,000	-	51,000
Interest payable	14,320	-	14,320
Compensated absences payable	9,830	-	9,830
Liabilities payable			
Accrued interest payable	13,395	-	13,395
Notes payable	153,092	-	153,092
Bonds payable - current	32,000	-	32,000
Bonds payable - matured	51,000	-	51,000
Customer deposits	102,522	-	102,522
<b>Total current liabilities</b>	<b>490,696</b>	<b>-</b>	<b>490,696</b>
Noncurrent liabilities			
Accrued compensated absences	14,744	-	14,744
Notes payable	674,666	-	674,666
Revenue bonds payable, net	1,350,980	-	1,350,980
<b>Total noncurrent liabilities</b>	<b>2,040,390</b>	<b>-</b>	<b>2,040,390</b>
<b>Total liabilities</b>	<b>2,531,086</b>	<b>-</b>	<b>2,531,086</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,240,214	58,728	4,298,942
Restricted for:			
Debt service	108,516	-	108,516
Renewal and replacement	52,397	-	52,397
Construction project	139,059	-	139,059
Customers deposits	13,168	-	13,168
Unrestricted	99,684	35,939	135,623
<b>Total net assets</b>	<b>\$ 4,653,038</b>	<b>\$ 94,667</b>	<b>\$ 4,747,705</b>

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, 2009*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Waterworks and Sewer System Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Water sales	\$ 280,703	\$ -	\$ 280,703
Garbage fees	26,470	-	26,470
Sewer fees	271,918	-	271,918
Lot sales	-	10,422	10,422
Tap fees	7,937	-	7,937
Late charges	19,624	-	19,624
Miscellaneous income	9,855	740	10,595
<b>Total operating revenues</b>	<b>616,507</b>	<b>11,162</b>	<b>627,669</b>
<b>Operating expenses</b>			
Personal services	168,922	-	168,922
Services and supplies	43,663	-	43,663
Heat, light and power	49,890	161	50,051
Meters, tap services and testing	16,452	-	16,452
Repairs and maintenance	25,127	-	25,127
Gas and oil	5,947	-	5,947
Other operating expenses	40,744	-	40,744
Depreciation	198,965	1,666	200,631
Miscellaneous expense	43,223	1,331	44,554
<b>Total operating expenses</b>	<b>592,933</b>	<b>3,158</b>	<b>596,091</b>
<b>Net operating income</b>	<b>23,574</b>	<b>8,004</b>	<b>31,578</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	14,486	1,539	16,025
Interest expense	(94,246)	-	(94,246)
<b>Total nonoperating revenues (expenses)</b>	<b>(79,760)</b>	<b>1,539</b>	<b>(78,221)</b>
Capital contributions	674,833	-	674,833
<b>Change in net assets</b>	<b>618,647</b>	<b>9,543</b>	<b>628,190</b>
<b>Net assets - beginning</b>	<b>4,034,391</b>	<b>85,124</b>	<b>4,119,515</b>
<b>Net assets - ending</b>	<b>\$ 4,653,038</b>	<b>\$ 94,667</b>	<b>\$ 4,747,705</b>

See accompanying notes to financial statements.

**City of Wewahitchka**  
**Statement of Cash Flows**  
**Proprietary Funds**

*For the year ended September 30, 2009*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Waterworks and Sewer System Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>Operating activities</b>			
Receipts from customers and users	\$ 547,269	\$ 8,980	\$ 556,249
Payments to suppliers	(194,014)	(1,492)	(195,506)
Payments to employees	(166,314)	-	(166,314)
Other receipts (payments)	19,625	740	20,365
Net cash provided by operating activities	206,566	8,228	214,794
<b>Noncapital financing activities</b>			
Advances from/to other funds	12,149	(9,519)	2,630
Net cash provided by (used in) noncapital financing activities	12,149	(9,519)	2,630
<b>Capital and related financing activities</b>			
Long-term debt proceeds	458,117	-	458,117
Capital contributions	543,240	-	543,240
Purchase of capital assets	(878,197)	-	(878,197)
Principal paid on debt	(570,280)	-	(570,280)
Interest paid on debt	(96,615)	-	(96,615)
Net cash used for capital and related financing activities	(543,735)	-	(543,735)
<b>Investing activities</b>			
Interest received	14,486	1,539	16,025
Net cash provided by investing activities	14,486	1,539	16,025
<b>Net increase (decrease) in cash and cash equivalents</b>	(310,534)	248	(310,286)
<b>Cash and cash equivalents - beginning</b>	837,201	31,370	868,571
<b>Cash and cash equivalents - ending</b>	\$ 526,667	\$ 31,618	\$ 558,285
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 65,610	\$ 31,618	\$ 97,228
Restricted assets - cash and cash equivalents	461,057	-	461,057
	\$ 526,667	\$ 31,618	\$ 558,285

See accompanying notes to financial statements.

