

CITY OF WEWAHITCHKA , FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2013

CITY OF WEWAHITCHKA , FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2013

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CITY OF WEWAHITCHKA , FLORIDA  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2013

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## INTRODUCTORY SECTION

CITY OF WEWAHITCHKA , FLORIDA

PRINCIPAL LIST OF OFFICIALS

September 30, 2013

MAYOR

Phillip Gaskin

COMMISSION MEMBERS

Charlie Pettis

Ralph Fisher

Jimmy C. Nunery

Tony Justice

CITY CLERK

Connie Parrish

CITY MANAGER

Donald Minchew

CITY ATTORNEY

S. Russell Scholz

FINANCIAL SECTION



**Powell & Jones**  
Certified Public Accountants

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

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To the Honorable Mayor  
And Members of the City Commission  
City of Wewahitchka, Florida

Report on the Financial Statements

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 City of Wewahitchka, Florida (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

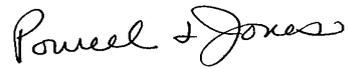
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Wewahitchka's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the City of Wewahitchka's internal control over financial

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wewahitchka 's internal control over financial reporting and compliance.

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

POWELL & JONES  
Certified Public Accounts  
March 20, 2014

CITY OF WEWAHITCHKA , FLORIDA  
Management's Discussion and Analysis

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

#### Report Layout

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

#### *Basic Financial Statements*

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

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

City as a Whole

*Government-wide Financial Statements*

A condensed version of the Statement of Net Position at September 30, 2013, follows:

Net Position at September 30, 2013 and 2012

	Governmental	Business-type	Total Government	
	Activities	Activities	2013	2012
<b>Assets</b>				
Cash and cash equivalents	\$ 1,280,663	\$ 212,404	\$ 1,493,067	\$ 1,250,385
Restricted assets	-	368,600	368,600	319,951
Other assets	-	18,910	18,910	19,483
Capital assets	995,284	7,223,429	8,218,713	7,356,063
Total assets	<u>2,275,947</u>	<u>7,823,343</u>	<u>10,099,290</u>	<u>8,945,882</u>
<b>Liabilities</b>				
Current liabilities	52,033	406,464	458,497	330,622
Long-term liabilities	110,909	1,887,171	1,998,080	1,586,118
Total liabilities	<u>162,942</u>	<u>2,293,635</u>	<u>2,456,577</u>	<u>1,916,740</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	870,718	5,260,812	6,131,530	5,694,961
Restricted for:				
Debt service	-	165,179	165,179	105,717
Renewal and replacement	-	75,068	75,068	74,788
Construction projects	-	53	53	57
Customer deposits	-	11,661	11,661	61,514
City Hall restoration	90,317	-	90,317	60,240
Unrestricted	1,151,970	16,935	1,168,905	1,031,865
Total net position	<u>\$ 2,113,005</u>	<u>\$ 5,529,708</u>	<u>\$ 7,642,713</u>	<u>\$ 7,029,142</u>

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

Restricted assets of \$342,278 consist of earmarked funds for construction in the utility fund, restoration of City Hall, debt service and customer deposits. The remaining balance of unrestricted net assets of \$1,168,905 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by \$619,734 or 9% over the year.

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

A condensed version of the Statement of Activities follows:

Change in Net Position  
For the Fiscal year ended September 30, 2013 and 2012

	Governmental	Business-type	Total Government	
	Activities	Activities	2013	2012
Revenues				
Program revenues				
Charges for services	\$ 36,839	\$ 733,426	\$ 770,265	\$ 834,926
Grants and contributions	-	501,837	501,837	144,471
General revenues				
Taxes	374,549	-	374,549	370,420
Other taxes	303,038	-	303,038	285,001
Intergovernmental	268,646	-	268,646	237,009
Licenses, permits	10,087	-	10,087	10,640
Interest and other	3,395	11,184	14,579	18,061
Total revenues	<u>996,554</u>	<u>1,246,447</u>	<u>2,243,001</u>	<u>1,900,528</u>
Expenses				
General government	300,308	-	300,308	293,082
Public safety	75,204	-	75,204	74,651
Transportation	345,429	-	345,429	353,011
Health	14,358	-	14,358	15,723
Culture/recreation	83,486	-	83,486	111,642
Cemetery	-	7,843	7,843	4,899
Utility	-	737,354	737,354	779,906
Interest on long-term debt	746	64,702	65,448	57,959
Total expenses	<u>819,531</u>	<u>809,899</u>	<u>1,629,430</u>	<u>1,690,873</u>
Change in net assets	177,023	436,548	613,571	209,655
Beginning net assets	1,935,982	5,093,160	7,029,142	6,789,687
Prior period adjustment	-	-	-	29,800
Ending net assets	<u>\$2,113,005</u>	<u>\$5,529,708</u>	<u>\$7,642,713</u>	<u>\$7,029,142</u>

Governmental activities:

Taxes provide 38% of the revenues for Governmental Activities, while state shared revenues provide 27%. Most of the Governmental Activities resources are spent for General Government (38%), Transportation (46%), and Culture/Recreation (8%).

Business-type activities:

Business-type activities increased the City's net assets by \$436,605. Key elements of this increase are as follows:

- Utility revenues during the year totaled \$737,297.

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2013, the City had approximately \$8.2 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities.

Capital Assets at September 30, 2013 and 2012

	Governmental Activities	Business-type Activities	Total Government	
			2013	2012
Land	\$ 182,137	\$ 73,504	\$ 255,641	\$ 122,060
Buildings and improvements	809,159	-	809,159	809,159
Construction in progress	13,826	1,681,527	1,695,353	1,434,906
Property, plant and equipment	1,259,570	8,829,492	10,089,062	9,362,739
Subtotal	2,264,692	10,584,523	12,849,215	11,728,864
Accumulated depreciation	(1,269,408)	(3,361,094)	(4,630,502)	(4,372,801)
Capital assets, net	<u>\$ 995,284</u>	<u>\$ 7,223,429</u>	<u>\$ 8,218,713</u>	<u>\$ 7,356,063</u>

Debt Outstanding

At year-end, the City had \$2,077,650 in debt outstanding versus \$1,703,262 last year, an increase of \$374,388.

