

CITY OF WEWAHITCHKA, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

CITY OF WEWAHITCHKA, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

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CITY OF WEWAHITCHKA, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2021

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INTRODUCTORY SECTION

CITY OF WEWAHITCHKA, FLORIDA

PRINCIPAL LIST OF OFFICIALS

September 30, 2021

MAYOR

Phillip Gaskin

COMMISSION MEMBERS

Charlie Pettis

Ralph Fisher

Brian Cox

John Paul

CITY CLERK

Rachel Jackson

FINANCE DIRECTOR

Brittney Proctor

CITY MANAGER

Michael Gortman

CITY ATTORNEY

Blankenship Jordan, P.A.

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

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Lake City, Florida 32025
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INDEPENDENT AUDITOR'S REPORT

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, and each major fund of The City of Wewahitchka, Florida (the City), as of and for the year ended September 30, 2021, 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, and each major fund of the City of Wewahitchka, Florida, as of September 30, 2021, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, 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 black ink that reads "Powell & Jones". The signature is written in a cursive, flowing style.

POWELL & JONES
Certified Public Accounts
Lake City, Florida
June 27, 2022

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 position, revenue, expenses and changes in net position, 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, 2021 and 2020, follows:

Net Position at September 30, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Assets				
Cash and cash equivalents	\$ 1,831,470	\$ 813,042	\$ 2,644,512	\$ 1,962,641
Restricted assets	-	809,209	809,209	726,396
Other assets	196,831	33,481	230,312	180,802
Capital assets, net	2,226,320	6,911,678	9,137,998	8,914,804
Total assets	4,254,621	8,567,410	12,822,031	11,784,643
Liabilities				
Current liabilities	54,302	320,646	374,948	403,244
Long-term liabilities	31,229	1,633,283	1,664,512	1,773,600
Total liabilities	85,531	1,953,929	2,039,460	2,176,844
Net position				
Invested in capital assets, net of related debt	2,161,677	5,165,139	7,326,816	6,995,009
Restricted for:				
Debt service	-	513,705	513,705	472,678
Renewal and replacement	-	123,641	123,641	87,198
Customer deposits	-	157,542	157,542	(315)
City Hall restoration	27,666	-	27,666	27,643
Unrestricted	1,979,747	653,454	2,633,201	2,025,586
Total net position	\$ 4,169,090	\$ 6,613,481	\$10,782,571	\$ 9,607,799

68% of the City's net position 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 net position of \$822,554 consist of earmarked funds for debt service in the utility fund, restoration of City Hall, debt service and customer deposits. The remaining balance of unrestricted net position of \$2,633,201 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased by \$1,174,772 from the prior year.

The following schedule provides a summary of the changes in net position. The increase in governmental and business-type net position 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, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Revenues				
Program revenues				
Charges for services	\$ 52,269	\$ 1,012,754	\$ 1,065,023	\$ 1,064,801
Grants and contributions	-	777,027	777,027	41,465
General revenues				
Taxes	346,609	-	346,609	321,531
Other taxes	303,743	-	303,743	295,491
Intergovernmental	1,015,082	-	1,015,082	459,328
Licenses, permits	11,894	-	11,894	10,146
Insurance proceeds	-	-	-	53,163
Interest and other	18,633	2,251	20,884	16,304
Total revenues	<u>1,748,230</u>	<u>1,792,032</u>	<u>3,540,262</u>	<u>2,262,229</u>
Expenses				
General government	471,044	-	471,044	518,761
Public safety	72,139	-	72,139	144,560
Transportation	395,406	-	395,406	344,607
Health	11,666	-	11,666	17,972
Culture/recreation	102,118	-	102,118	99,447
Cemetery	-	7,044	7,044	20,031
Utility	-	1,302,048	1,302,048	1,123,234
Interest on long-term debt	4,025	-	4,025	29,038
Total expenses	<u>1,056,398</u>	<u>1,309,092</u>	<u>2,365,490</u>	<u>2,297,650</u>
Net Transfers	<u>5,012</u>	<u>(5,012)</u>	<u>-</u>	<u>-</u>
Change in net position	696,844	477,928	1,174,772	(35,421)
Beginning net position	<u>3,472,246</u>	<u>6,135,553</u>	<u>9,607,799</u>	<u>9,643,220</u>
Ending net position	<u>\$ 4,169,090</u>	<u>\$ 6,613,481</u>	<u>\$ 10,782,571</u>	<u>\$ 9,607,799</u>

Governmental activities:

Taxes provide 37.2% of the revenues for Governmental Activities, while state shared revenues provide 58.1%. Most of the Governmental Activities resources are spent for General Government (44.6%), Transportation (37.4%), and Culture/recreation (9.7%).

Business-type activities:

Business-type activities increased the City's net position by \$477,928. A key element of this decrease is as follows:

- Depreciation and amortization expense during the year totaled \$308,219.

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, 2021, the City had approximately \$9.14 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water and sewer facilities.

Capital Assets at September 30, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Land	\$ 845,050	\$ 131,333	\$ 976,383	\$ 976,383
Buildings and improvements	1,720,629	-	1,720,629	1,720,629
Construction in progress	477,413	-	477,413	-
Property, plant and equipment	888,098	12,334,225	13,222,323	13,103,964
Subtotal	3,931,190	12,465,558	16,396,748	15,800,976
Accumulated depreciation	(1,704,870)	(5,553,880)	(7,258,750)	(6,886,172)
Capital assets, net	<u>\$ 2,226,320</u>	<u>\$ 6,911,678</u>	<u>\$ 9,137,998</u>	<u>\$ 8,914,804</u>

Long-term Liabilities

At year-end, the City had \$1,785,264 in debt outstanding versus \$1,892,746 last year, a decrease of \$107,482.

