

Town of Westville, Florida
Financial Statements
For the Year Ended September 30, 2013

JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
November 5, 2014

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, City Clerk and Members
of the Town Council, Town of Westville, Florida

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the general fund of the Town of Westville, Florida (the "Town"), as of, and for the year ended, September 30, 2013, 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. My responsibility is to report on these financial statements based on my audit.

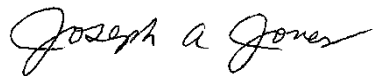
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my report.

In my opinion, the financial statements for the fiscal year ending on September 30, 2013 present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Westville, Florida as of September 30, 2013, and changes in financial position, thereof for the year ended in conformity with Generally Accepted Accounting Principles.

The Honorable Mayor, City Clerk, and Members
of the Town Council, Town of Westville, Florida
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In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2014 on my consideration of the Town of Westville's internal control over financial reporting and on my tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Joseph A. Jones".

Joseph A. Jones, CPA

Crestview, Florida
November 5, 2014

Town of Westville, Florida
Management Discussion and Analysis
(Unaudited)

This discussion and analysis of the Town of Westville's financial statements is designed to introduce the basic financial statements and provide an analytical overview of the Town's financial activities for the fiscal year ended September 30, 2013. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and footnotes.

Town Highlights

Fiscal year 2013: At the close of fiscal year 2013, the Town had \$78,742 of cash in bank accounts. The Town's assets exceeded its liabilities by \$847,313. General Fund revenues were \$91,367, including a \$24,492 grant from the Florida Energy and Climate Commission. General Fund cash expenses were \$65,088 and non-cash depreciation was \$53,895. Water Service revenues were \$47,028. Water Service cash expenses were \$35,298 and non-cash depreciation was \$27,367.

Government-wide Financial Statements

Government-wide financial statements (statement of net assets and statement of activities) are intended to assess the Town's operational accountability. Operational accountability is defined as the extent to which the Town's government has met its operating objectives efficiently and effectively, using all resources available for the purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the Town as a whole and do not emphasize fund types.

The Statement of Net Assets presents information on all Town assets and liabilities, with the difference between the two reported as net assets. The Town's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the Town's net assets changed during the fiscal year. Both statements are measured and reported using the economic resources measurements focus (revenue and expense) and accrual basis of accounting (revenues recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The general fund is the sole governmental fund of the Town. All of the Town's basic services are reported in the general fund, and the focus is on how money flows into and out of this fund and the balance left at year end that is available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The general fund's statements provide a detailed short-term view of the Town's general government operations and basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary Fund Financial Statements

When the Town charges customers for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Town's proprietary fund (the Water Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information such as cash flows.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the Town is in better or worse financial condition from year to year.

The following is a condensed summary of net assets of the Town.

SUMMARY OF NET ASSETS
Fiscal year ending
September 30, 2013

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Assets:			
Current & Other	\$ 35,485	\$ 43,257	\$ 78,742
Capital Assets	<u>300,290</u>	<u>515,566</u>	<u>815,856</u>
Total Assets	335,775	558,823	894,598
Liabilities:			
Current	623	4,661	5,284
Non-Current		<u>42,000</u>	<u>42,000</u>
Total Liabilities	623	46,661	47,284
Net Assets:			
Invested in Capital			
Assets, Net of			
Related Debt	300,290	469,566	769,856
Restricted	-	8,326	8,326
Unrestricted	<u>34,861</u>	<u>34,270</u>	<u>69,132</u>
Total Net Assets	<u>335,151</u>	<u>512,162</u>	<u>847,314</u>
Total Liabilities			
and Net Assets	<u>\$ 335,774</u>	<u>\$ 558,823</u>	<u>\$ 894,598</u>

Fiscal year 2013: The Town has cash of \$78,742, consisting of unrestricted cash of \$70,416 (\$35,485 in General Fund and \$34,931 in Water Fund), and restricted cash of \$8,326 in the Water Fund. The unrestricted cash represents amounts that are available for spending at the Town's discretion, such as paying down debt, equipment purchases, or repairs. Restricted cash balances include water debt service funds and debt service reserve funds.