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

*For the year ended September 30, 2009*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Waterworks and Sewer System Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>Reconciliation of net operating income to net cash provided by operating activities</b>			
Net operating income	\$ 23,574	\$ 8,004	\$ 31,578
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	198,965	1,666	200,631
Changes in:			
Prepaid expenses	(30)	-	(30)
Accounts receivable, net	(59,383)	(1,442)	(60,825)
Accounts payable and accrued expenses	33,670	-	33,670
Customer deposit	9,770	-	9,770
<b>Net cash provided by operating activities</b>	<b>\$ 206,566</b>	<b>\$ 8,228</b>	<b>\$ 214,794</b>

See accompanying notes to financial statements.

## City of Wewahitchka, Florida Notes to Financial Statements

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### 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**

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**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.

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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**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, 2009, 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**

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**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:

<b>Assets</b>	<b>Years</b>
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*.

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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**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, 2009 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.

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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**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 issuance of these financial statements.

**NOTE 3 - CASH AND INVESTMENTS**

At year end, the carrying amount of the City's deposits was \$1,360,106 and the bank balance was \$1,568,286. 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**

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**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, 2009, the City did not hold any investments that were considered to have credit risk.

**Interest Rate Risk**

At September 30, 2009, the City did not hold any investments that were considered to have interest rate risk.

**Custodial Credit Risk**

At September 30, 2009, the City did not hold any deposits or investments that were considered to have custodial credit risk.

**Concentration of Credit Risk**

At September 30, 2009, the City did not hold any investments that were considered to have concentration of credit risk.

**NOTE 4 - RECEIVABLES, NET**

Receivables at September 30, 2009, consist of the following:

	<b>General Fund</b>	<b>Business-type Activities</b>	<b>Totals</b>
Customers	\$ -	\$ 125,199	\$ 125,199
Other	21,208	-	21,208
<u>Accounts receivable net</u>	<u>\$ 21,208</u>	<u>\$ 125,199</u>	<u>\$ 146,407</u>

**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, 2009, consisted of the following:

Interfund	Interfund	Receivables	Payables
<b>Business-type funds</b>			
Waterworks and Sewer System Fund		\$ -	\$ 51,000
<b>Governmental funds</b>			
General fund		51,000	-
<b>Total</b>		<b>\$ 51,000</b>	<b>\$ 51,000</b>

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, 2009 is as follows:

	Original Balance	Balance 09/30/08	Additions (Reductions)	Balance 09/30/09	Due Within One Year
<b>Governmental activities</b>					
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	\$ 84,181	\$ (26,777)	\$ 57,404	\$ 28,040
Liability for compensated absences	-	17,026	1,548	18,574	7,430
<b>Total governmental activities</b>	<b>\$ 201,013</b>	<b>\$ 101,207</b>	<b>\$ (25,229)</b>	<b>\$ 75,978</b>	<b>\$ 35,470</b>

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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

**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      \$ 218,673      \$ (69,879)      \$ 148,794      \$ 72,849

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              90,974              (17,081)              73,893              19,447

State of Florida – State Revolving Fund, commencing February 2010 payable in semiannual installments of \$14,289 through 2016, including 2.66% interest

240,000              170,397              4,539              174,936              24,084

State of Florida – State Revolving Fund, payable in semiannual installments of \$12,653 through 2029, including 1.96% interest

417,474              242,350              168,457              410,807              17,384

Vision Bank – Line of Credit, payable on demand through 2010, including 3.250% interest

150,000              -              19,328              19,328              19,328

Bonds payable:

5% Sewer Revenue Bonds, Series 1974, proceeds used to finance the acquisition and construction of the City's sewer system

521,500              105,000              (15,000)              90,000              16,000

5% Sewer Revenue Bonds, Series 1993, proceeds used to upgrade City's wastewater treatment facilities

224,000              187,100              (187,100)              -              -

4.12% Water and Sewer Revenue Bonds, Series 2007, proceeds used to upgrade City's wastewater treatment facilities

1,323,980              1,308,980              (16,000)              1,292,980              16,000

Liability for compensated absences

-              21,965              2,609              24,574              9,830

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**Total business-type activities**              \$ 3,326,954      \$ 2,345,439      \$ (110,127)      \$ 2,235,312      \$ 194,922

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**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, 2009 are as follows:

Year ending September 30	GOVERNMENTAL ACTIVITIES Notes Payable	
	Principal	Interest
2010	\$ 28,040	\$ 2,710
2011	29,364	1,386
<b>Total</b>	<b>\$ 57,404</b>	<b>\$ 4,096</b>

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, 2009 are as follows:

