

Town of Westville

Financial Statements

For The Year Ended September 30, 2010

**Town of Westville
Table of Contents
September 30, 2010**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORTS ON FINANCIAL STATEMENTS	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 8
BASIC FINANCIAL STATEMENTS	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	9
Statement of Activities	10
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Financial Statements	18 – 29
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32 – 33

**Town of Westville
Table of Contents (Continued)
September 30, 2010**

	<u>Page</u>
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	34 – 35
Schedule of Findings and Questioned Costs	36 – 43
Summary Schedule of Prior Audit Findings for Federal Awards	44
MANAGEMENT LETTER	45 – 47
MANAGEMENT'S RESPONSE TO FINDINGS	48



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Mayor and Members
of the Town Council
Town of Westville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the general fund information of the Town of Westville, Florida (the "Town"), as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and general fund information for the Town, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated August 15, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 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.

Management has omitted budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

August 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements (beginning on page 9).

Financial Highlights

Governmental Activity

- Capital grants and contributions increased \$175,103 due to expenditures related to three grants. A new Federal Emergency Management Agency (FEMA) grant was awarded during 2009 which was used to purchase fire department equipment. \$27,925 of the \$49,483 grant was used during 2010. Additionally, a 2009 Florida Recreation Development Assistance Program (FRDAP) grant was expensed in 2010 for the construction of Fern Arnold Park. \$22,050 of this grant was expensed in 2009 and \$27,511 was expensed in 2010. Lastly, a 2009 Florida Recreation Development Assistance Program (FRDAP) grant was expensed in 2010 for the continued construction of Fern Arnold Park. \$1,000 of this grant was expensed in 2009 and \$119,667 was expensed in 2010.

Business-type Activity

- Net capital assets increased \$457,093 due primarily to completion of construction on new water well of \$534,666.
- Charges for services decreased slightly from \$45,566 in 2009 to \$44,686 in 2010.
- Capital grants and contributions increased \$489,427 due to a Community Development Block Grant (CDBG) grant for the construction of a new water well.

Town Highlights

In fiscal year 2010, the Town received a \$49,483 FEMA grant for fire department assistance and two \$135,611 Florida Recreation Development Assistance Program grants for the construction of the Fern Arnold Park.

Using This Annual Report

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types. The statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Assets and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the Town presented on the accrual basis of accounting.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the 2010 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type that are supported by the government's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the Town's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, and culture and recreation.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

The Town maintains one governmental fund. Information on this fund is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town did not adopt an annual appropriated budget for its General Fund. Therefore, budgetary comparison statements have not been provided for this fund.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary Funds

The Town maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses this enterprise fund to account for its water system. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on page 15-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 18-29 of this report.

Infrastructure Assets

The Town has implemented the major model portions of GASB Statement 34. Historically, a government's largest group of assets (infrastructure – roads, traffic signals, and underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. Statement 34 requires that these assets be valued and reported within the governmental column of government-wide statements.

Government-Wide Financial Analysis

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year. In fiscal year 2010, the Town received FRDAP grant proceeds of \$147,178 for a recreational park, a CDBG grant for a new water well in the amount of \$489,427, and a FEMA equipment grant of \$27,925 for fire department equipment.

Statement of Net Assets

The following schedule reflects the condensed Statement of Net Assets:

<i>As of September 30,</i>	Governmental Activities		
	2010	2009	Variance
Assets			
Current assets	\$ 55,070	\$ 87,091	\$ (32,021)
Capital assets	426,801	352,813	73,988
Total assets	481,871	439,904	41,967

Liabilities			
Current liabilities	17,077	47,350	(30,273)
Noncurrent liabilities	-	-	-
Total liabilities	17,077	47,350	(30,273)
Net Assets			
Invested in capital assets, net of related debt	426,801	331,538	95,263
Unrestricted	37,993	61,016	(23,023)
Total net assets	\$ 464,794	\$ 392,554	\$ 72,240

<i>As of September 30,</i>	Business-type Activities		
	2010	2009	Variance
Assets			
Current assets	\$ 62,154	\$ 37,651	\$ 24,503
Other assets	19,640	18,489	1,151
Capital assets	643,188	186,095	457,093
Total assets	724,982	242,235	482,747
Liabilities			
Current liabilities	61,637	23,862	37,775
Noncurrent liabilities	54,000	62,493	(8,493)
Total liabilities	115,637	86,355	29,282
Net Assets			
Invested in capital assets, net of related debt	583,589	118,003	465,586
Restricted	19,640	18,489	1,151
Unrestricted	6,116	19,388	(13,272)
Total net assets	\$ 609,345	\$ 155,880	\$ 453,465

Statement of Activities

The following schedule compares the revenues and expenses for the current year.

Change in Net Assets

<i>For the year ended September 30,</i>	Governmental Activities		
	2010	2009	Variance
Program Revenues			
Capital grants and contributions	175,103	46,703	128,400
General Revenues			
Taxes			
Sales tax	8,752	10,684	(1,932)
Franchise taxes	5,974	6,513	(539)
Gasoline taxes	6,882	6,340	542
State revenue sharing	13,168	11,018	2,150
Other taxes	3,557	4,542	(985)

Miscellaneous	7,868	5,337	2,531
Interest	109	272	(163)
Rental income	4,719	4,532	187
Total revenues	226,132	95,941	130,191
Expenses			
General government	55,541	62,748	(7,207)
Public safety	73,286	10,364	62,922
Culture and recreation	24,959	45,293	(20,334)
Interest	106	-	106
Total expenses	153,892	118,405	35,487
Excess of revenue (under) over expenses	72,240	(22,464)	49,776
Transfers	-	(3,726)	(3,726)
Change in net assets	72,240	(26,190)	46,050
Net Assets - beginning	392,554	418,744	(26,190)
Net Assets - ending	\$ 464,794	\$ 392,554	\$ 72,240