Long-term Liabilities at September 30, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Debt outstanding	<u>\$ 68,200</u>	<u>\$ 1,717,064</u>	<u>\$ 1,785,264</u>	<u>\$ 1,892,746</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 4.4%, which is the approximate rate for the City.
- The estimated population for the City in 2021 was approximately 2,220 and is estimated to be approximately the same in 2022.
- The City's ad valorem tax rate for 2021 was 6.1133 mills, which was the same as the 6.1133 mills in the prior year.

City Highlights

- The Operating millage rate is Citywide at 6.1133 mills and had been expected to be sufficient at this time based on the reserves on hand for 2020-2021. There continues to be some new construction and several property improvements that will add to the ad valorem tax base.
- The City's records reflect around 19 new residential/(or) mobile home starts and 2 commercial construction starts, for this fiscal year, either replacing damaged properties or reflecting completely new constructions; city records also show other construction/improvements in the form of over 40 site plans, 5 culverts set, 1 land use changes, there were no mobile home inspections.
- 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.

August 5, 2021 a letter was received that Task#5 was satisfactorily performed for work outlined in #B7BA34. The final invoice for this task was issued.

December 2, 2021 a letter was received that Task#5 was satisfactorily performed for work outlined in #B9F277.

While the City does not anticipate any City monetary payment to DEP or the contractor, until such time as the City is released from the notice, the possibility of future monetary payments from the City to DEP or the contractor cannot be eliminated.

- The City began the rebuild of the Fire station in the 2020-2021 year. As of September 30, 2021 the Fire station project was 50% completed. This project is being funded utilizing FEMA money from Hurricane Michael.
- New sheds were put in at the Annex building for sewer storage. They were rebuilt utilizing money from SRF Hurricane Recovery. The original sheds were demolished after Hurricane Michael. Project began in 2019-2020 year and was completed December 2020.
- Three plots of land surrounding Lake Alice park were purchased. Parcel's 01904-000R, 01906-000R and 01891-000R in 2019-2020. These properties will add onto the park at Lake Alice. The dilapidated house on one of the properties was demolished in June of 2021.

- In September of 2021 the City received ½ of the allotted American Rescue Plan Funding. It is expected that this money will be utilized to continue projects and repairs on lift stations that need updating.
- The city continues to work on SRF project WW230210 a project being funded by DEO to make necessary updates to City lift stations.

Economic Factors and Next Year's Budget and Rates.

The City's elected and appointed officials considered many factors when adopting the fiscal year 2021-2022 budget. The budget emphasis continues to be the maintenance 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. An Ordinance was created and issued for rates to increase by 10% in Dec. 2020. The City is working with FL Rural Water to put together a plan for the future revenues and expenses that the city will incur with the Water and Wastewater systems. Rates may need to increase further.

There are several funding opportunities the City is pursuing including grants and/or loans from Florida Department of Environmental Protection, Florida state appropriations, and FEMA.

Requests for Information

A City website is available which includes the current financial audits as well as proposed budgets and other information regarding the City of Wewahitchka. The Internet address is www.CityofWewahitchka.com.

Requests for information by postal mail should be addressed to PO Box 966, Wewahitchka, FL 32465. Email requests can be directed to the City Manager at cityofwewa@fairpoint.net or the City Clerk at wewaclerk@fairpoint.net.

BASIC FINANCIAL STATEMENTS

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,831,470	\$ 813,042	\$ 2,644,512
Accounts receivable, net	702	79,407	80,109
Due from other governmental units	150,203	-	150,203
Internal balances	45,926	(45,926)	-
Total current assets	<u>2,028,301</u>	<u>846,523</u>	<u>2,874,824</u>
Restricted cash:			
Bond interest and sinking	-	528,026	528,026
Renewal and replacement	-	123,641	123,641
Customer deposits	-	157,542	157,542
Total restricted cash	<u>-</u>	<u>809,209</u>	<u>809,209</u>
Non-current assets:			
Capital assets, net	2,226,320	6,911,678	9,137,998
Total non-current assets	<u>2,226,320</u>	<u>6,911,678</u>	<u>9,137,998</u>
Total assets	<u>4,254,621</u>	<u>8,567,410</u>	<u>12,822,031</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	17,331	11,119	28,450
Accrued liabilities	-	2,843	2,843
Compensated absences	1,423	8,610	10,033
Notes payable, current	35,548	4,236	39,784
Total current liabilities (payable from current assets)	<u>54,302</u>	<u>26,808</u>	<u>81,110</u>
Current liabilities (payable from restricted assets):			
Notes payable, current portion	-	46,936	46,936
Accrued interest payable	-	14,321	14,321
Customer deposits	-	157,581	157,581
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>293,838</u>	<u>293,838</u>
Total current liabilities	<u>54,302</u>	<u>320,646</u>	<u>374,948</u>
Long-term liabilities			
Accrued compensated absences	2,134	12,916	15,050
Notes payable, less current portion	29,095	596,387	625,482
Bond payable	-	1,023,980	1,023,980
Total long-term liabilities	<u>31,229</u>	<u>1,633,283</u>	<u>1,664,512</u>
Total liabilities	<u>85,531</u>	<u>1,953,929</u>	<u>2,039,460</u>
(continued)			