Debt Outstanding at September 30, 2013 and 2012

	Governmental Activities	Business-type Activities	Total Government	
			2013	2012
Debt outstanding	<u>\$ 143,786</u>	<u>\$1,933,864</u>	<u>\$2,077,650</u>	<u>\$1,703,262</u>

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

## OTHER FINANCIAL INFORMATION

### Economic Factors and Rates

- The estimated unemployment rate for Gulf County was 6.9%, which is the approximate rate for the City.
- The estimated population for the City in 2013 was 1,980 and is estimated to be approximately the same in 2014.
- The City's ad valorem tax rate for 2013 was 6.000 mills, which was the same and the prior year.

### *City Highlights*

- Continuation of the 6.0 millage rate. the same as the past several years, is expected to be sufficient at this time based on the reserves on hand. Commissioners realize that with the poor economic situation, and with many of the area residents unemployed, raising the ad valorem taxes would be an unnecessary hardship on them. There continues to be some new construction and several property improvements that will add to the ad valorem tax base. The Commissioners were able to produce a balanced budget even with decreased revenues for 2012-2013.
- The City's tap records reflect 8 new residential construction starts or mobile home installations for this fiscal year; city records also show other construction/improvements in the form of 18 site plans.
- The Florida State Revolving Fund Loan through the Florida Department of Environmental Protection approved a grant/loan to upgrade and expand the existing wastewater treatment facility. The projected cost of this is approximately \$2.2 million. Construction by Marshall Brothers Industrial started in May 2013 and is expected to be completed in early 2014.
- Application was made to and approved by the Florida Department of Economic Opportunity (formerly Community Affairs) Community Development Block Grant. (DEO, CDBG) for a grant of \$650,000 to cover the upgrade of the City's ground water storage tank. The construction contract was awarded to The Crom Corporation (Gainesville, FL) after the appropriate bidding process. Construction began June 2012 and was completed in June 2013.
- Rates for water and sewer services were increased in November/December 2008 to cover the growing need of repair and replacement of water and sewer equipment and systems since the largest percentage of the previous systems were installed in 1974 and 1993. Also increased state and federal regulations require additional employee education as well as upgrades in monitoring equipment. No additional

increases have been implemented since 2008 and none are planned until the water and sewer projects presently are completed.

- 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 Florida Department of Environmental Protection (DEP) contacted the City in December 2010 regarding the fuel depot purchased from the County with the Annex property as there was apparently a seepage of fuel from the depot in 1991. DEP has funds available to handle the additional clean-up required and bids were received from several contractors approved by DEP for this purpose. The City awarded the bid and clean-up contract to CDG Engineers & Associates, Inc. (Dothan, AL) in Mar/Apr 2011 at no cost to the City as CDG felt the clean-up can be done within the fund allowance of DEP. CDG Engineers & Associates, Inc. has continued working with DEP to monitor, track and remove any contamination.

In a letter to the City dated March 5, 2014, CDG advised that DEP concurred with their recommendation for the site to be placed under one year of Post Active Remediation monitoring from December 2013 to December 2014 hoping to obtain a "no further action" status for the clean-up. As of this report, CDG has spent \$94,390 of the \$300,000 available from DEP.

- The Florida Department of Environmental Protection (DEP) issued a Consent Order on the City's wastewater treatment facility because of difficulties with the sludge analysis and levels of various chemicals. The City has been working with the engineers of Preble Rish Inc to correct the perceived problems and has progressed substantially with the improvements necessary. DEP requirements have been addressed and the fine has been paid in the amount of \$23,291 (2008-2009 FY). The initial fine had been \$72,000 and was reduced by the timely corrective efforts of city staff, city attorney and city engineers.

The wastewater facility upgrades in process as listed above will also alleviate future potential problems with the existing facility. Construction on the new wastewater facility was started in May 2013 and is expected to be completed in 2014. The City expects the Consent Order to be satisfied when the new facility comes on line.

- Buckhorn Cemetery, 20 acres owned by the City and located north of the City limits continues to have lot sales generating income for the cemetery upkeep. The City accepted the maintenance of Jehu Cemetery from a private corporation, located on Jehu Road just within City limits on the north end of town, several years ago and continues to receive a small annual fee from various lot owners for the continued

upkeep of the cemetery grounds. Only a few lots are owned by the City which are only available to the indigent.

- Florida Fish & Wildlife Conservation Commission under the Florida Boating Improvement Program approved a grant to build a boat ramp at Lake Alice Park, a freshwater lake inside the City limits. The boat ramp area is named "Preacher" Glass Park & Boat Ramp" in honor of City Chief of Police Jonathan H. "Preacher" Glass who served from 1969 to 1985. The lake itself has been used by many area children and teenagers to learn to swim, water ski and/or operate a boat. The construction contract was awarded to IC Contractors (Panama City, Florida) and was started in August 2013 and is expected to be completed in 2014.

The only major capital project completed during the current fiscal year was the ground water storage tank. The large sewer expansion projects involving grant/loan funds from various agencies as mentioned under the "*City Highlights*" section are progressing steadily.

#### *Economic Factors and Next Year's Budget and Rates.*

The City's elected and appointed officials considered many factors when adopting the fiscal year end 2013 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 last increased the utility rates in November 2008.

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

There are no ad valorem millage increases contemplated for fiscal year 2013-2014 due to continued new construction and property improvements within city limits that continue to add to the existing tax base and the fact that city officials balanced a very tight budget within the prevailing poor economic conditions.

Water Capacity Facilities Charges were passed in October 2007 which will affect new construction after January 1, 2008. This will 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. Commissioners did not feel it was fair for existing customers to have to pay for the construction of facilities for service provided new customers. These charges have been placed on hold for the time being because of economic conditions curtailing the development of new subdivisions and the fact that home owners are improving existing property rather than constructing new homes.