<i>For the year ended September 30,</i>	Business-type Activities		
	2010	2009	Variance
Revenues			
Program revenues			
Charges for services	\$ 44,686	\$ 45,566	\$ (880)
Capital grants and contributions	489,427	97,261	392,166
General revenues			
Miscellaneous revenues	-	550	(550)
Interest	130	13	117
Total revenues	534,243	143,390	390,853
Expenses			
Water	77,305	63,383	13,922
Interest	3,473	3,899	(426)
Total expenses	80,778	67,282	13,496
Excess of revenue over expenses	453,465	76,108	377,357
Transfers	-	3,726	(3,726)
Change in net assets	453,465	79,834	373,631
Net Assets - beginning	155,880	76,046	79,834
Net Assets - ending	\$ 609,345	\$ 155,880	\$ 453,465

Financial Analysis of the Town's Funds

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

As of September 30, 2010, the Town's governmental fund reported an ending fund balance of \$37,993. This is a decrease of \$23,023 over the prior year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Water Fund as of September 30, 2010 were \$609,345 of which \$6,116 was unrestricted. This is a decrease of \$13,272 over the prior year unrestricted net assets.

Capital Assets and Long-Term Debt

The capital asset activity for the year ended September 30, 2010 is described on pages 25 - 26. The Town is obligated for \$1,599 of notes payable and \$58,000 of water revenue bonds payable. Detailed information about the Town's long-term debt can be obtained on pages 27 and 28.

Requests for Information

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have any questions about the report or need additional financial information, contact the Town Clerk, Madonna Lee, at P.O. Box 123, Westville, FL 32464, or telephone (850) 548-5858.

BASIC FINANCIAL STATEMENTS

**Town of Westville
Statement of Net Assets
September 30, 2010**

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Cash and cash equivalents	\$ 50,355	\$ 15,766	\$ 66,121
Receivables, net	5,678	3,668	9,346
Unbilled revenue	-	1,515	1,515
Grants Receivable	-	40,242	40,242
Internal balances	(963)	963	-
Restricted cash and cash equivalents	-	19,640	19,640
Land and other nondepreciable assets	24,313	40,800	65,113
Capital assets, net of depreciation	402,488	602,388	1,004,876
<hr/>			
Total assets	481,871	724,982	1,206,853
<hr/>			
Liabilities			
Accounts payable	13,417	41,725	55,142
Accrued expenses	2,277	2,840	5,117
Customer deposits	-	11,473	11,473
Deferred revenue	1,383	-	1,383
Bonds, notes payable and capital leases			
Due within one year	-	5,599	5,599
Due in more than one year	-	54,000	54,000
<hr/>			
Total liabilities	17,077	115,637	132,714
<hr/>			
Net Assets			
Invested in capital assets, net of related debt	426,801	583,589	1,010,390
Restricted for debt service	-	19,640	19,640
Unrestricted	37,993	6,116	44,109
<hr/>			
Total net assets	\$ 464,794	\$ 609,345	\$ 1,074,139
<hr/>			

See accompanying notes to financial statements.

**Town of Westville
Statement of Activities
For the Year Ended September 30, 2010**

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 55,541	\$ -	\$ -
Public safety	73,286	-	-
Culture and recreation	24,959	-	-
Interest	106	-	-
Total governmental activities	153,892	-	-
Business-type Activities:			
Water fund	77,305	44,686	-
Interest	3,473	-	-
Total business-type activities	80,778	44,686	-
Total primary government	\$ 234,670	\$ 44,686	\$ -

General Revenues

Taxes:

- Franchise taxes
- Sales taxes
- Gasoline taxes
- State revenue sharing
- Other taxes
- Rental income
- Interest
- Miscellaneous

Total general revenues and transfers

Change in net assets

Net Assets - beginning

Net Assets - ending

See accompanying notes to financial statements.

Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (55,541)	\$ -	\$ (55,541)
27,925	(45,361)	-	(45,361)
147,178	122,219	-	122,219
-	(106)	-	(106)
175,103	21,211	-	21,211
489,427	-	456,808	456,808
-	-	(3,473)	(3,473)
489,427	-	453,335	453,335
\$ 664,530	21,211	453,335	474,546
	5,974	-	5,974
	8,752	-	8,752
	6,882	-	6,882
	13,168	-	13,168
	3,557	-	3,557
	4,719	-	4,719
	109	130	239
	7,868	-	7,868
	51,029	130	51,159
	72,240	453,465	525,705
	392,554	155,880	548,434
\$	464,794	\$ 609,345	\$ 1,074,139

**Town of Westville
Balance Sheet
Governmental Funds
September 30, 2010**

	General Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 50,355
Taxes receivable, net	5,678
<hr/>	
Total assets	\$ 56,033
<hr/>	
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 13,417
Accrued expenses	2,277
Deferred revenue	1,383
Due to other funds	963
<hr/>	
Total liabilities	18,040
Fund balances	
Unreserved	37,993
<hr/>	
Total liabilities and fund balances	\$ 56,033
<hr/>	

See accompanying notes to financial statements.

Town of Westville
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2010

Differences in amounts reported for governmental activities in the Statement of Net Assets:

Total fund balance - governmental funds	\$	37,993
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		426,801
<u>Net Assets of Governmental Activities in the Statement of Net Assets</u>	<u>\$</u>	<u>464,794</u>

See accompanying notes to financial statements.