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
NET POSITION			
Invested in long-term assets, net of related debt	\$ 2,161,677	\$ 5,165,139	\$ 7,326,816
Restricted for:			
Debt service	-	513,705	513,705
Customer deposits	-	157,542	157,542
City Hall restoration	27,666	-	27,666
Unrestricted	<u>1,979,747</u>	<u>653,454</u>	<u>2,633,201</u>
Total net position	<u>\$ 4,169,090</u>	<u>\$ 6,613,481</u>	<u>\$ 10,782,571</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	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	\$ 471,044	\$ -	\$ -	\$ -	\$ (471,044)	\$ -	\$ (471,044)
Public safety	72,139	-	-	-	(72,139)	-	(72,139)
Transportation	395,406	52,269	-	-	(343,137)	-	(343,137)
Culture and recreation	102,118	-	-	-	(102,118)	-	(102,118)
Health and welfare	11,666	-	-	-	(11,666)	-	(11,666)
Interest expense	4,025	-	-	-	(4,025)	-	(4,025)
Total governmental activities	<u>1,056,398</u>	<u>52,269</u>	<u>-</u>	<u>-</u>	<u>(1,004,129)</u>	<u>-</u>	<u>(1,004,129)</u>
Business-type activities							
Utility services	1,302,048	1,002,749	-	777,027	-	477,728	477,728
Cemetery services	7,044	10,005	-	-	-	2,961	2,961
Total business-type activities	<u>1,309,092</u>	<u>1,012,754</u>	<u>-</u>	<u>777,027</u>	<u>-</u>	<u>480,689</u>	<u>480,689</u>
Total government	<u>\$ 2,365,490</u>	<u>\$ 1,065,023</u>	<u>\$ -</u>	<u>\$ 777,027</u>	<u>(1,004,129)</u>	<u>480,689</u>	<u>(523,440)</u>
General revenues							
Property taxes					346,609	-	346,609
Other taxes					303,743	-	303,743
Intergovernmental					1,015,082	-	1,015,082
Licenses and permits					11,894	-	11,894
Interest					8,934	899	9,833
Other fees and miscellaneous					9,699	1,352	11,051
Transfers in (out)					5,012	(5,012)	-
Total general revenues					<u>1,700,973</u>	<u>(2,761)</u>	<u>1,698,212</u>
Change in net position					696,844	477,928	1,174,772
Net position - beginning					3,472,246	6,135,553	9,607,799
Net position - ending					<u>\$ 4,169,090</u>	<u>\$ 6,613,481</u>	<u>\$ 10,782,571</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET
September 30, 2021

	<u>General Fund</u>
ASSETS	
Cash	\$ 1,831,470
Accounts receivable	702
Due from other governmental units	150,203
Due from other funds	45,926
Total assets	<u>2,028,301</u>
LIABILITIES	
Accounts payable	<u>17,331</u>
Total liabilities	<u>17,331</u>
FUND BALANCES	
Committed - City Hall restoration	27,666
Unassigned	<u>1,983,304</u>
Total fund balances	<u>2,010,970</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.	2,226,320
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(68,200)
Net position of governmental activities	<u>\$ 4,169,090</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2021

	<u>General Fund</u>
REVENUES	
Property taxes, levied for general purposes	\$ 346,609
Other taxes	303,743
Intergovernmental	1,015,082
Licenses and permits	11,894
Charges for service	52,269
Interest	8,934
Other fees and miscellaneous	9,699
Total revenues	<u>1,748,230</u>
EXPENDITURES	
Current	
General government	461,991
Public safety	69,139
Transportation	382,115
Culture and recreation	63,379
Health and welfare	11,666
Capital outlay	
General government	477,413
Debt service	
Principal	33,455
Interest	4,025
Total expenditures	<u>1,503,183</u>
OTHER FINANCING SOURCES	
Interfund transfers	<u>5,012</u>
Net change in fund balance	250,059
Fund balance at beginning of year	<u>1,760,911</u>
Fund balance at end of year	<u>\$ 2,010,970</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

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

For the Fiscal Year Ended September 30, 2021

Net change in fund balance - total governmental funds		\$ 250,059
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	\$ 477,413	
Less current year depreciation	<u>(64,359)</u>	
		413,054
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		276
In the governmental funds, increases and decreases of long-term liabilities are recorded as revenue and expenditures, but in the statement of net position they increase and decrease long-term liabilities.		
Principal payments		33,455
Change in net position of governmental activities		<u><u>\$ 696,844</u></u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