#### Financial Contact

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

## Financial Contact

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

## BASIC FINANCIAL STATEMENTS

CITY OF WEWAHITCHKA, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2013

	Governmental Activities	Business - type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,183,437	\$ 159,202	\$ 1,342,639
Accounts receivable, net	38,100	53,157	91,257
Due from other governmental units	58,927	-	58,927
Due from other funds	199	45	244
Total current assets	<u>1,280,663</u>	<u>212,404</u>	<u>1,493,067</u>
Restricted assets:			
Bond interest and sinking	-	165,179	165,179
Renewal and replacement	-	75,068	75,068
Construction projects	-	53	53
Customer deposits	-	128,300	128,300
Total restricted assets	<u>-</u>	<u>368,600</u>	<u>368,600</u>
Non-current assets:			
Other assets	-	18,910	18,910
Capital assets, net	995,284	7,223,429	8,218,713
Total non-current assets	<u>995,284</u>	<u>7,242,339</u>	<u>8,237,623</u>
Total assets	<u>2,275,947</u>	<u>7,823,343</u>	<u>10,099,290</u>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	19,133	169,416	188,549
Due to other funds	23	221	244
Accrued liabilities	7,688	8,899	16,587
Total current liabilities (payable from current assets)	<u>26,844</u>	<u>178,536</u>	<u>205,380</u>
Current liabilities (payable from restricted assets):			
Notes payable, current portion	-	18,795	18,795
Accrued interest payable	-	22,494	22,494
Customer deposits	-	116,639	116,639
Bond payable, current	-	19,000	19,000
Bond payable, matured	-	51,000	51,000
Loan payable	25,189	-	-
Total current liabilities (payable from restricted assets)	<u>25,189</u>	<u>227,928</u>	<u>227,928</u>
Total current liabilities	<u>52,033</u>	<u>406,464</u>	<u>458,497</u>

CITY OF WEWAHITCHKA, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2013

(continued)	Governmental Activities	Business - type Activities	Total
Long-term liabilities			
Accrued compensated absences	11,532	13,349	24,881
Notes payable, less current portion	-	668,842	668,842
Bond payable	-	1,204,980	1,204,980
Loan payable	99,377	-	99,377
Total long-term liabilities	<u>110,909</u>	<u>1,887,171</u>	<u>1,998,080</u>
Total liabilities	<u>162,942</u>	<u>2,293,635</u>	<u>2,456,577</u>
NET POSITION			
Invested in long-term assets, net of related debt	\$ 870,718	\$ 5,260,812	\$ 6,131,530
Restricted for:			
Debt service	-	165,179	165,179
Renewal and replacement	-	75,068	75,068
Construction projects	-	53	53
Customer deposits	-	11,661	11,661
City Hall restoration	90,317	-	90,317
Unrestricted	1,151,970	16,935	1,168,905
Total net position	<u>\$ 2,113,005</u>	<u>\$ 5,529,708</u>	<u>\$ 7,642,713</u>

CITY OF WEWAHITCHKA, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Functions/Programs</u>							
Governmental activities							
General government	\$ 300,308	\$ -	\$ -	\$ -	\$ (300,308)	\$ -	\$ (300,308)
Public safety	75,204	-	-	-	(75,204)	-	(75,204)
Transportation	345,429	36,839	-	-	(308,590)	-	(308,590)
Culture and recreation	83,486	-	-	-	(83,486)	-	(83,486)
Health and welfare	14,358	-	-	-	(14,358)	-	(14,358)
Interest on long term debt	746	-	-	-	(746)	-	(746)
Total governmental activities	<u>819,531</u>	<u>36,839</u>	<u>-</u>	<u>-</u>	<u>(782,692)</u>	<u>-</u>	<u>(782,692)</u>
Business-type activities							
Utility services	737,354	721,686	-	501,837	-	486,169	486,169
Cemetery services	7,843	11,740	-	-	-	3,897	3,897
Interest in long-term debt	64,702	-	-	-	-	(64,702)	(64,702)
Total business-type activities	<u>809,899</u>	<u>733,426</u>	<u>-</u>	<u>501,837</u>	<u>-</u>	<u>425,364</u>	<u>425,364</u>
Total government	<u>\$ 1,629,430</u>	<u>\$ 770,265</u>	<u>\$ -</u>	<u>\$ 501,837</u>	<u>(782,692)</u>	<u>425,364</u>	<u>(357,328)</u>
			General revenues				
			Property taxes		374,549	-	374,549
			Other taxes		303,038	-	303,038
			Intergovernmental		268,646	-	268,646
			Licenses and permits		10,087	-	10,087
			Interest		1,507	628	2,135
			Sale of surplus		663	-	663
			Other fees and miscellaneous		1,225	10,556	11,781
			Total general revenues		<u>959,715</u>	<u>11,184</u>	<u>970,236</u>
			Change in net position		177,023	436,548	613,571
			Net position - beginning		1,935,982	5,093,160	7,029,142
			Net position - ending		<u>\$ 2,113,005</u>	<u>\$ 5,529,708</u>	<u>\$ 7,642,713</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET  
September 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,183,437
Accounts receivable	38,100
Due from other governmental units	58,927
Due from other funds	199
Total assets	<u>1,280,663</u>
<b>LIABILITIES</b>	
Accounts payable	19,133
Due to other funds	23
Total liabilities	<u>19,156</u>
<b>FUND BALANCES</b>	
Committed - City Hall restoration	90,317
Unassigned	1,171,190
Total fund balances	<u>1,261,507</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	995,284
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(143,786)
Net position of governmental activities	<u><u>\$ 2,113,005</u></u>

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended September 30, 2013

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 374,549
Other taxes	303,038
Intergovernmental	268,646
Licenses and permits	10,087
Charges for service	36,839
Interest	1,507
Sale of surplus	663
Other fees and miscellaneous	1,225
Total revenues	<u>996,554</u>
EXPENDITURES	
Current	
General government	282,378
Public safety	54,832
Transportation	335,871
Culture and recreation	57,246
Health and welfare	14,358
Capital outlay	
Culture and recreation	147,407
Debt service	
Principal	6,232
Interest	746
Total expenditures	<u>899,070</u>
Excess of revenues over expenditures	97,484
OTHER FINANCING SOURCES	
Loan proceeds	130,798
Total other financing sources	<u>130,798</u>
Net change in fund balance	228,282
Fund balance at beginning of year	1,033,225
Fund balance at end of year	<u>\$ 1,261,507</u>

CITY OF WEWAHITCHKA, FLORIDA

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

For the Fiscal Year Ended September 30, 2013

Net change in fund balance - total governmental funds		\$	97,484
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures			
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	\$	147,407	
Less current year depreciation		<u>(69,967)</u>	
			77,440
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Decrease in compensated absences			(4,133)
Repayment of notes are expenditures in the governmental funds, but the repayment reduces long-time liabilities in the statement of net assets			
Note principal payments			<u>6,232</u>
Change in net position of governmental activities		\$	<u><u>177,023</u></u>