Town of Westville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	General Fund
Revenues	
Taxes	\$ 38,333
Intergovernmental	175,103
Investment earnings	109
Miscellaneous	7,868
<hr/>	
Total revenues	221,413
<hr/>	
Expenditures	
Current	
General government	44,516
Public safety	24,022
Culture and recreation	14,826
Capital outlay	144,410
Debt service	
Principal	21,275
Interest	106
<hr/>	
Total expenditures	249,155
<hr/>	
Excess of revenues over (under) expenditures	(27,742)
 Other Financing Sources (Uses)	
Rental income	4,719
<hr/>	
Net change in fund balances	(23,023)
 Fund Balances - beginning	
	61,016
<hr/>	
Fund Balances - ending	\$ 37,993
<hr/> <hr/>	

See accompanying notes to financial statements.

Town of Westville
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2010

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ (23,023)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports the outlay as expense over the assets' estimated useful lives as depreciation expense for the period. 144,410

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Assets (70,422)

Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. 21,275

Change in net assets of governmental activities \$ 72,240

See accompanying notes to financial statements.

**Town of Westville
Statement of Net Assets
Proprietary Funds
September 30, 2010**

	Business-Type Activities Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 15,766
Receivables, net	3,668
Unbilled revenue	1,515
Due from other governments	40,242
Due from other funds	963
Total current assets	62,154
Non-current assets	
Restricted cash and cash equivalents	19,640
Capital assets	
Land and construction in progress	40,800
Other capital assets, net of depreciation	602,388
Total non-current assets	662,828
Total assets	724,982
Liabilities	
Current liabilities	
Current portion of long-term debt	5,599
Accounts payable	41,725
Other accrued expenses	2,840
Customer deposits	11,473
Total current liabilities	61,637
Long-term liabilities	
Due in more than one year	54,000
Total liabilities	115,637
Net Assets	
Invested in capital assets, net of related debt	583,589
Restricted for debt service	19,640
Unrestricted	6,116
Total net assets	\$ 609,345

See accompanying notes to financial statements.

Town of Westville
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

	Business-Type Activities
	Water Fund
<hr/>	
Operating Revenues	
Charges for services	\$ 44,686
<hr/>	
Operating Expenses	
Personnel services	18,391
Contractual services	18,650
Utilities	5,177
Repairs and maintenance	6,581
Insurance claims and expense	6,191
Other supplies and expenses	4,981
Depreciation	17,334
<hr/>	
Total operating expenses	77,305
<hr/>	
Operating Loss	(32,619)
<hr/>	
Non-Operating Revenues (Expenses)	
Interest revenue	130
Capital grants	489,427
Interest expense	(3,473)
<hr/>	
Total non-operating revenues (expenses)	486,084
<hr/>	
Change in net assets	453,465
Total Net Assets - beginning	155,880
<hr/>	
Total Net Assets - ending	\$ 609,345
<hr/> <hr/>	

See accompanying notes to financial statements.

**Town of Westville
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010**

	Business-Type Activities
	Water Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 8,435
Payments to suppliers	(5,464)
Payments to employees	(18,391)
<hr/>	
Net cash used in operating activities	(15,420)
<hr/>	
Cash Flows From Capital and Related Financing Activities	
Principal payments on long-term debt	(8,493)
Interest paid on capital assets	(3,473)
Purchase of capital assets	(474,427)
Capital grant revenues	489,427
<hr/>	
Net cash provided by capital and related financing activities	3,034
<hr/>	
Cash Flows From Investing Activities	
Interest received	130
<hr/>	
Net decrease in cash and cash equivalents	(12,256)
<hr/>	
Cash and Cash Equivalents - beginning	47,662
<hr/>	
Cash and Cash Equivalents - ending	\$ 35,406
<hr/> <hr/>	
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (32,619)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	17,334
Changes in operating assets and liabilities:	
Increase in receivables, net and unbilled revenue	(510)
Increase in due from other funds	(963)
Increase in due from other governments	(36,437)
Increase in accounts payable	34,664
Increase in accrued expenses	1,652
Increase in customer deposits	1,659
Decrease in due to other funds	(200)
<hr/>	
Net cash used in operating activities	\$ (15,420)
<hr/> <hr/>	

See accompanying notes to financial statements.

Notes To Financial Statements

NOTE

- 1 Summary of Significant Accounting Policies
- 2 Stewardship, Compliance, and Accountability
- 3 Cash, Cash Equivalents, and Investments
- 4 Receivables
- 5 Due from Other Governments
- 6 Capital Assets
- 7 Interfund Balances
- 8 Long-Term Debt
- 9 Tax Revenue
- 10 Risk Management and Litigation
- 11 Grants
- 12 Deferred Revenue
- 13 Subsequent Events

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Westville, Florida (the "Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units in accordance with the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's basic financial statements.

Reporting Entity

The Town was created May 21, 1970, by act of the Florida Legislature (House Bill 4295). The Town operates under a Mayor-Council form of government and provides services authorized by the act, including public safety, recreation, and general administrative services. The authority of the Council and the policies it may implement are regulated by the Town's Charter, Ordinances, Resolutions, and Statutes of the State of Florida.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by GAAP. The primary criteria for including organizations within the Town's reporting entity, as defined by GASB No. 14, "The Financial Reporting Entity", is financial accountability. The Town is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. GASB No. 39 "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14", provides additional guidance to determine whether certain organizations for which the Town is not financially accountable should be reported as component units based on the nature and significance of their relationship with the Town. An organization that raises and holds economic resources for the direct benefit of a governmental unit are required to be reported as component units. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the Town, its component units, or constituents, (b) the Town, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (c) the economic resources received or held by an individual organization that the Town, or its component units, is entitled to, or has the ability to otherwise access, are significant to that Town. Based upon the application of these criteria, no potential component units were identified.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net assets and the statement of changes in net assets which reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Fiduciary funds of the government

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are eliminated from this presentation since these resources are not available for general government funding purposes. 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 certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and non-major funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These recourses are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

Property taxes, franchise taxes, licenses, 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 and available only when cash is received by the Town.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is reported as a major governmental fund:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

Water Fund – This fund accounts for all of the activity related to providing water services to the citizens of Westville.