	Utilities Fund	Cemetery Fund	Total
ASSETS			
Current assets			
Cash	\$ 752,446	\$ 60,596	\$ 813,042
Accounts receivable, net	79,407	-	79,407
Due from other funds	-	3,200	3,200
Total current assets	<u>831,853</u>	<u>63,796</u>	<u>895,649</u>
Restricted cash and cash equivalents			
Bond interest and sinking	528,026	-	528,026
Renewal and replacement	123,641	-	123,641
Customer deposits	157,542	-	157,542
Total restricted cash and cash equivalents	<u>809,209</u>	<u>-</u>	<u>809,209</u>
Noncurrent assets			
Capital assets			
Non-depreciable:			
Land	3,560,284	57,829	3,618,113
Depreciable:			
Property, plant and equipment	8,825,322	22,122	8,847,444
Allowance for depreciation	(5,531,757)	(22,122)	(5,553,879)
Total capital assets	<u>6,853,849</u>	<u>57,829</u>	<u>6,911,678</u>
Total noncurrent assets	<u>6,853,849</u>	<u>57,829</u>	<u>6,911,678</u>
Total assets	<u>\$ 8,494,911</u>	<u>\$ 121,625</u>	<u>\$ 8,616,536</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 11,119	\$ -	\$ 11,119
Accrued liabilities	2,843	-	2,843
Due to other funds	47,949	1,177	49,126
Compensated absences	8,610	-	8,610
Notes payable, current portion	51,172	-	51,172
Accrued interest payable	14,321	-	14,321
Customer deposits	157,581	-	157,581
Bond payable, current	24,000	-	24,000
Bond payable, matured	51,000	-	51,000
Total current liabilities	<u>368,595</u>	<u>1,177</u>	<u>369,772</u>
Long-term liabilities			
Accrued compensated absences	12,916	-	12,916
Notes payable, less current portion	596,387	-	596,387
Bond payable	1,023,980	-	1,023,980
Total long-term liabilities	<u>1,633,283</u>	<u>-</u>	<u>1,633,283</u>
Total liabilities	<u>2,001,878</u>	<u>1,177</u>	<u>2,003,055</u>
(continued)			

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

	<u>Utilities Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 5,107,310	\$ 57,829	\$ 5,165,139
Restricted for:			
Debt service	513,705	-	513,705
Renewal and replacement	123,641	-	123,641
Customer deposits	157,542	-	157,542
Unrestricted	590,835	62,619	653,454
Total net position	<u>6,493,033</u>	<u>120,448</u>	<u>6,613,481</u>
Total liabilities and net position	<u>\$ 8,494,911</u>	<u>\$ 121,625</u>	<u>\$ 8,616,536</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	Utilities Fund	Cemetery Fund	Total
OPERATING REVENUES			
Water sales	\$ 409,963	\$ -	\$ 409,963
Sewer fees	322,573	-	322,573
Garbage fees	270,213	-	270,213
Lot sales	-	10,005	10,005
Miscellaneous income	899	453	1,352
Total operating revenues	<u>1,003,648</u>	<u>10,458</u>	<u>1,014,106</u>
OPERATING EXPENSES			
Water utility			
Personnel services	113,318	-	113,318
Operating expenses	247,741	2,900	250,641
Depreciation and amortization	91,953	4,144	96,097
Sewer utility			
Personnel services	133,006	-	133,006
Operating expenses	272,201	-	272,201
Depreciation and amortization	212,122	-	212,122
Contractual expense, garbage	231,707	-	231,707
Total operating expenses	<u>1,302,048</u>	<u>7,044</u>	<u>1,309,092</u>
Total operating income (loss)	<u>(298,400)</u>	<u>3,414</u>	<u>(294,986)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant proceeds	777,335		777,335
Interest earnings	899	-	899
Interfund transfers	(5,281)	269	(5,012)
Total nonoperating revenues (expenses)	<u>772,645</u>	<u>269</u>	<u>772,914</u>
Change in net position	474,245	3,683	477,928
Net position, beginning of year	<u>6,018,788</u>	<u>116,765</u>	<u>6,135,553</u>
Net position, end of year	<u><u>\$ 6,493,033</u></u>	<u><u>\$ 120,448</u></u>	<u><u>\$ 6,613,481</u></u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2021

	<u>Utilities Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers, including cash deposits	\$ 1,027,044	\$ 10,460	\$ 1,037,504
Cash paid to suppliers	(733,283)	(2,900)	(736,183)
Cash paid to employees	(243,635)	-	(243,635)
Net cash provided by operating activities	<u>50,126</u>	<u>7,560</u>	<u>57,686</u>
Cash flows from non-capital related financing activities:			
Transfers from other funds	40,673	(1,753)	38,920
Net cash provided by (used in) non-capital related financing activities	<u>40,673</u>	<u>(1,753)</u>	<u>38,920</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(118,359)	(2)	(118,361)
Principal payments	687,301	-	687,301
Interest payments	(13,834)	-	(13,834)
Net cash provided by (used in) capital and related financing	<u>555,108</u>	<u>(2)</u>	<u>555,106</u>
Cash flows from investing activities:			
Investment income	899	-	899
Net cash provided by investing activities	<u>899</u>	<u>-</u>	<u>899</u>
Net increase in cash	646,806	5,805	652,611
Cash, at beginning of year	<u>914,849</u>	<u>54,791</u>	<u>969,640</u>
Cash, at end of year	<u><u>\$ 1,561,655</u></u>	<u><u>\$ 60,596</u></u>	<u><u>\$ 1,622,251</u></u>
Reported as:			
Cash	\$ 752,446	\$ 60,596	\$ 813,042
Restricted cash	809,209	-	809,209
	<u><u>\$ 1,561,655</u></u>	<u><u>\$ 60,596</u></u>	<u><u>\$ 1,622,251</u></u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES
For the Fiscal Year Ended September 30, 2021

	Utilities Fund	Cemetery Fund	Total
Operating income (loss)	<u>\$ (298,400)</u>	<u>\$ 3,414</u>	<u>\$ (294,986)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	304,075	4,144	308,219
Insurance proceeds	899	-	899
Changes in assets decrease (increase) and liabilities (decrease) increase:			
Accounts receivable, net	18,329	-	18,329
Accounts payable	18,598	2	18,600
Accrued liabilities	1,282	-	1,282
Compensated absences	276	-	276
Customer deposits	5,067	-	5,067
Total adjustments	<u>348,526</u>	<u>4,146</u>	<u>352,672</u>
Net cash provided by operating activities	<u>\$ 50,126</u>	<u>\$ 7,560</u>	<u>\$ 57,686</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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 operations 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 excludes 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 position. 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 position.