CITY OF WEWAHITCHKA, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 September 30, 2013

	Utilities Fund	Cemetery Fund	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 99,154	\$ 60,048	\$ 159,202
Accounts receivable, net	52,957	200	53,157
Due from other funds	23	22	45
Total current assets	<u>152,134</u>	<u>60,270</u>	<u>212,404</u>
Restricted cash and cash equivalents			
Bond interest and sinking	165,179	-	165,179
Renewal and replacement	75,068	-	75,068
Construction projects	53	-	53
Customer deposits	128,300	-	128,300
Total restricted cash and cash equivalents	<u>368,600</u>	<u>-</u>	<u>368,600</u>
Noncurrent assets			
Other assets	18,910	-	18,910
Fixed assets			
Land	15,675	57,829	73,504
Construction in progress	1,681,527	-	1,681,527
Property, plant and equipment	8,812,672	16,820	8,829,492
Allowance for depreciation	(3,348,766)	(12,328)	(3,361,094)
Total fixed assets	<u>7,161,108</u>	<u>62,321</u>	<u>7,223,429</u>
Total noncurrent assets	<u>7,180,018</u>	<u>62,321</u>	<u>7,242,339</u>
Total assets	<u>\$ 7,700,752</u>	<u>\$ 122,591</u>	<u>\$ 7,823,343</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 165,668	\$ 3,748	\$ 169,416
Due to other funds	221	-	221
Compensated absences	8,899	-	8,899
Note payable, current portion	18,795	-	18,795
Accrued interest payable	22,494	-	22,494
Customer deposits	116,639	-	116,639
Bond payable, current	19,000	-	19,000
Bond payable, matured	51,000	-	51,000
Total current liabilities	<u>402,716</u>	<u>3,748</u>	<u>406,464</u>
Long-term liabilities			
Accrued compensated absences	13,349	-	13,349
Note payable, less current portion	668,842	-	668,842
Bond payable	1,204,980	-	1,204,980
Total long-term liabilities	<u>1,887,171</u>	<u>-</u>	<u>1,887,171</u>
Total liabilities	<u>2,289,887</u>	<u>3,748</u>	<u>2,293,635</u>

(continued)

CITY OF WEWAHITCHKA, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 September 30, 2013

	Utilities Fund	Cemetery Fund	Total
NET POSITION			
Invested in capital assets, net of related debt	\$ 5,198,491	\$ 62,321	\$ 5,260,812
Restricted for:			
Debt service	165,179	-	165,179
Renewal and replacement	75,068	-	75,068
Construction projects	53	-	53
Customer deposits	11,661	-	11,661
Unrestricted (deficit)	(39,587)	56,522	16,935
Total net position	5,410,865	118,843	5,529,708
Total liabilities and net position	\$ 7,700,752	\$ 122,591	\$ 7,823,343

CITY OF WEWAHITCHKA, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
 For the Fiscal Year Ended September 30, 2013

	Utilities Fund	Cemetery Fund	Total
<b>OPERATING REVENUES</b>			
Water sales	\$ 260,111	\$ -	\$ 260,111
Sewer fees	267,490	-	267,490
Garbage fees	171,079	-	171,079
Lot sales	-	11,740	11,740
Tap fees	2,870	-	2,870
Late charges	20,136	-	20,136
Miscellaneous income	9,946	610	10,556
Total operating revenues	<u>731,632</u>	<u>12,350</u>	<u>743,982</u>
<b>OPERATING EXPENSES</b>			
Personnel services	172,344	-	172,344
Services and supplies	209,179	500	209,679
Utilities	44,792	162	44,954
Meters, tap services and testing	12,970	-	12,970
Repairs and maintenance	48,951	4,749	53,700
Fuel and oil	9,708	-	9,708
Other operating expenses	37,809	973	38,782
Capital outlay	-	-	-
Depreciation and amortization	201,388	1,315	202,703
Miscellaneous expenses	213	144	357
Total operating expenses	<u>737,354</u>	<u>7,843</u>	<u>745,197</u>
Total operating income (loss)	<u>(5,722)</u>	<u>4,507</u>	<u>(1,215)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capital grant	501,837	-	501,837
Interest earnings	545	83	628
Interest expense	(64,702)	-	(64,702)
Total nonoperating revenues (expenses)	<u>437,680</u>	<u>83</u>	<u>437,764</u>
Net income	431,958	4,590	436,548
Net position, beginning of year	4,978,907	114,253	5,093,160
Net position, end of year	<u>\$ 5,410,865</u>	<u>\$ 118,843</u>	<u>\$ 5,529,708</u>

CITY OF WEWAHITCHKA, FLORIDA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2013

	Utilities Fund	Cemetery Fund	Total
Cash flows from operating activities:			
Cash received from customers, including cash deposits	\$ 742,628	\$ 12,350	\$ 754,978
Cash paid to suppliers	(250,272)	(2,791)	(253,063)
Cash paid to employees	(177,169)	-	(177,169)
Net cash provided by operating activities	<u>315,187</u>	<u>9,559</u>	<u>324,746</u>
Cash flows from non-capital related financing activities:			
Loan to other funds	(20,301)	-	(20,301)
Loan from other funds	11	-	11
Net cash used for non-capital related financing activities	<u>(20,290)</u>	<u>-</u>	<u>(20,290)</u>
Cash flows from capital and related financing activities:			
Grant receipts	519,814	-	519,814
Loan proceeds	350,523	-	350,523
Principal payments	(49,008)	-	(49,008)
Interest payments	(58,569)	-	(58,569)
Acquisition and construction of capital assets	(987,339)	-	(987,339)
Net cash used for capital and related financing activities	<u>(224,579)</u>	<u>-</u>	<u>(224,579)</u>
Cash flows from investing activities:			
Investment income	545	83	628
Net cash provided by investing activities	<u>545</u>	<u>83</u>	<u>628</u>
Net increase in cash	70,863	9,642	80,505
Cash, at beginning of year	<u>396,891</u>	<u>50,406</u>	<u>447,297</u>
Cash, at end of year	<u>\$ 467,754</u>	<u>\$ 60,048</u>	<u>\$ 527,802</u>

CITY OF WEWAHITCHKA, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES  
 For the Fiscal Year Ended September 30, 2013

	Utilities Fund	Cemetery Fund	Total
Operating income (loss)	\$ (5,722)	\$ 4,507	\$ (1,215)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	201,388	1,315	202,703
Changes in assets decrease (increase) and liabilities (decrease) increase:			
Accounts receivable, net	5,841	-	5,841
Accounts payable	113,351	3,737	117,088
Compensated absences	(4,825)	-	(4,825)
Customer deposits	5,154	-	5,154
Total adjustments	320,909	5,052	325,961
 Net cash provided by operating activities	 \$ 315,187	 \$ 9,559	 \$ 324,746

CITY OF WEWAHITCHKA , FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

1. Government -wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Major Funds:  
General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. Proprietary Major Funds:  
Utilities Fund – The Utilities Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, waste water, and sanitation services.  
  