The following schedule reports the revenues, expenses, and changes in net assets for the Town, for fiscal year ending September 30, 2013.

Summary of Revenues, Expenses and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Revenues:</u>			
Program Revenues:			
Charges for Services		\$ 47,028	\$ 47,028
Operating Grants and Contributions	\$ 24,494		24,494
General Revenues:			
Alcoholic Beverage License	21		21
State Revenue Sharing	16,719		16,719
State Discretionary	12,596		12,596
Communication service tax	1,743		1,743
Local government sales tax	6,542		6,542
Local Option Gas Tax	5,448		5,448
Dept of Highway Safety	618		618
Electric Tax	5,952		5,952
Rental Income - Store	4,116		4,116
Rental Income - Town Hall	1,217		1,217
Fire Dept - Holmes County	5,000		5,000
Fire Dept - Equipment sales	4,300		4,300
Refunds	1,727		1,727
Contributions & Donations	252		252
Miscellaneous	621		621
Total Revenues	<u>91,367</u>	<u>47,028</u>	<u>138,395</u>
<u>Expenses:</u>			
General Government	72,764	-	72,764
Public Safety	31,455	-	31,455
Streets	3,531	-	3,531
Culture and Recreation	10,840	-	10,840
Interest on long term debt	393	2,692	3,084
Water	-	<u>59,972</u>	<u>59,972</u>
Total Expenses	<u>118,982</u>	<u>62,664</u>	<u>181,646</u>
<u>Net Assets:</u>			
Increase (Decrease) in Net Assets	(27,616)	(15,636)	(43,251)
Net Assets October 1	<u>362,767</u>	<u>527,798</u>	<u>890,565</u>
Net Assets September 30	<u>\$ 335,151</u>	<u>\$ 512,162</u>	<u>\$ 847,313</u>

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements, equipment, furniture and vehicles. The following is a schedule of the Town's capital assets as of September 30, 2013.

	Capital Assets As of September 30:		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>CAPITAL ASSETS:</u>			
Land	\$ 10,171	\$ -	\$ 10,171
Total Capital Assets not being depreciated	<u>10,171</u>	<u>-</u>	<u>10,171</u>
Buildings	441,000	4,696	445,696
Improvements other than buildings	130,191	5,525	135,716
Machinery and Equipment	<u>465,656</u>	<u>1,317,272</u>	<u>1,782,928</u>
Total Capital Assets being depreciated	<u>1,036,847</u>	<u>1,327,493</u>	<u>2,364,341</u>
Total Cost of Capital Assets	1,047,018	1,327,493	2,374,511
<u>LESS ACCUMULATED DEPRECIATION</u>			
Buildings	(315,225)	(4,696)	(319,921)
Improvements other than buildings	(88,884)	(5,525)	(94,409)
Machinery and Equipment	<u>(342,619)</u>	<u>(801,706)</u>	<u>(1,144,326)</u>
Total Accumulated Depreciation	<u>(746,728)</u>	<u>(811,927)</u>	<u>(1,558,655)</u>
<u>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</u>			
	<u>\$ 300,290</u>	<u>\$ 515,566</u>	<u>\$ 815,856</u>

Debt Administration

Fiscal year 2013:

At fiscal year ending 2013 the Town had outstanding water revenue bonds payable to U.S.D.A. totaling \$46,000 (at 5% interest) after a \$4,000 principal payment. The Town had a loan with Peoples South bank and that loan was paid off with a principal payment of \$83,565.

Contacting the Town's Financial Management

This report has been created to provide our citizens, taxpayers, customers and creditors a general overview for all those with an interest in the Town's finances. If you have questions about this report, or need additional financial information, contact the Town Clerk, Tammy Bowers, at P.O. Box 123, Westville, FL. 32464 or phone (850) 548-5858.