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, 2021, 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 acquisition 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:

Assets	Years
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. **Unearned Revenues** – Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned 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 unearned revenues. The City had no unearned 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, 2021, 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, 2021, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. At year end the City's cash totaled \$3,453,721, 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, 2021, 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, 2021, 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, 2021, fund balances are composed of the following:

	General Fund
Committed, City Hall restoration	\$ 27,666
Unassigned	1,983,304
	<u>\$ 2,010,970</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, 2021, net position are composed of the following:

	Purpose	Amount
Invested in capital assets, net of related debt		\$ 5,165,139
Restricted for:	Debt service	513,705
	Renewal and replacement	123,641
	Customer deposits	157,542
Unrestricted		653,454
		<u>\$ 6,613,481</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 \$2,010,970 differs from “net position” of governmental activities \$4,169,090 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position 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 position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 3,931,190
Accumulated depreciation	(1,704,870)
Total	<u>\$ 2,226,320</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 position. Balances at September 30, 2021 were:

Compensated absences	\$ (3,557)
Notes payable	(64,643)
	<u>\$ (68,200)</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 Position
ASSETS				
Cash	\$ 1,831,470	\$ -	\$ -	\$ 1,831,470
Accounts receivable	702	-	-	702
Due from other governmental units	150,203	-	-	150,203
Due from other funds	45,926	-	-	45,926
Capital asset - net	-	2,226,320	-	2,226,320
Total assets	<u>\$ 2,028,301</u>	<u>\$ 2,226,320</u>	<u>\$ -</u>	<u>\$ 4,254,621</u>
LIABILITIES AND FUND BALANCE/NET POSITION				
LIABILITIES				
Accounts payable	\$ 17,331	\$ -	\$ -	\$ 17,331
Compensated absences	-	-	3,557	3,557
Notes payable	-	-	64,643	64,643
Total liabilities	<u>17,331</u>	<u>-</u>	<u>68,200</u>	<u>85,531</u>
 Fund balance/net position	 <u>2,010,970</u>	 <u>2,226,320</u>	 <u>(68,200)</u>	 <u>4,169,090</u>
Total liabilities and fund balances/net position	<u>\$ 2,028,301</u>	<u>\$ 2,226,320</u>	<u>\$ -</u>	<u>\$ 4,254,621</u>

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

The “net change in fund balances” for governmental funds \$250,059 differs from the “change in net position” for government activities \$696,844 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 are 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 position decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 477,413
Depreciation expense	(64,359)
Total	<u>\$ 413,054</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 decrease in compensated absences	<u>\$ 276</u>
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Long-term debt transactions

The issuance of long-term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of debt principal is 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>\$ 33,455</u>
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CITY OF WEWAHITCHKA, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
REVENUES				
Property taxes, levied for general purposes	\$ 346,609	\$ -	\$ -	\$ 346,609
Other taxes	303,743	-	-	303,743
Intergovernmental	1,015,082	-	-	1,015,082
Licenses and permits	11,894	-	-	11,894
Charges for service	52,269	-	-	52,269
Interest	8,934	-	-	8,934
Other fees and miscellaneous	9,699	-	-	9,699
Total revenues	<u>1,748,230</u>	<u>-</u>	<u>-</u>	<u>1,748,230</u>
EXPENDITURES				
Current expenditures				
General government	461,991	9,053	-	471,044
Public safety	69,139	3,000	-	72,139
Transportation	382,115	13,567	(276)	395,406
Culture and recreation	63,379	38,739	-	102,118
Health and welfare	11,666	-	-	11,666
Capital outlay				
General government	477,413	(477,413)	-	-
Debt service				
Principal	33,455	-	(33,455)	-
Interest	4,025	-	-	4,025
Total expenditures	<u>1,503,183</u>	<u>(413,054)</u>	<u>(33,731)</u>	<u>1,056,398</u>
OTHER FINANCING SOURCES				
Interfund transfers	5,012	-	-	5,012
Net change in fund balance	250,059	413,054	33,731	696,844
Fund balance at beginning of year	<u>1,760,911</u>	<u>1,813,266</u>	<u>(101,931)</u>	<u>3,472,246</u>
Fund balance at end of year	<u>\$ 2,010,970</u>	<u>\$ 2,226,320</u>	<u>\$ (68,200)</u>	<u>\$ 4,169,090</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, 2021:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Primary government			
General fund:	<u>\$ 1,193,204</u>	<u>\$ 1,503,183</u>	<u>\$ (309,979)</u>