Cemetery Fund - The Cemetery Fund accounts for the revenues, expenses, assets and liabilities association with the City owned and maintained cemetery.
3. Non-current Governmental Assets/Liabilities:  
GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net assets.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments – Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
2. Allowance for Doubtful Accounts - As applicable year-to-year, the City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2013, there was an allowance for doubtful accounts for utility billings of \$5,000.
3. Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

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

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

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

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

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

9. Cash Equivalents – The City's cash at September 30, 2013, consists of legally authorized deposits in institutions which are certified as Qualified Public Depositories under the Florida public Deposits Act. Therefore, the City's cash at September 30, 2013, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. At year end the City's cash totaled \$1,342,639, and consisted of checking accounts, certificates of deposit, and money market accounts in a local bank.
10. Prepaid Items – As applicable year to year, significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2013, are recorded as prepaid items.
11. Bond Discounts and Issue Costs – In the Proprietary Fund, bond discounts, premiums, and issue costs are amortized over the term of the bonds using the straight-line method which, for the bond discounts and premiums, is not materially different than the effective interest method. Unamortized bond discounts and premiums are presented in the financial statements as reductions/additions in bond payable and unamortized bond issue costs as deferred charges.
12. Short-term Interfund Receivable/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."
13. Inventories - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
14. Fund Balances /Net Position

A. Governmental Funds

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City

Commission is the highest level of decision making authority for the City. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the City Commission .

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

Unassigned – all other spendable amounts.

As of September 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>
Committed, City Hall restoration	\$ 90,317
Unassigned	1,171,190
	<u>\$ 1,261,507</u>

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

B. Proprietary Funds

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

As of September 30, 2013, net assets are composed of the following:

	<u>Purpose</u>	<u>Amount</u>
Invested in capital assets, net		\$5,260,812
Restricted for:	Debt service	165,179
	Renewal and replacement	75,068
	Construction projects	53
	Customer deposits	11,661
Unrestricted		16,935
		<u>\$5,529,708</u>

15. Proprietary Activity Accounting and Financial Reporting - The City applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 10, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB's).

16. Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

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

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

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

"Total fund balances" of the City's governmental funds \$1,261,507 differs from "net assets" of governmental activities \$2,113,005 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$2,264,692
Accumulated depreciation	(1,269,408)
Total	<u>\$ 995,284</u>

Long-term debt transactions

Long-term liabilities to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2013 were:

Compensated absences	\$ (19,220)
Note payable	(124,566)
	<u>\$(143,786)</u>

CITY OF WEWAHITCHKA, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long - Term Debt Transactions	Statement of Net Assets
<b>ASSETS</b>				
Cash	\$ 1,183,437	\$ -	\$ -	\$ 1,183,437
Accounts receivable	38,100	-	-	38,100
Due from other governmental units	58,927	-	-	58,927
Due from other funds	199	-	-	199
Capital asset - net	-	995,284	-	995,284
<b>Total assets</b>	<b>\$ 1,280,663</b>	<b>\$ 995,284</b>	<b>\$ -</b>	<b>\$ 2,275,947</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 19,133	\$ -	\$ -	\$ 19,133
Loan payable	-	-	124,566	124,566
Due to other funds	23	-	-	23
Compensated absences	-	-	19,220	19,220
<b>Total liabilities</b>	<b>19,156</b>	<b>-</b>	<b>143,786</b>	<b>162,942</b>
<b>Fund balance/net position</b>	<b>1,261,507</b>	<b>995,284</b>	<b>(143,786)</b>	<b>2,113,005</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 1,280,663</b>	<b>\$ 995,284</b>	<b>\$ -</b>	<b>\$ 2,275,948</b>

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

The "net change in fund balances" for governmental funds \$97,484 differs from the "change in net position" for governmental activities \$177,023 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 147,407
Depreciation expense	(69,967)
Total	<u>\$ 77,440</u>

Compensated absences

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

Net increase in compensated absences	<u>\$ (4,133)</u>
--------------------------------------	-------------------

Long-term debt transactions

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

Debt principal payments made	<u>\$ 6,232</u>
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CITY OF WEWAHITCHKA, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Property taxes, levied for general purposes	\$ 374,549	\$ -	\$ -	\$ 374,549
Other taxes	303,038	-	-	303,038
Intergovernmental	268,646	-	-	268,646
Licenses and permits	10,087	-	-	10,087
Charges for service	36,839	-	-	36,839
Interest	1,507	-	-	1,507
Sale of surplus	663	-	-	663
Other fees and miscellaneous	1,225	-	-	1,225
Total revenues	<u>996,554</u>	<u>-</u>	<u>-</u>	<u>996,554</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	282,378	14,748	3,182	300,308
Public safety	54,832	20,372	-	75,204
Transportation	335,871	8,690	868	345,429
Culture and recreation	57,246	26,157	83	83,486
Health and welfare	14,358	-	-	14,358
Capital outlay				-
Culture and recreation	147,407	(147,407)	-	-
Debt service				
Principal	6,232	-	(6,232)	-
Interest	746	-	-	746
Total expenditures	<u>899,070</u>	<u>(77,440)</u>	<u>(2,099)</u>	<u>819,531</u>
Excess of revenues over (under) expenditures	<u>97,484</u>	<u>77,440</u>	<u>2,099</u>	<u>177,023</u>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	130,798	-	(130,798)	-
Total other financing sources	<u>130,798</u>	<u>-</u>	<u>(130,798)</u>	<u>-</u>
Net change in fund balance	228,282	77,440	(128,699)	177,023
Fund balance at beginning of year	1,033,225	917,844	(15,087)	1,935,982
Fund balance at end of year	<u>\$ 1,261,507</u>	<u>\$ 995,284</u>	<u>\$ (143,786)</u>	<u>\$ 2,256,791</u>