Cash and Cash Equivalents/Investments

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, obligations of the U.S. Treasury and Agencies, and interest bearing time deposits and savings accounts held in Federal or State chartered banks and savings and loans associations doing business in Florida, provided that such deposits are secured by collateral as may be prescribed.

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Town does not have a separate investment policy. They historically have invested only in interest bearing time deposits and savings accounts.

Restricted Assets

Customer deposits and certain resources set aside for the repayment of proprietary fund revenue bonds are classified as restricted assets on the balance sheet because they are refundable or their use is limited by applicable bond covenants.

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 either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported 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.”

Accounts Receivable

Provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses for Town receivables. An allowance has been recorded for those amounts deemed uncollectible.

Inventories

Purchases of inventories are reported as expenditures in the period purchased. Inventories are not deemed material and are not reported on the balance sheet.

Prepaid Items

Payment for goods and services applicable to future periods are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as equipment, buildings, and land with an estimated useful life in excess of one year and a cost, or value if donated, of \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The Town did not report infrastructure acquired prior to October 1, 2003.

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements	40 years
Equipment	5-10 years

Compensated Absences

The Town allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation and sick leave hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Assets

In the government-wide financial statements, net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of either net assets invested in capital assets net of related debt or restricted net assets. Net assets invested in capital assets net of related debt consist of capital assets less accumulated depreciation and net of outstanding balances of any debts used to finance those assets, such as bonds, capital leases, and notes. Restricted assets are those that may be used only for finance specific types of transactions. These restrictions may be established by debt covenants, grantors, laws or regulations of other governments, the state or Town constitution, or any legislation that enabled the Town to initially assess the related taxes or fees. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using restricted assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At year-end, the Town had no designated fund balances.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Notes To Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

For fiscal year 2010, there was no budget neither prepared by management nor approved by the Town Council. However, the Town's budgetary policies require the following.

Budgets are adopted on a basis consistent with GAAP for the general fund and proprietary fund. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

Budgetary data reflected in the financial statements are established by the following Town procedures:

During the month of August or September, the Town Clerk submits the Town's proposed expenditures and requested appropriations to the Town Council for consideration. In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget. The final budget is adopted by resolution. Any subsequent amendment must be enacted in the same manner as the original budget.

Expenditures may not legally exceed budgeted appropriations at the fund level. The Town Clerk is authorized to transfer budgeted amounts within departments of a fund; however, any revision that alters the total expenditures of any fund or department must be approved by the Town Council. The Town did not adopt a budget for the year end September 30, 2010.

Sewer and Water System Revenue Bonds

Section 3.04(D) of the sewer and water bond covenants required the Town to deposit monthly 1/12 of the annual bond payment into a sinking fund.

Customer Deposits

The Proprietary Funds are liable for \$11,473 in customer deposits at September 30, 2010, refundable upon the customer leaving the system. At year-end, the Town had sufficient unrestricted cash in the Proprietary Fund to refund customer deposits.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Risk

The Town maintains its deposits only with "Qualified Public Depositories" as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of

Notes To Financial Statements

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under Florida Statute 280 and the federal depository insurance program, all of the Town's deposits are fully insured or collateralized with collateral held by the State Treasurer.

Restricted Cash

Of total available cash, \$8,307 is restricted for Proprietary Fund debt service. The Proprietary Fund should have an additional \$11,473 restricted for refundable customer deposits. See Customer Deposits in Note 2 above.

Investments

The Town is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time, in:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in Qualified Public Depositories, as defined in Section 280.02, Florida Statutes.
- d. Direct obligations of the U.S. Treasury.
- e. Federal agencies and instrumentalities.
- f. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- g. Securities of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- h. Other investments authorized by law or by ordinance for a county or a municipality.

As of September 30, 2010, the Town had invested its funds only in interest-bearing time deposits or savings accounts in banks as described in (c) above.

Notes To Financial Statements

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2010 are as follows:

	General Fund	Water Fund	Total Receivables
Accounts receivable and unbilled revenue	\$ -	\$ 6,410	\$ 6,410
Allowance for doubtful accounts	-	(1,227)	(1,227)
Taxes receivable	5,678	-	5,678
Total	\$ 5,678	\$ 5,183	\$ 10,861

All receivables are reported at their gross value and when appropriate are reduced by the estimated portion that is expected to be uncollectible.

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following:

<i>September 30,</i>	Grant ID	2010
Community Development Block Grant	08DB-T3-02-42-02-N22	\$ 40,242

NOTE 6 – CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,171	\$ -	\$ -	\$ 10,171
Construction in progress	2,000	12,142	-	14,142
	\$ 12,171	\$ 12,142	\$ -	\$ 24,313
Capital assets, being depreciated:				
Equipment	\$ 333,388	\$ 132,268	\$ -	\$ 465,656
Buildings	441,000	-	-	441,000
Leasehold improvements	116,050	-	-	116,050
Total capital assets, being depreciated	890,438	132,268	-	1,022,706

Town of Westville

Notes To Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

Less accumulated depreciation for:				
Equipment	197,584	53,594	-	251,178
Buildings	282,150	11,025	-	293,175
Leasehold improvements	70,062	5,803	-	75,865
	549,796	70,422	-	620,218
Total capital assets, being depreciated, net	\$ 340,642	\$ 61,846	\$ -	\$ 402,488

Business-Type Activities:

Water Fund

Capital assets, not being depreciated:				
Land	\$ 40,800	\$ -	\$ -	\$ 40,800
Construction in progress	60,239	474,427	534,666	-
Total capital assets, not being depreciated	\$ 101,039	\$ 474,427	\$ 534,666	\$ 40,800

Capital assets, being depreciated:				
Buildings	\$ 4,696	\$ -	\$ -	\$ 4,696
Leasehold improvements	5,525	-	-	5,525
Equipment	782,606	534,666	-	1,317,272
Total capital assets, being depreciated	792,827	534,666	-	1,327,493