NOTE 4. DEPOSITS AND INVESTMENTS

Cash includes amounts in demand deposits and any funds on hand at year end. Investments, consisting of a savings account or certificates 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 2020-2021 fiscal year were levied in October 2020. 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, 2021, was as follows:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets:				
Non-depreciable assets:				
Land	\$ 845,050	-	\$ -	\$ 845,050
CIP	-	477,413		477,413
Depreciable assets:				
Buildings and improvements	931,685	-	-	931,685
Improvements other than buildings	788,944	-	-	788,944
Furniture and equipment	888,098	-	-	888,098
Total capital assets	3,453,777	477,413	-	3,931,190
Less accumulated depreciation	(1,640,511)	(64,359)	-	(1,704,870)
Governmental activities capital assets, net	<u>\$ 1,813,266</u>	<u>\$ 413,054</u>	<u>\$ -</u>	<u>\$ 2,226,320</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 131,333	\$ -	\$ -	\$ 131,333
Depreciable assets:				
Property, plant and equipment	12,215,866	118,359	-	12,334,225
Total capital assets	12,347,199	118,359	-	12,465,558
Less accumulated depreciation	(5,245,661)	(308,219)	-	(5,553,880)
Business-type activities capital assets, net	<u>\$ 7,101,538</u>	<u>\$ (189,860)</u>	<u>\$ -</u>	<u>\$ 6,911,678</u>

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

Governmental activities:	
General government	\$ (9,053)
Public safety	(3,000)
Transportation	(13,567)
Culture/recreation	(38,739)
Total depreciation expense - governmental activities	<u>\$ (64,359)</u>
Business -type activities:	
Water	\$ (93,605)
Sewer	(210,470)
Cemetery	(4,144)
	<u>\$ (308,219)</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2021.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 45,926	\$ -
Utilities	-	47,949
Cementery	3,200	1,177
	<u>\$ 49,126</u>	<u>\$ 49,126</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES**Receivables**

Receivables at September 30, 2021, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General	\$ 702	\$ 150,203	\$ 150,905
Business-type activities:			
Utilities	79,407	-	79,407
	<u>\$ 80,109</u>	<u>\$ 150,203</u>	<u>\$ 230,312</u>

Payables

Payables at September 30, 2021, were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 17,331
Business-type activities:	
Utilities	11,119
	<u>\$ 28,450</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, 2021, 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, 2021.

	Balance October 1, 2020	Additions	Deductions	Balance September 2021	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 3,833	\$ -	\$ (276)	\$ 3,557	\$ 1,423
Centennial Bank, backhoe	40,790	-	(14,268)	26,522	14,912
Centennial Bank, dump truck	41,972	-	(14,657)	27,315	15,365
Centennial Bank, tractor	15,336	-	(4,530)	10,806	5,271
	<u>\$ 101,931</u>	<u>\$ -</u>	<u>\$ (33,731)</u>	<u>\$ 68,200</u>	<u>\$ 36,971</u>

Centennial Bank Loan - On June 13, 2018, the City entered into a loan agreement with Centennial Bank for \$83,417 for the purpose of purchasing a loader backhoe. This loan is payable over sixty months, with monthly payments of \$1,324, including interest of 4.850%. Assuming maintenance of the current interest rate, debt service requirements to maturity including interest of \$1,284 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 14,912	\$ 973	\$ 15,885
2023	11,610	311	11,921
	<u>\$ 26,522</u>	<u>\$ 1,284</u>	<u>\$ 27,806</u>

Centennial Bank Loan - On June 13, 2018, the City entered into a loan agreement with Centennial Bank for \$72,415 for the purpose of purchasing a dump truck. This loan is payable over sixty months, with monthly payments of \$1,364, including interest of 4.850%. Assuming maintenance of the current interest rate, debt service requirements to maturity including interest of \$1,278 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 15,365	\$ 1,003	\$ 16,368
2023	11,950	275	12,225
	<u>\$ 27,315</u>	<u>\$ 1,278</u>	<u>\$ 28,593</u>

Centennial Bank Loan - On August 30, 2018, the City entered into a loan agreement with Centennial Bank for \$25,056 for the purpose of purchasing a tractor. This loan is payable over sixty months, with monthly payments of \$472, including interest of 4.850%. Assuming maintenance of the current interest rate, debt service requirements to maturity including interest of \$513 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 5,271	\$ 390	\$ 5,661
2023	5,535	123	5,658
	<u>\$ 10,806</u>	<u>\$ 513</u>	<u>\$ 11,319</u>

Notes to Centennial Bank Loans - All of the above loans are budgeted and paid from General Fund revenues. These loans are not specifically collateralized except for the City's promise to make payments. In the event of default, the Bank has the right to take whatever actions necessary to collect the amounts due.

Business-type Activities

- A. 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 were used for the purpose of upgrading and expanding the wastewater treatment plant. \$2,114,411 has been drawn to date under this loan. Subsequent to year end, on February 5, 2015, the City entered into an amendment with the Department of Environmental Protection amending the agreement to reduce the loan to \$2,114,411, and reduce the amount of the future grant amount to \$1,678,412. The total due including a service fee of \$42,288 and capitalized interest of \$16,465 is \$2,173,164. Per the terms of the agreement, the grant funds will be used to pay down the amount of the loan in one lump sum payment. The remaining balance of \$494,752 will be paid in 40 semi-annual payments of \$14,309, including interest of 1.25% beginning on February 15, 2015. Debt service payments to maturity including interest of \$19,515, is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 23,814	\$ 2,402	\$ 26,216
2023	24,112	2,253	26,365
2024	24,415	2,102	26,517
2025	24,721	1,949	26,670
2026	25,031	1,794	26,825
2027-2031	129,941	6,577	136,518
2032-2036	138,293	2,437	140,730
	<u>\$ 390,326</u>	<u>\$ 19,515</u>	<u>\$ 409,840</u>