NOTE 3. LEGAL COMPLIANCE --BUDGETS

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

1. Prior to September 1, the City Commission develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Commission.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations which were amended.
6. The following is a comparison of the appropriations to total expenditures for the general fund for the fiscal year ended September 30, 2013:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Positive Variance</u>
Primary government			
General fund:	\$ 919,919	\$ 892,964	\$ 26,955

NOTE 4. DEPOSITS AND INVESTMENTS

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

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2012-2013 fiscal year were levied in October 2012. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 48,556	\$ 133,581	\$ -	\$ 182,137
Buildings and improvements	809,159	-	-	809,159
Construction in progress	-	13,826	-	13,826
Improvements other than buildings	606,667	-	-	606,667
Furniture and equipment	652,903	-	-	652,903
Total capital assets	<u>2,117,285</u>	<u>147,407</u>	<u>-</u>	<u>2,264,692</u>
Less accumulated depreciation				
Buildings and improvements	(242,614)	(18,615)	-	(261,229)
Improvements other than buildings	(368,151)	(18,824)	-	(386,975)
Furniture and equipment	(588,676)	(32,528)	-	(621,204)
Total accumulated depreciation	<u>(1,199,441)</u>	<u>(69,967)</u>	<u>-</u>	<u>(1,269,408)</u>
Governmental activities capital assets, net	<u>\$ 917,844</u>	<u>\$ 77,440</u>	<u>\$ -</u>	<u>\$ 995,284</u>
<u>Business-type activities:</u>				
Land	\$ 73,504	\$ -	\$ -	\$ 73,504
Construction in progress	1,434,906	468,102	(221,481)	1,681,527
Property, plant and equipment	8,103,169	740,719	(14,396)	8,829,492
Total capital assets	<u>9,611,579</u>	<u>1,208,821</u>	<u>(235,877)</u>	<u>10,584,523</u>
Less accumulated depreciation	<u>(3,173,361)</u>	<u>(202,129)</u>	<u>14,396</u>	<u>(3,361,094)</u>
Business-type activities capital assets, net	<u>\$ 6,438,218</u>	<u>\$ 1,006,692</u>	<u>\$ (221,481)</u>	<u>\$ 7,223,429</u>

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

Governmental activities:	
General government	\$ 14,748
Public safety	20,372
Transportation	8,690
Culture/recreation	26,157
Total depreciation expense - governmental activities	<u>\$ 69,967</u>
Business -type activities:	
Utility	\$ 200,815
Cemetery	1,314
	<u>\$ 202,129</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2013.

Fund	Interfund Receivables	Interfund Payables
General	\$ 199	\$ 23
Utilities	23	221
Cemetery	22	-
	<u>\$ 244</u>	<u>\$ 244</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2013, were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	\$ 38,100	\$ 58,927	\$ 97,027
Business-type activities:			
Utility	52,957	-	52,957
Cemetery	200	-	200
	<u>\$ 91,257</u>	<u>\$ 58,927</u>	<u>\$ 150,184</u>

Payables

Payables at September 30, 2013, were as follows:

	Vendors
Governmental activities:	
General	\$ 19,133
Business-type activities:	
Utilities	165,668
Cemetery	3,748
	<u>\$ 188,549</u>

NOTE 9. LONG-TERM DEBT

Governmental Activities

A summary of all long-term debt associated with governmental activities of the City as of September 30, 2013, follows:

## Summary of Changes in Governmental Activities Long-term Liabilities

The following summarized the changes in the City's governmental long-term liabilities during the period ended September 30, 2013.

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 15,087	\$ 21,036	\$ (16,903)	\$ 19,220	\$ 7,688
Centennial Bank	-	130,798	(6,232)	124,566	25,189
	<u>\$ 15,087</u>	<u>\$ 151,834</u>	<u>\$ (23,135)</u>	<u>\$ 143,786</u>	<u>\$ 32,877</u>

Centennial Bank Loan – On June 13, 2013, the City entered into a loan agreement with Centennial Bank for \$130,798 for the purpose of purchasing recreational land. This loan is payable over sixty months, with monthly payments of \$2,326, including interest of 2.55%.

Assuming maintenance of the current interest rate, debt service requirements to maturity including interest of \$7,816 are as follows:

Fiscal Year Ending September 30,	
2014	\$ 27,915
2015	27,915
2016	27,915
2017	27,915
2018	20,722
	<u>\$ 132,382</u>

### Business-type Activities

- A. Hancock Bank Capital Revenue Note, Series 2007 – On April 10, 2007, the City entered into a loan agreement with Hancock Bank for \$100,000 for the purpose of financing the expansion of its water and sewer systems. The loan requires monthly interest only payments during the construction phase, and commencing May 1, 2008 monthly payments of \$1,863 including an interest rate of 4.47%. The net revenues of the utility stream are pledged as collateral for this loan. During the fiscal year ended, the City repaid the note in full.
- B. Vision Bank, Line of Credit – On October 6, 2010 the City received a line of credit loan from Vision Bank in the amount of \$150,000 with a term of one year, maturing on October 6, 2011. The funds are to be utilized in supplementing reimbursements of payment for the upgrade to the City's wastewater treatment facilities. This loan is payable on demand with 12 monthly interest payments at 3.25%. Outstanding principal balance as of September 30, 20131 was \$30,339, including \$129 of interest, due October 6, 2011. This loan is secured by Florida State Appropriations (CBIRS). This line of credit was paid in full during the current year.

- C. State Revolving Loan (SRL) – On February 20, 2013 the City obtained a loan from the Florida Department of Environmental Protection in the amount of \$2,115,000 under the State Revolving Loan Program. The proceeds are being used for the purpose of upgrading and expanding the wastewater treatment plant. The current loan requires semi-annual payments of \$61,669, including interest of 1.25%. \$350,795 has been drawn to date under this loan. Once fully drawn payments will be made as follows, including interest of \$228,422.