Year ending September 30	Business-Type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2010	\$ 32,000	\$ 57,918	\$ 153,092	\$ 18,315
2011	33,000	55,500	138,735	12,887
2012	35,000	54,990	64,729	7,895
2013	36,000	53,388	57,350	6,136
2014	38,000	51,737	45,564	5,064
2015-2019	102,000	241,848	147,567	14,875
2020-2024	125,000	219,035	109,885	8,321
2025-2029	153,000	191,069	110,836	2,691
2030-2034	188,000	156,708	-	-
2035-2039	230,000	114,674	-	-
2040-2044	281,000	63,111	-	-
2045-2046	129,980	8,373	-	-
<b>Total</b>	<b>\$ 1,382,980</b>	<b>\$ 1,268,351</b>	<b>\$ 827,758</b>	<b>\$ 76,184</b>

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

- (a) Sewer Revenue Bonds, Series 1974 - \$90,000 balance. The City issued \$521,500 in revenue bonds in 1974 to finance the acquisition and construction of the City's 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 5% per annum, payable annually on January 1, and mature serially each January 1 in varying amounts with final maturity in 2014. 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 prior year gross sewer revenue 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 \$21,000.

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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

(b) Sewer Revenue Bonds, Series 2007 - \$1,292,980 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 is not required to fund renewal and replacement reserve account until the upgrade is complete. The City will begin funding the renewal and replacement reserve account in 2009/2010.

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, 2009, are as follows:

	<b>1974 Issue</b>	<b>2008 SRF</b>	<b>2007 Issue</b>	<b>Note 2007 Series</b>	<b>Total</b>
Sinking fund – principal and interest	\$ 31,703	\$ 39,230	\$ 8,027	\$ 74,951	\$ 153,911
Reserve account	25,833	-	26,564	-	52,397
<b>Total</b>	<b>\$ 57,536</b>	<b>\$ 39,230</b>	<b>\$ 34,591</b>	<b>\$ 74,951</b>	<b>\$ 206,308</b>

**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.

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Governmental activities</b>				
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	1,973,117	7,207	-	1,980,324
Total capital assets being depreciated	1,973,117	7,207	-	1,980,324
Less accumulated depreciation	1,020,636	80,584	-	1,101,220
Total capital assets being depreciated, net	952,481	(73,377)	-	879,104
<b>Governmental activities capital assets, net</b>	<b>\$ 1,001,037</b>	<b>\$ (73,377)</b>	<b>\$ -</b>	<b>\$ 927,660</b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 73,504	\$ -	\$ -	\$ 73,504
Construction in progress	581,417	846,334	-	1,427,751
Total capital assets not being depreciated	654,921	846,334	-	1,501,255
Capital assets being depreciated:				
Property, plant and equipment	7,633,771	31,863	-	7,665,634
Total capital assets being depreciated	7,633,771	31,863	-	7,665,634
Less accumulated depreciation for:				
Property, plant and equipment	2,392,183	200,631	-	2,592,814
Total accumulated depreciation	2,392,183	200,631	-	2,592,814
Total capital assets being depreciated, net	5,241,588	(168,768)	-	5,072,820
<b>Business-type activities capital assets, net</b>	<b>\$ 5,896,509</b>	<b>\$ 677,566</b>	<b>\$ -</b>	<b>\$ 6,574,075</b>

**City of Wewahitchka, Florida**  
**Notes to Financial Statements**

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**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

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

General government	\$ 19,109
Public safety	21,929
Highways and streets	11,493
Parks and recreation	28,053
<hr/>	
Total depreciation expense - governmental activities	\$ 80,584

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

Water/sewer	\$ 198,965
Cemetery	1,666
<hr/>	
Total depreciation expense - business-type activities	\$ 200,631

There was \$4,539 of interest capitalized in the business-type activities. The interest is costs from the state revolving loan proceeds used for improvements in the City's water and sewer system.

**NOTE 8 - 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, 2009, 2008 and 2007 retirement expense was \$19,899, \$18,786 and \$16,459, respectively. At September 30, 2009, 2008, and 2007 the net assets in the plan available for participants' benefits were \$307,506 \$271,815 and \$336,671, respectively. Total payroll for the fiscal years ended September 30, 2009, 2008, and 2007 were \$413,962, \$401,839, and \$355,707, 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**

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**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 - 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:

<b>Funds</b>	<b>Purpose</b>	<b>Amount</b>
Waterworks and sewer system	Construction of utility system	\$ 139,059
Waterworks and sewer system	Renewal and replacement	52,397
Waterworks and sewer system	Debt service	108,516
Waterworks and sewer system	Customer deposits	13,168
Total restricted fund equity		<u>\$ 313,140</u>

**NOTE 11 - 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 \$2,500 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.

**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, 2009, 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, 2009, the City had contractual commitments for construction projects in excess of amounts recognized in the financial statements.