- B. 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, 2021, the total due was \$218,370, 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 \$11,015 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 21,128	\$ 2,089	\$ 23,217
2023	21,544	1,880	23,425
2024	21,969	1,668	23,637
2025	22,401	1,452	23,853
2026	22,843	1,231	24,074
2027-2031	108,485	2,694	111,179
	<u>\$ 218,370</u>	<u>\$ 11,015</u>	<u>\$ 229,385</u>

- C. 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 \$677,345 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 26,000	\$ 42,848	\$ 68,848
2023	27,000	41,817	68,817
2024	29,000	39,745	68,745
2025	30,000	38,631	68,631
2026	31,000	37,476	68,476
2027-2031	175,000	170,158	345,158
2032-2036	214,000	129,909	343,909
2037-2041	261,000	84,286	345,286
2042-2046	254,980	92,475	347,455
	<u>\$ 1,047,980</u>	<u>\$ 677,345</u>	<u>\$ 1,725,325</u>

- D. State Revolving Loan (SRL)** – On May 28, 2019 the City obtained a loan from the Florida Department of Environmental Protection in the amount of \$32,611 under the State Revolving Loan Program. The proceeds were used for the purpose of the City's Hurricane Michael Recovery project. The current loan required 40 semi-annual payments of \$2,270 including interest of .075%. The first semi-annual payment in the amount of \$2,270 began June 15, 2021. Debt service requirements are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 4,497	\$ 43	\$ 4,540
2023	4,503	37	4,540
2024	4,510	30	4,540
2025	4,517	23	4,540
2026-2028	12,922	28	12,951
	<u>\$ 30,950</u>	<u>\$ 161</u>	<u>\$ 31,111</u>

- E. Vehicle Loan** – On June 13, 2018 the City obtained a loan from Centennial Bank in the amount of \$20,968 for the purchase of a truck. As of September 30, 2021 the total value due was \$7,909, including capitalized interest and service charges. The current loan requires 60 monthly payments of \$394.95 including interest of 4.85%. The annual requirements are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 4,449	\$ 290	\$ 4,739
2023	3,460	71	3,532
	<u>\$ 7,909</u>	<u>\$ 362</u>	<u>\$ 8,271</u>

All of the above debt is budgeted and paid from the Utilities Fund. 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.

All of these loans are serviced by the associated utility revenues of the system. All of the debt instruments contain provisions to allow the debt-holders to enforce payment of the debt owed through legal proceedings.

Restricted cash account balances relating to the bond issues and notes payable in the proprietary funds as September 30, 2021, are as follows:

	<u>2019 SRF</u>	<u>2019 SRF</u>	<u>2013 SRF</u>	<u>2008 SRF</u>	<u>2007 Bond Issue</u>	<u>Total</u>
Sinking fund - principal and interest	\$ 16,720	\$ 7,001	\$ (39)	\$ -	\$ -	\$ 23,682
Reserve account	-	-	-	-	(157,542)	(157,542)
	<u>\$ 16,720</u>	<u>\$ 7,001</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ (157,542)</u>	<u>\$ (133,860)</u>

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

	<u>Balance 9/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2021</u>	<u>Due Within One Year</u>
Business-type Activities					
Note payable and other liabilities:					
State Revolving Loan	\$ 239,093	\$ -	\$ (20,720)	\$ 218,373	\$ 21,128
State Revolving Loan	413,846	-	(23,520)	390,326	23,814
State Revolving Loan	32,611	-	(1,661)	30,950	4,497
Centennial Bank, vehicle	12,168	-	(4,259)	7,909	4,449
Compensated absences	20,117	1,410		21,526	2,153
Bonds payable:					
Water and Sewer Revenue Bonds	1,072,980	-	(25,000)	1,047,980	26,000
	<u>\$ 1,790,815</u>	<u>\$ 1,410</u>	<u>\$ (75,160)</u>	<u>\$ 1,717,064</u>	<u>\$ 82,041</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. OPERATING LEASES

The City has no operating leases for the current year ended September 30, 2021.

NOTE 13. 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, 2021, 2020, 2019, 2018, 2017 and 2016, retirement expense was \$23,818, \$23,923, \$21,499 \$23,267, \$18,122, and \$18,691, respectively. At September 30, 2021, 2020, 2019 2018, 2017 and 2016 the net position in the plan available for participants' benefits were \$535,193, \$474,263, \$448,425, \$407,192, \$650,016, and \$468,317, 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's administrator. 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 14. RELATED PARTY TRANSACTIONS

During the year the City had transactions with related parties. Payments that totaled \$125,687 were made to three businesses owned by a Commission member for building supplies and construction work. Payments in the amount of \$1,580 were made to a business owned by another Commission member for pest control services. Other payments of \$3,368 were made to other Commission members for various supplies. In accordance with City policy, these contracts were awarded based upon competitive bids, with the related parties abstaining from voting on the awards.