Fiscal Year Ending September 30,	
2014	\$ -
2015	123,338
2016	123,338
2017	123,338
2018	123,338
2019-2023	616,690
2024-2028	616,690
2029-2033	616,690
	<u>\$2,343,422</u>

- D. State Revolving Loan (SRL) – On August 24, 2006, the City obtained a loan from the Florida Department of Environmental Protection in the amount of \$1,166,121, and on April 9, 2009 amended the agreement to decrease the loan amount by \$766,841 to \$399,280 under the State Revolving Loan Program. As of September 30, 2013 the total due was \$338,777, including capitalized interest and service charges. The proceeds were used for the purpose of expansion and upgrade of the wastewater treatment plant and disposal system with a new collection system. The current loan requires 40 semi-annual payments of \$12,653 including interest of 1.96%. The loan is collateralized by net revenues of the utility fund.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$55,387 are as follows:

Fiscal Year Ending September 30,	
2014	\$ 25,305
2015	25,305
2016	25,305
2017	25,305
2018	25,305
2019-2023	126,526
2024-2028	126,526
2029	12,652
	<u>\$ 392,229</u>

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

Debt service requirements to maturity, including interest of \$982,707 are as follows:

Fiscal Year Ending September 30,	
2014	\$ 68,737
2015	68,995
2016	69,211
2017	68,386
2018	68,561
2019-2023	275,137
2024-2028	344,133
2029-2033	344,133
2034-2038	344,790
2039-2043	344,249
2044-2046	210,355
	<u>\$ 2,206,687</u>

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

Restricted cash account balances relating to the bond issues and notes payable in the proprietary funds as September 30, 2013, are as follows:

	2008 SRF	2007 Bond Issue	Total
Sinking fund - principal and interest	\$ 15,050	\$ 38,385	\$ 53,435
Reserve account	78,804	32,940	111,744
	<u>\$ 93,854</u>	<u>\$ 71,325</u>	<u>\$ 165,179</u>

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

	Balance 9/30/2012	Additions	Deductions	Balance 9/30/13	Due Within One Year
Business-type Activities					
Note payable and other liabilities:					
Hancock Bank	\$ 12,848	\$ -	\$ (12,848)	\$ -	\$ -
State Revolving Loan	355,274	-	(18,432)	336,842	18,795
State Revolving Loan	-	350,795	-	350,795	-
Compensated absences	27,073	13,900	(18,726)	22,247	8,899
Bonds payable:					
Water and Sewer Revenue Bonds	1,241,980	-	(18,000)	1,223,980	19,000
	<u>\$ 1,637,175</u>	<u>\$ 364,695</u>	<u>\$ (68,006)</u>	<u>\$ 1,933,864</u>	<u>\$ 46,694</u>

**NOTE 10. WATERWORKS SYSTEM BONDS PAYABLE AND OTHER DEBT**

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

**NOTE 11. INTERLOCAL AGREEMENTS**

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

A service agreement exists between the City and the Sheriff of Gulf County, Florida, whereby the Sheriff of Gulf County provides daily law enforcement protection within the City. The City pays the Sheriff, through the Board of County Commissioners of Gulf County, the sum of \$2,800 per month in consideration of these services. As additional consideration, law enforcement education funds collected for the City and cash or property forfeited have been assigned to the Sheriff.

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

The City entered into an Interlocal agreement in October, 2009 with the Gulf County Board of County Commissioners whereby the County levies a one-cent small county surtax and 50 percent of the revenues are utilized for county-wide healthcare with the remaining 50 percent distributed to the County and cities in accordance with Section 218.62, *Florida Statutes*.

**NOTE 12. RETIREMENT SYSTEM**

Employees who have completed the year of service with the City participate in a Money Purchase Pension Plan (a defined contribution plan administered by the Florida League of Cities). Payments amounting to 5% of the gross salaries of each eligible employee are made by the City. During the fiscal years ended September 30, 2013, 2012 and 2011, retirement expense was \$18,295, \$20,958, and 20,532, respectively. At September 30, 2013, 2012 and 2011 the net assets in the plan available for participants' benefits were \$380,186, \$419,160, and \$380,960, respectively.

40% vesting occurs after four service years and increase 10% per year thereafter with full vesting occurring upon reaching ten years in the plan. The accounts of non-vested terminated employees are forfeited and can be used to reduce the current year contributions. The liability for future benefit payments remains with the plan, and the City's funding policy is to make contributions equal to annual pension cost incurred. Under the provisions of the retirement plan, a maximum contribution of 25% of an employee's annual pay may be made. Benefits consist of the individual account balances.

**NOTE 13. RELATED PARTY TRANSACTIONS**

During the year the City had transactions with related parties. Payments that totaled \$9,650 were made to two businesses owned by a Commission member for building supplies and construction work. Other payments in the amount of \$1,080 were made to a business owned by another Commission member for pest control services. In accordance with City policy, these contracts were awarded based upon competitive bids, with the related parties abstaining from voting on the awards.

**NOTE 14. CONTINGENCIES AND COMMITMENTS**

At September 30, 2013, the City has an ongoing agreement for engineering services related to the wastewater treatment facility.

There is a contingent liability due to the fact that all possible applicable regulatory audits have not been completed for the fiscal year ended September 30, 2013. Under provisions of the funding agreements, any eventual expenditure determined to be not in compliance with grant regulations would be subject to repayment by the City. The City's administration believes that all expenditures were significantly in compliance with appropriate grant regulations.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent to the year end, commencing on October 1, 2012, the City entered into a new lease agreement for a new copier with Panama Business Machines. Lease payments equal \$132 for 48 months. A schedule of lease payments for the term of the lease follows:

Fiscal Year Ending September 30,	
2014	\$ 1,586
2015	1,586
2016	1,586
	<u>\$ 4,758</u>