Less accumulated depreciation for:				
Buildings	4,696	-	-	4,696
Leasehold improvements	5,525	-	-	5,525
Equipment	697,550	17,334	-	714,884
	707,771	17,334	-	725,105
Total capital assets, being depreciated, net	\$ 85,056	\$ 517,332	\$ -	\$ 602,388

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

Governmental Activities:

General government	\$ 11,025
Culture and recreation	10,133
Public safety	49,264
Total depreciation expense – governmental activities	\$ 70,422

Business-Type Activities:

Water	\$ 17,334
-------	-----------

Notes To Financial Statements

NOTE 7 – INTERFUND BALANCES

The composition of interfund balances as of September 30, 2010 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water fund	General fund	\$ 963

All amounts due will be paid within one year of the financial statement date.

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt transactions for the fiscal year ended September 30, 2010 follows:

Notes Payable	Balance 9/30/09	Additions	Retirements	Balance 9/30/10	Due Within One Year
Business-Type Activities					
Water revenue bonds	\$ 62,000	\$ -	\$ 4,000	\$ 58,000	\$ 4,000
Notes payable	6,092	-	4,493	1,599	1,599
Governmental Activities					
Notes payable	21,275	-	21,275	-	-
	\$ 89,367	\$ -	\$ 29,768	\$ 59,599	\$ 5,599

Long-term debt payable at September 30, 2010 is composed of the following issues:

Notes Payable

Governmental Activities

Bank of Bonifay – In 2009, the Town entered into a loan agreement with the Bank of Bonifay to construct a fence for the new recreational park. Principal and interest are due on February 14, 2010. Interest is at a rate of 6% annum on the unpaid balance.

\$ -

Business Activities

Kubota Credit Corporation U.S.A. – In 2007, the Town entered into a loan agreement with Kubota Credit Corporation for the purchase of a tractor. Payments of principal and interest are due in monthly installments of \$400.51 due on the 15th of each month with the last payment becoming due on January 15, 2011. Interest is at a rate of 5.50% annum on the unpaid balance.

\$ 1,599

Notes To Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

Annual debt service requirement for notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 1,599	\$ 23	\$ 1,622

Revenue Bonds

USDA Water Revenue Bonds – The Town issued revenue bonds on October 22, 1982 to provide funds to finance a part of the cost of acquiring, erecting and constructing a new municipal water system for the Town. The interest rate on the bonds is 5%. Interest and principal is payable annually on September 1. The original issue was for \$110,600 with principal payments due annually beginning September 1, 1985 to 2022. Interest is payable annually beginning September 1, 1983 to 2022. Net revenue of the Town’s water system is pledged as collateral on the water revenue bonds. For the current year, principal and interest and revenue from the pledge sources were \$7,100 and \$44,686, respectively. Annual principal and interest payments on the bond are expected to require an estimated 20% of the pledged revenues. Provisions of these revenue bonds require monthly sinking fund contributions for current debt service of 1/12 of the next maturing principal and interest payment. In addition, a reserve for future debt service requirements must be maintained. A \$55 monthly contribution is required up to a reserve balance of \$6,600. Also, any excess funds of the proprietary funds are required to be deposited into a reserve fund. There are a number of other limitations, restrictions, and covenants pertaining to bond and interest sinking fund and reserve cash requirements, insurance, user fees, etc. contained in the debt instruments.

The annual requirements to amortize the revenue bonds outstanding at September 30, 2010 are as follows:

Fiscal Year Ending September 30,	Business Type Fund		
	Revenue Bonds		Total Business Type Fund
	Principal	Interest	
2011	\$ 4,000	\$ 2,900	\$ 6,900
2012	4,000	2,700	6,700
2013	4,000	2,500	6,500
2014	4,000	2,300	6,300
2015	4,000	2,100	6,100
2016-2020	26,000	7,000	33,000
2021-2022	12,000	900	12,900
	\$ 58,000	\$ 20,400	\$ 78,400

Notes To Financial Statements

NOTE 9 – TAX REVENUE

Florida Statute allows the Town to assess and collect property taxes within its municipal limits. However, the Town has chosen to operate on revenues generated from other sources. Its primary source of revenue comes from state collected and shared revenues generated from sales and gasoline taxes.

NOTE 10 – RISK MANAGEMENT AND LITIGATION

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

NOTE 11 – GRANTS

The Town received various grants during the year. These grants are subject to subsequent audit by the grantor agency. If any expenditures are determined to be disallowed, the grant monies will be subject to repayment in the future. The Town is not dependent on these grants for future operations.

NOTE 12 – DEFERRED REVENUE

During the year, the Town received funds under contracts with governmental agencies which are unearned until expended. As of September 30, 2010, amounts received and unearned are \$1,383 in relation to the Town's FRDAP Phase II grant.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 15, 2011, the date these financial statements were issued, and no event was deemed to warrant disclosure.

SUPPLEMENTAL INFORMATION

**Town of Westville
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA #	Pass-through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Pass-through Florida Department of Community Affairs			
Community Development Block Grant	14.228	08DB-T3-02-42-02-N22	\$ 489,427
U.S. Department of Homeland Security			
Assistance to Firefighters (AFG)	97.044	EMW-2008-FO-05402	27,927
Total Expenditures of Federal Awards			\$ 517,354

Town of Westville
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Single Audit Report of the Town of Westville, Florida (the “Town”) have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133, Compliance Supplement (“A-133”).

Reporting Entity – The reporting entity consists of the Town of Westville, the primary government.

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 applied.