NOTE 15. CONTINGENCIES AND COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to not be material.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 16. 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 coverage 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, 2021

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes, levied for general purposes	\$ 338,581	\$ 346,609	\$ 8,028
Other taxes	264,000	303,743	39,743
Intergovernmental	370,164	1,015,082	644,918
Licenses and permits	9,750	11,894	2,144
Charges for service	65,000	52,269	(12,731)
Interest	1,500	8,934	7,434
Other fees and miscellaneous	100	9,699	9,599
Total revenues	<u>1,049,095</u>	<u>1,748,230</u>	<u>699,135</u>
EXPENDITURES			
Current			
General government			
Personnel	312,639	306,395	6,244
Operating	264,372	155,596	108,776
Public safety			
Fire	32,921	30,535	2,386
Police	38,600	38,604	(4)
Transportation			
Personnel	328,005	292,665	35,340
Operating	94,540	89,450	5,090
Culture and recreation			
Operating	62,463	63,379	(916)
Health and welfare			
Operating	21,750	11,666	10,084
Capital outlay			
Public safety	-	477,413	(477,413)
Debt service			
Principal	33,845	33,455	390
Interest	4,069	4,025	44
Total expenditures	<u>1,193,204</u>	<u>1,503,183</u>	<u>(309,979)</u>
OTHER FINANCING SOURCES			
Interfund transfers	-	5,012	5,012
Net change in fund balance	(144,109)	250,059	394,168
Fund balance at beginning of year	<u>1,760,911</u>	<u>1,760,911</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,616,802</u>	<u>\$ 2,010,970</u>	<u>\$ 394,168</u>

See notes to financial statements.

CITY OF WEWAHITCHKA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

I. Stewardship, Compliance, and Accountability

- A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Funds, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Commission.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the City Manager submits to the City Commission 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 in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

COMPLIANCE SECTION

CITY OF WEWAHITCHKA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2021

GRANTOR/PROGRAM TITLE	CFSA #	Grant Number	Award Amount	Revenues Recognized in Current Year	Expenditures in the Current Year	Accrual (Deferral) in Current Year
Federal Awards						
<i>U.S Federal Emergency Management Agency</i>						
Public Assistance Program						
Hurricane Michael Recovery	97.036	HM4399	\$ 1,529,666	\$ 523,052	\$ 523,052	\$ -
Total Federal Awards			<u>1,529,666</u>	<u>523,052</u>	<u>523,052</u>	<u>-</u>
State Financial Assistance						
<i>Department of Environmental Protection</i>						
Wastewater Treatment Facility Construction	37.077	WW230210	406,000	243,174	243,174	-
Total State Awards			<u>406,000</u>	<u>243,174</u>	<u>243,174</u>	<u>-</u>
Total Federal awards and State financial assistance			<u>\$ 1,935,666</u>	<u>\$ 766,226</u>	<u>\$ 766,226</u>	<u>\$ -</u>

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

CITY OF WEWAHITCHKA

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

For the Fiscal Year Ended September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state award activity of the City of Wewahitchka, Florida (the "City"). The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance") and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

A. Reporting Entity

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

B. 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.

C. Grant Awards

As required by OMB Uniform Guidance, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

D. Sub-recipients

Schedule of Expenditures of Federal Awards and State Financial Assistance is required to identify amounts passed through to sub-recipients of grant funding. The City did not have any sub-recipients of grant funding in the current year.

**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, 2021, 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 June 27, 2022.

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 (Excess of third 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.

This response was not subjected to the auditing procedures applied in the audit and thus we express no opinion on it.

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 black ink that reads "Powell & Jones". The script is cursive and fluid, with the ampersand connecting the two names.

POWELL & JONES
Certified Public Accountants
Lake City, Florida
June 27, 2022

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, 2020, and have issued our report thereon dated June 27, 2022. 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.

PRIOR YEAR FINDINGS

There were no reportable recommendations or findings applicable to the management letter in the prior year.

CURRENT YEAR FINDINGS

There were no reportable recommendations or findings applicable to the management letter in the current year.

AUDITOR GENERAL COMPLIANCE MATTERS

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.b. 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.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Wewahitchka, Florida, for the year ended September 30, 2021, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the City have been adjusted to agree with the audited financial statements.

5. The City's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the City's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The City is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

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 black ink that reads "Powell & Jones". The signature is written in a cursive, flowing style.

POWELL & JONES
Certified Public Accountants
Lake City, Florida
June 27, 2022

INDEPENDENT ACCOUNTANT'S REPORT

To The City Commission
City of Wewahitchka, Florida

We have examined the City of Wewahitchka, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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

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

POWELL & JONES
Certified Public Accountants
Lake City, Florida
June 27, 2022

Communication with Those Charged with Governance

To The City Commission
City of Wewahitchka, Florida

We have audited the financial statements of the City of Wewahitchka, Florida for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of

auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Commission and management of the City of Wewahitchka, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

POWELL & JONES
Certified Public Accountants
Lake City, Florida
June 27, 2022

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared (Brittney Proctor), who being duly sworn, deposes and says on oath that:

1. I am the Financial Director¹ of (The City of Wewahitchka) which is a local governmental entity of the State of Florida.
2. The governing body of The City of Wewahitchka adopted Ordinance No. 2007-1034L (Water Capital Facilities Charges) and Ordinance No. 2020-1205L (Wastewater Capital Facilities Charges) implementing an impact fee.
3. The City of Wewahitchka has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

[Signature]
(Chief Financial Officer of Entity)

STATE OF FLORIDA
COUNTY OF (Name of County)

SWORN TO AND SUBSCRIBED before me this 28 day of June, 2021.

Rachel A. Jackson
NOTARY PUBLIC
Print Name Rache A. Jackson

Personally known X or produced identification X

Type of identification produced: Drivers License

My Commission Expires: Oct 5, 2025



Rachel A. Jackson
Comm.: HH 177007
Expires: Oct. 5, 2025
Notary Public - State of Florida

¹ Pursuant to Section 163.31801(8), Florida Statutes, if there is no chief financial officer, the executive officer must sign the affidavit.