**NOTE 11. RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance converges for the past three years. There has been no reduction in insurance coverage from the previous year.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WEWAHITCHKA, FLORIDA  
GOVERNMENTAL FUND  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes, levied for general purposes	\$ 352,101	\$ 374,549	\$ 22,448
Other taxes	246,300	303,038	56,738
Intergovernmental	231,401	268,646	37,245
Licenses and permits	11,000	10,087	(913)
Charges for service	36,912	36,839	(73)
Interest	1,000	1,507	507
Sale of surplus	-	663	663
Other fees and miscellaneous	600	1,225	625
Total revenues	<u>879,314</u>	<u>996,554</u>	<u>117,240</u>
<b>EXPENDITURES</b>			
Current			
General government	359,099	282,378	76,721
Public safety	84,016	54,832	29,184
Transportation	381,911	335,871	46,040
Culture and recreation	78,568	57,246	21,322
Health and welfare	16,325	14,358	1,967
Capital outlay	-	-	-
Culture and recreation	-	147,407	(147,407)
Debt service	-	-	-
Principal	-	6,232	(6,232)
Interest	-	746	(746)
Total expenditures	<u>919,919</u>	<u>899,070</u>	<u>20,849</u>
Excess of revenues over expenditures	<u>(40,605)</u>	<u>97,484</u>	<u>138,089</u>
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	-	130,798	130,798
Total other financing sources	<u>-</u>	<u>130,798</u>	<u>130,798</u>
Net change in fund balance	(40,605)	228,282	268,887
Fund balance at beginning of year	1,033,225	1,033,225	-
Fund balance at end of year	<u>\$ 992,620</u>	<u>\$ 1,261,507</u>	<u>\$ 268,887</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended September 30, 2013

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CFSA#</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Received or Receivable</u>	<u>Expenditures</u>
Federal Financial Assistance						
Major programs						
U.S. Department of Housing and Urban Development						
Passed through the Florida Department of Economic Opportunity						
Small Cities Community Development Block Grant	14.228	12DB-OH-02-33-02-N-11	\$650,000	\$ 144,471	\$ 501,837	\$ 501,837
Non-major programs						
US Department of the Interior						
Passed through the Florida Fish and Wildlife Conservation Commission						
Sport Fishing Restoration Program	15.605	10234	149,993	-	130,798	13,826
			<u>\$799,993</u>	<u>\$ 144,471</u>	<u>\$ 632,635</u>	<u>\$ 515,663</u>
Total federal awards						
State Financial Assistance						
Non-major programs						
Florida						
Department of Environmental Protection						
Capitalization Grants for State Revolving Fund:						
Loan:	37.077	WW230200	\$ 2,115,000	\$ -	\$ 350,523	\$ -
Non-major programs						
<i>Florida Fish and Wildlife Conservation Commission</i>						
Florida Boating Improvement Program	15.605	10234	44,823	-	-	-
Total State Financial Assistance			<u>\$ 2,159,823</u>	<u>\$ -</u>	<u>\$ 350,523</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

CITY OF WEWAHITCHA, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Wewahithka, Florida, (the "City") have been designed to conform to generally accepted accounting principles applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

! Reporting Entity

This reporting entity consists of the City of Wewahithka, Florida. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

! Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 40 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

! Loan Proceeds

As required by OMB Circular A-133, any federal loan proceeds drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards.

COMPLIANCE SECTION

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and each major fund of the City of Wewahitchka, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Wewahitchka, Florida's basic financial statements, and have issued our report thereon dated March 20, 2014.

#### Internal Control Over Financial Reporting

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

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

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

#### Finding 2011-1 (Included in second preceding year) Financial Statement Preparation

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

Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

#### MANAGEMENT'S RESPONSE

*We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both the Mayor and City Commission review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Commission.*

*At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future,.*

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

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

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

#### Compliance and Other Matters

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

## Purpose of this Report

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

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

POWELL & JONES  
Certified Public Accountants  
March 20, 2014

CITY OF WEWAHITCHKA, FLORIDA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Our prior audit noted the following deficiencies in internal control:

2011-1

SEGREGATION OF DUTIES FINDING 05-01 – 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.

CURRENT STATUS

During the current year, this finding was resolved to the greatest extent feasible by implementation of compensating procedures.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited The City of Wewahitchka, Florida's (the City) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The City of Wewahitchka, Florida's major federal programs for the fiscal year ended September 30, 2013. The City of Wewahitchka, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The City of Wewahitchka, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about The City of Wewahitchka, Florida'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 on compliance for each major federal program. However, our audit does not provide a legal determination of The City of Wewahitchka, Florida's compliance.

Opinion on Each Major Federal Program

In our opinion, The City of Wewahitchka, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

## Report on Internal Control Over Compliance

Management of The City of Wewahitchka, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The City of Wewahitchka, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Wewahitchka, Florida's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



POWELL & JONES  
Certified Public Accountants  
March 20, 2014

CITY OF WEWAHITCHKA, FLORIDA

SCHEDULE OF FINDINGS  
For the Fiscal Year Ended September 30, 2013

Summary of Auditor's Results

A. Financial Statements

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued:                                       | Unqualified   |
| 2. Internal control over financial reporting                              |               |
| ? Material weakness identified?   | No            |
| ? Reportable condition identified and considered to be material weakness? | None reported |
| 3. Noncompliance material to financial statements:                        | None reported |

B. Federal Awards

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| ? Material weakness identified?   | No            |
| ? Reportable condition identified not considered to be material weakness?   | None reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 3. Any audit findings disclosed that are required to be reported in accordance with <i>OMB Circular A-133</i> , Section 510(a)? | No            |
| 4. Identification of major programs:  |               |

CFDA Number

14.228

Name of Federal Program

U.S. Department of Housing and Urban Development  
Small Cities Community Development Block Grant

- |   |               |
|---|---------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000     |
| 6. Auditee qualified as low-risk auditee?                                   | No            |
| 7. Financial Statement Findings:  | None          |
| 8. Federal Award Findings and Questioned Costs:                             | None          |
| 9. Material weakness identified?  | No            |
| 10. Reportable condition identified not considered to be material weakness? | None reported |

## MANAGEMENT LETTER

To The City Commission  
City of Wewahitchka , Florida

We have audited the financial statements of the City of Wewahitchka , Florida, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 20, 2014. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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

### PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

### CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Wewahitchka , Florida, for the fiscal year ended September 30, 2013.

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

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

Financial Emergency Status – We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

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

#### CONCLUSION

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

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

POWELL & JONES  
Certified Public Accountants  
March 20, 2014

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



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

April 25, 2014

Office of the Auditor General  
Tallahassee, Florida

RESPONSE TO  
AUDITOR'S MANAGEMENT LETTER FISCAL YEAR 2012-2013

We are very pleased that there are no prior year or current year findings in the management letter.

Respectfully,

CITY OF WEWAHITCHKA

  
\_\_\_\_\_  
Donald J. Minchew, City Manager

DJM/cds