The modified accrual basis of accounting is followed in the Schedule of Federal Awards. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

NOTE 2 – CONTINGENCIES

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Town does not believe that such disallowance, if any, would have a material effect on the financial position of the Town. As of September 30, 2010, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

COMPLIANCE SECTION



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

**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**

Honorable Mayor and Members
of the Town Council
Town of Westville, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and the general fund information of the Town of Westville, Florida (the "Town") as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider items 10-01, 10-02, 10-03, 10-04, 10-05, 10-09, 10-10, and 10-11 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider items 10-06, 10-07, and 10-08 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards** and which are described in the accompanying schedule of findings and questioned costs as items 10-07, 10-08, 10-09, and 10-10.

We noted certain other matters that we reported to management of the Town in a separate letter dated August 15, 2011.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this report is intended solely for the information and use of management, others within the Town, the Town Council, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

August 15, 2011



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members
of the Town Council
Town of Westville, Florida

Compliance

We have audited the Town of Westville, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2010. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in item 10-12 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding cash management that is applicable to its Federal program – Community Development Block Grant.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-12 to be a material weakness.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Town Council, others within the entity, 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.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

August 15, 2011

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	U.S. Department of Housing and Urban Development- Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs? \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

10-01 Financial Statement Preparation Knowledge

Condition – The external auditors’ assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles.

Criteria – Auditing Standards Board Statement No. 112 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity’s institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

Cause – There is no Town personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards.

Effect – The finding could adversely affect the Town of Westville’s (the “Town”) ability to internally prepare financial statements in accordance with generally accepted accounting principles.

Recommendation – We recommend the Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

10-02 Separation of Duties

Condition – The Town presently employs only one full-time clerical employee. This individual’s responsibilities include billing, collecting, receipting, depositing and recording all revenues. Additionally, this individual is also responsible for preparing and documenting all disbursements.

Criteria – No individual employee should have responsibility for all accounting functions including billing, collecting, receipting, depositing, and recording of revenue and disbursements.

Cause – The Town lacks sufficient personnel to appropriately separate all accounting functions.

Effect – The finding could result in material misstatements to the financial statements and the misappropriation of assets.

Recommendation – Due to a lack of personnel required to establish proper separation of duties, a recommendation to correct this weakness is prohibitive. However, we strongly recommend the Town Council, Mayor or representative monitor ongoing operations to include systematic reviews of monthly financial activity and reporting.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

10-03 Budget Adoption

Condition – The Town failed to adopt a budget as required by 166.241(2), Florida Statutes.

Criteria – Florida Statute 166.241(2) states “The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality’s charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal

**Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010**

the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.”

Cause – There are no procedures in place to ensure that a budget is adopted in accordance with Florida Statutes.

Effect – The finding could result in noncompliance with laws and regulations of the State of Florida. Further, without budgetary controls, the accountability of financial resources is inhibited.

Recommendation – We recommend that the Town implement the necessary policies and procedures to ensure the timeliness of the completion, adoption and compliance with an annual budget and amendments thereto in accordance with Florida Statutes.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

10-04 Accounting for Accruals

Condition – Certain receivables, payables and grant accruals and deferrals were not properly recorded.

Criteria – Generally accepted accounting principles and the modified accrual basis of accounting requires that all revenue earned or appropriated, if received within a specified time, be recognized in the year earned or appropriated. It also requires that expenditures generally be recognized in the period in which the liability is incurred.

Cause – There is no Town personnel with the necessary experience, background and knowledge of modified accrual basis accounting to properly record receivables, payables, and grant accruals and deferrals.

Effect – The finding could result in material misstatements of the financial statements.

Recommendation – The Town should strictly comply with the modified accrual basis of accounting and record receivables/accrued support, payables/deferred revenue and accruals.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

10-05 Recording Activity on General Ledger

Condition – The Town does not maintain a complete set of financial records. Certain receipts, disbursements, assets and liabilities are not summarized in the general ledger, nor are all transactions recorded. One bank account was identified as having not been included in the Town’s books.

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

Criteria – All receipts, disbursements, assets and liabilities of the Town should be properly recorded in the Town’s general ledger to ensure the availability of a complete set of financial records.

Cause – There are no policies and procedures in place to ensure that all Town financial activity is appropriately recorded in the general ledger.

Effect – The finding could result in material misstatements to the financial statements. Such a system does not permit the preparation of accurate and reliable financial statements.

Recommendation – The importance of a strong accounting system cannot be overemphasized. Without adequate financial records, management is basing its decisions on incomplete and/or inaccurate information, and excessive time is required at year-end in preparing and auditing the financial statements.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

10-06 Public Depositor Annual Report

Condition – The Town failed to file a Public Deposit Annual Report to the Chief Financial Officer (“CFO”) of the State of Florida.

Criteria - Florida Statute 280.18(6) states “Each public depositor shall submit, not later than November 30, an annual report to the Chief Financial Officer which shall include: (a) the official name, mailing address, and federal employer identification number of the public depositor; (b) verification that confirmation of public deposit information as of September 30, as described in subsection (5), has been completed; (c) public deposit information in a report format prescribed by the Chief Financial Officer; the manner of required filing may be as signed writing or electronic data transmission, at the discretion of the Chief Financial Officer; and (d) confirmation that a current public deposit identification and acknowledgement form, as described in subsection (2), has been completed for each public deposit account and is in the possession of the public depositor.”

Cause - There are no procedures in place to ensure that a Public Depositor Annual Report to the CFO is completed and filed in a timely manner as required by Florida Statutes.

Effect - The finding could result in noncompliance with laws and regulations of the State of Florida.

Recommendation – We recommend that the Town implement the necessary policies and procedures to ensure the timeliness of the completion and filing of the Public Depositor Annual Report to the CFO as required by Florida Statutes.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning on page 48.

**Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010**

10-07 Bond Covenants

Condition – The Town failed to comply with several bond covenants of its water revenue bonds. The Town failed to adopt an annual budget for the fiscal year. The Town failed to make deposits into its established operation and maintenance fund, bond and interest sinking fund and reserve account. The Town failed to transfer excess funds to the reserve account. The Town failed to invest the reserve account funds in federal securities. The Town failed to have an annual audit performed and provided within 90 days of fiscal year end.

Criteria - Covenant 3.04A requires adoption of an annual budget of operating expenses for each fiscal year. Covenant 3.04C requires the Town to deposit on or before the 15th day of each month into an operation and maintenance fund a sum sufficient to pay operating expenses for the current month in accordance with the annual budget; any excess should be returned to the revenue fund at the end of the year. Covenant 3.04D requires the Town to deposit on or before the 15th day of each month into a bond and interest sinking fund a sum of 1/12 of the amount of one year's interest and 1/12 of the principal on bonds maturing at the next anniversary date. Covenant 3.04D requires the Town to deposit on or before the 15th day of each month into a reserve account a sum of \$55 until a maximum of \$6,600 is met. Covenant 3.04E requires any excess funds in the revenue fund to be transferred to the reserve account until the reserve account equals \$6,600. Covenant 3.04F requires moneys in the reserve account to be invested in federal securities maturing not later than 5 years from the date of purchase. Covenant 3.04Q requires an audit be performed and provided upon request within 90 days of fiscal year end.

Cause - There are no procedures in place to ensure that bond covenants are adhered to.

Effect – The finding resulted in noncompliance with bond covenants and could result in bond holders calling for advanced bond payments.

Recommendation – We recommend policies and procedures be implemented to ensure compliance with all bond covenants.

Views of Responsible Officials and Planned Corrective Action – See Management's Response Letter beginning on page 48.

10-08 Payroll Taxes and IRS Forms

Condition – The Town failed to file income tax payments and returns in a timely manner. Three instances were identified where the Town failed to timely file Form 941. It was also identified that these late filings were not accurate as to wages reported. In addition, one instance was noted where the Town failed to issue appropriate Form 1099-MISC.

Criteria – The Internal Revenue Service ("IRS") requires Form 941 to be filed completely and accurately by the end of the month following the end of each calendar year quarter. The IRS also requires Form 1099-MISC to be filed for each person to whom you have paid during the year: At least \$600 in rents, services, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish you purchase

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

from anyone engaged in the trade or business of catching fish, or the cash paid from a notional principal contract to an individual, partnership or estate.

Cause - There are no procedures in place to ensure that all required tax filings are complete, accurate and filed in a timely manner.

Effect - The finding could result in noncompliance with federal laws and regulations and result in penalties being assessed by the IRS.

Recommendation – We recommend the Town implement policies and procedures to ensure timely and accurate filing of all IRS forms and related payments.

Views of Responsible Officials and Planned Corrective Action – See Management's Response Letter beginning on page 48.

10-09 Inventory

Condition - An inventory listing for tangible personal property pursuant to Rule #69I-73 is not being updated and maintained on an annual basis.

Criteria – Pursuant to the Florida Department of Financial Services, Division of Accounting and Auditing, Rule #69I-73, each governmental unit shall ensure a complete physical inventory of all property is taken annually. All property with a value or cost of \$1,000 or more and a projected useful life of one year or more shall be recorded in the local government's financial system as property for inventory purposes.

Effect – The Town has very little assurance that its general fixed assets are properly recorded and controlled.

Recommendation – We recommended an annual reconciliation of the inventory listing to the physical inventory be completed each year and the listing updated for any additions or dispositions for the year. The detail maintained should include at a minimum: description, date acquired, cost, location, property number and serial number.

Views of Responsible Officials and Planned Corrective Action – See Management's Response Letter beginning on page 48.

10-10 Fixed Asset Management Policy –

Condition - The Town does not have a formal written fixed asset management policy.

Criteria – The purpose of such a policy is to ensure the proper accounting and safeguarding the Town assets and compliance with Section 274.02, Florida Statutes and Florida Administrative Code Rules 69I-73 (Tangible Personal Property Owned by Local Governments). A fixed asset management policy should incorporate at a minimum the following: (a) Procedures for identifying and recording in the general ledger the acquisition and disposal of fixed assets. (b) Procedures for identifying Town property such as property tags, vehicle identification numbers, serial number, etc. (c) Procedures for inventory of fixed assets to

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

include the timing, method of inventory, items of specific inquiry, and who will be responsible for carrying our inventory. (d) Procedures for maintaining fixed asset records and the information to be contained in those records.

Effect – The Town has very little assurance that its general fixed assets are properly recorded and controlled.

Recommendation – We recommend the Town adopt and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets.

Views of Responsible Officials and Planned Corrective Action – See Management's Response Letter beginning on page 48.

10-11 Customer Deposits –

Condition – The Town requires a \$75 customer deposit upon connection water system. However, the Town's current water system software does not have the capabilities of maintaining a sub ledger of the amounts owed to customers. The Town has no record of the customers that are included their customer deposit liability.

Criteria – Implementation of a customer deposit sub ledger will ensure that the balance in the general ledger reflects the accurate customer deposit liability balance as supposed by the subsidiary system.

Effect – The finding could result in material misstatements to the financial statements.

Recommendation – We recommend the Town implement policies and procedures and controls to establish a customer listing sub ledger of all customer deposits to substantiate its customer deposit liability.

Views of Responsible Officials and Planned Corrective Action – See Management's Response Letter beginning on page 48.

Section III – Federal Award Findings and Questioned Costs

Item 10-12 – Cash Management

Community Development Block Grant CFDA #14.228

U.S. Department of Housing and Urban Development

Condition – The Town does not have policies and procedures in place to ensure that funds are disbursed in a timely manner as required by the grant agreement.