The City has agreed to purchase the Gulf County road department land and building in the amount of \$150,000 located in the City of Wewahitchka. The City anticipates closing on the property in February 2010.

## **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, 2009, which collectively comprise the City of Wewahitchka, Florida's basic financial statements and have issued our report thereon dated February 18, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Wewahitchka's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Wewahitchka's financial statements that is more than inconsequential will not be prevented or detected by City of Wewahitchka's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 05-01 and 07-01 to be significant deficiencies in internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Wewahitchka's internal control.

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

### **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.*

February 18, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD  
PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

### **Compliance**

We have audited the compliance of City of Wewahitchka, Florida (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. City of Wewahitchka, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, State of Florida Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009.

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

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Carr, Riggs & Ingram, L.L.C.*

February 18, 2010

**City of Wewahitchka, Florida**  
**Schedule of Expenditures of Federal Award Programs and**  
**State Financial Assistance**

*For the year ended September 30, 2009*

Federal Agency Pass through entity Federal Program	CFDA/ CSFA	Contract/ Grant Number	Expenditures
<b>U.S. Department of Environmental Protection Agency</b>			
<b>Florida Department of Environmental Protection</b>			
Capitalization Grant for Clean Water State Revolving Funds	66.458	WW76404P	\$ 399,280
Capitalization Grant for Drinking Water State Revolving Funds	66.468	DW	165,000
<b>Total expenditures of Federal awards</b>			<b>564,280</b>
<b>State Agency</b>			
<b>State Financial Assistance</b>			
<b>Florida Department of Environmental Protection</b>			
Legislative Project Grant			
Wastewater System Improvements	37.039	LP8988	535,873
<b>Total expenditures of State Financial Assistance</b>			<b>535,873</b>
<b>Total expenditures of Federal Awards and State Financial Assistance</b>			<b>\$ 1,100,153</b>

**City of Wewahitchka, Florida**  
**Notes to Schedule of Expenditures of Federal Award Programs**  
**and State Financial Assistance Projects**  
**For the year ended September 30, 2009**

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**NOTE 1 - BASIS OF ACCOUNTING**

The supplementary Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects includes the grant activity of City of Wewahitchka, Florida (the City). Federal and state expenditures are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - REPORTING ENTITY**

The City for purposes of the supplementary Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects includes all the funds of the primary government as defined by GASB 14, *The Financial Reporting Entity*.

**NOTE 3 - PASS-THROUGH AWARDS**

The City receives certain federal awards from pass-through awards of the State. The total amount of such pass-through awards is included on the supplementary Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects.

**City of Wewahitchka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2009**

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**A. SUMMARY OF AUDIT RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of City of Wewahitchka, Florida (the City).
2. Significant deficiencies disclosed during the audit of the financial statements are reported in the "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*."
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program and state financial assistance projects are reported in the Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Program and State Project.
5. The Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each major federal award programs and state financial assistance projects for City of Wewahitchka, Florida expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs and state financial assistance projects for City of Wewahitchka, Florida are reported in this schedule.
7. The programs/projects tested as major programs/projects included the following:

<b>Federal Programs</b>	<b>CFDA No.</b>
U.S. Department of Environmental Protection Agency Florida Department of Environmental Protection Clean Water State Revolving Fund Loan	66.458
<b>State Projects</b>	<b>CSFA No.</b>
Florida Department of Environmental Protection Legislative Project Grant – Wastewater System Improvements	37.039
8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal award programs and \$300,000 for major state financial assistance projects.

**City of Wewahitchka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2009**

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**A. SUMMARY OF AUDIT RESULTS (CONTINUED)**

9. City of Wewahitchka, Florida did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**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.

**City of Wewahitchka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2009**

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**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 a 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 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 adjustment 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.

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AND STATE PROJECTS**

There were no current year audit findings.

**D. OTHER ISSUES**

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.
2. No Corrective Action Plan is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

## 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, 2009, and have issued our report thereon dated February 18, 2010.

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 February 18, 2010, 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.

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

- 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 determination of financial statements amounts that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.
- 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 to the determination of financial statements amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. 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, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

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

- 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.

*Carly Riggs & Ingram, L.L.C.*

February 18, 2010

(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 2008-2009

### **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 an 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 and cash drawer and makes the deposit. 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 are made daily.

The Finance Director then verifies the cash register tape to the daily to the 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 2008-2009  
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 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.

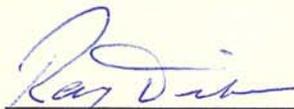
The City also concurs with the Auditor's recommendation to continue to request outside assistance as needed in recording more complex transactions. This outside assistance will also be beneficial in spotting any possible collusion or other problems within the city accounting procedures because of the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



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Ray Dickens, Mayor

DJM/cds