Criteria – Code of Federal Regulations Title 24 Section 85.21 (b) states "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee and sub grantee, in accordance with Treasury regulations at 31 CFR part 205." Code of Federal Regulations Title 31 Section 205.12 (4) requires payments to take place within three business days of deposit.

Town of Westville
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2010

Cause – There are no procedures in place to ensure that grant funds are disbursed in a timely manner.

Effect – Failure to comply with cash management requirements could impact future funding, as well as, repayment of grant proceeds.

Context – A test was performed to determine if disbursements were made within three business days of the receipt of funding. The test found that the Town had no policies and procedures over cash management and failed to timely disburse grant funds.

Questioned Costs – Not determinable at this time.

Recommendation – We recommend the Town implement the necessary policies and procedures to ensure compliance with cash management requirements.

View of Responsible Officials and Planned Corrective Action: See Management's Response Letter beginning on page 48.

Town of Westville

**Summary Schedule of Prior Audit Findings for Federal Awards
For the Year Ended September 30, 2010**

Single Audit was not required in prior year.



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

MANAGEMENT LETTER

Honorable Mayor and Members
of the Town Council
Town of Westville, Florida

We have audited the financial statements of the Town of Westville (the "Town") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated August 15, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated August 15, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The last financial statement audit of the Town of Westville was for fiscal year ending September 30, 2001. Corrective actions have been taken to address findings and recommendations made in that annual financial audit report except as noted below under the heading Prior Findings and Recommendations.

Prior Findings and Recommendations

01-01 General Fixed Assets – See Current Year Findings and Recommendations finding 10-09 below.

01-02 Budget Control – See Schedule of Findings and Questioned Costs finding 10-03.

01-03 Payroll Liabilities – See Schedule of Findings and Questioned Costs finding 10-08.

Section 10.554(1)(i)2, Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we make the following recommendations.

Current Year Findings and Recommendations

10-13 Investment Policy – The Town does not have a written investment policy.

Criteria – Section 218.415, Florida Statutes, provides that "investment activity by a unit of local government must be consistent with a written investment plan adopted by the Governing body" or "in the alternate, such activity must be conducted in accordance with Subsection (17)." "Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the highest priority on the safety of principal and liquidity of funds."

Effect – The Town has very little assurance that its investment activity is in adherence to Florida Statutes.

Recommendation – We recommend the Town adopt a formal written investment policy in accordance with Section 218.415 of the Florida Statutes. The Town was in compliance with Subsection (17) of Section 218.415 of the Florida Statutes.

Management's Response – See Management's Response Letter beginning on page 48.

10-14 Deteriorating Financial Conditions - The Town is in a state of deteriorating financial condition. During 2010, the governmental fund reported an excess of expenditures over revenue and other sources of \$23,023, reducing total governmental funds ending fund balance to \$37,993. Should the Town continue to have deficits, it will eventually deplete all its governmental fund balance. The Town's total unrestricted net assets have been declining over the past three years due to recurring losses in its proprietary fund. Recurring losses indicate that revenues are not sufficient to cover expenditures. The Town has experienced declining unreserved fund balance as a percentage of total expenditures in the General fund. Such a decline could indicate that the Town could encounter difficulty in meeting financial obligations in the future. The Town has experienced declining cash and investments as a percentage of current liabilities and expenditures. Such a decline may indicate that the Town may have overextended itself in the long-run or have difficulty raising cash required to meet current needs. The Town has experienced declining unrestricted net assets as a percentage of operating revenues in the Water fund. Such a decline may indicate a reduction in the Town's ability to withstand financial emergencies and/or its ability to fund capital purchases without having to incur debt.

Criteria - Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Effect - If the current trend continues, the Town could eventually be in a "state of financial emergency".

Recommendation - We recommend the Town closely monitor its revenues and expenditures and take the steps necessary to reverse the trend of deteriorating financial condition.

Management's Response – See Management's Response Letter beginning on page 48.

Section 10.554(1)(i)4, Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5, Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. See Current Year Findings and Recommendations 10-14.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, members of the Town Council and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

August 15, 2011

TOWN OF WESTVILLE
P. O. BOX 123
WESTVILLE FL, 32464

August 15, 2010

Carr, Riggs & Ingram
P. O. Box 311070
Enterprise, Alabama 36331

In response to the Management Letter accompanying the audit of our financial statements, we submit the following:

Item 01-01 See current year findings and recommendations finding 10-09.

Item 01-02 See current year finding and recommendations findings 10-03.

Item 01-03 See current year findings and recommendations finding 10-08

10-01 Finding is acknowledged and the town continues to deal with this burdensome requirement from the accounting standpoint.

10-02 Because of our lack resources, we are unable to segregate duties. However, the Town Council; will continue to monitor transactions to provide financial oversight.

10-03 The town has initiated the proper policies to ensure the timeliness and completion of budget requirements/

10-04 The town will strictly comply with the modified accrual basis of accounts receivable/payable and deferred revenue accounts.

10-05 The town will explore the accounting practices and policies to ensure proper ledger entries are made in a timely manner.

10-06 The town will implement necessary policies to ensure a timely completion of filings of the PDAR.

10-07 The town will implement policies to ensure compliance with bond covenants.

10-08 The town will implement policies and procedures to ensure timely filing of all IRS forms and related payments.

10-09 The town will conduct annual inventory listings and additions or subtractions will be noted in accordance with the appropriate procedures.

10-10 The town will implement fixed asset management policies to safeguard the town's assets.

10-11 The town will establish a customer ledger of all deposits to substantiate it's customer deposit liability.

10-12 The town will implement policies to ensure compliance with cash management requirements.

10-13 The town will adopt a formal written investment policy in accordance with FI Statute section 218.415.

10-14 The town will closely monitor its revenue and expenditures and take necessary steps to reverse the trend of deteriorating financial condition.

Sincerely,

A handwritten signature in cursive script, appearing to read "S. Herrington".

Stephen Herrington
Mayor