TOWN OF WESTVILLE
 STATEMENT OF NET ASSETS
 September 30, 2013

Assets	Governmental <u>Activities</u>	Business <u>Activities</u>	<u>Total</u>
Current assets:			
Cash, Unrestricted	\$ 35,485	\$ 34,931	\$ 70,416
Restricted Cash		8,326	8,326
Total Current Assets	35,485	43,257	78,742
Noncurrent assets:			
Capital assets, net of depreciation:			
Land	10,171	-	10,171
Buildings and improvements	125,775	-	125,775
Improvements other than buildings	41,308	-	41,308
Machinery and equipment	123,037	515,566	638,603
Total capital assets, net	300,290	515,566	815,856
Total noncurrent assets	300,290	515,566	815,856
Total Assets	\$ 335,775	\$ 558,823	\$ 894,598

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2013

LIABILITIES	Governmental <u>Activities</u>	Business <u>Activities</u>	<u>Total</u>
Current liabilities:			
Payroll Taxes Payable	\$ 491		\$ 491
Sales Tax Payable	82		82
Refundable Town Hall Deposits	50		50
Water Customer Deposits		\$ 469	469
Accrued interest		192	192
Current portion of notes payable		4,000	4,000
Total Current Liabilities	623	4,661	5,284
Noncurrent liabilities:			
Notes payable		42,000	42,000
Total noncurrent liabilities	-	42,000	42,000
TOTAL LIABILITIES	623	46,661	47,284
Net Assets			
Investment in capital assets, net of related debt	300,290	469,566	769,856
Restricted for notes payable		8,326	8,326
Unrestricted	34,861	34,270	69,132
TOTAL NET ASSETS	335,151	512,162	847,313
TOTAL LIABILITIES AND NET ASSETS	\$ 335,775	558,823	\$ 894,598

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
STATEMENT OF ACTIVITIES
September 30, 2013

<u>Functions/Programs</u>	<u>Revenues:</u>			Net (Expense)/ Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	
<u>2013</u>				
<u>General government activities:</u>				
General government	\$ 72,764			\$ (72,764)
Public safety	31,455			\$ (31,455)
Streets	3,531		\$ 24,494	\$ 20,963
Culture and Recreation	10,840			\$ (10,840)
Interest on long term debt	<u>393</u>			<u>\$ (393)</u>
Total governmental activities	118,982	-	24,494	(94,488)
<u>2013</u>				
<u>Business activities:</u>				
Water Expenses	59,972	47,028		(12,944)
Water Interest	<u>2,692</u>			<u>(2,692)</u>
Total business-type activities	<u>62,664</u>	<u>47,028</u>	-	<u>(15,636)</u>
Total	<u>\$ 181,646</u>	<u>\$ 47,028</u>	<u>\$ 24,494</u>	<u>\$ (110,124)</u>

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
STATEMENT OF ACTIVITIES (CONTINUED)
September 30, 2013

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
	<u>2013</u>	<u>2013</u>	<u>2013</u>
Net (expense) revenue	\$ (94,488)	\$ (15,636)	\$ (110,124)
General revenues:			
Alcoholic Beverage License	21		21
State Revenue Sharing	16,719		16,719
State Discretionary	12,596		12,596
Communication service tax	1,743		1,743
Local government sales tax	6,542		6,542
Local Option Gas Tax	5,448		5,448
Dept of Highway Safety	618		618
Electric Tax	5,952		5,952
Rental Income - Store	4,116		4,116
Rental Income - Town Hall	1,217		1,217
Fire Dept - Holmes County	5,000		5,000
Fire Dept - Equipment sales	4,300		4,300
Refunds	1,727		1,727
Contributions & Donations	252		252
Miscellaneous	621		621
Total general revenues	\$ 66,872	\$ -	\$ 66,872
Changes in net assets:	(27,616)	(15,636)	(43,251)
Net assets - beginning	<u>362,767</u>	<u>527,798</u>	<u>890,565</u>
Net assets - ending	<u>\$ 335,151</u>	<u>\$ 512,162</u>	<u>\$ 847,313</u>

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2013

	General Fund
ASSETS:	
Cash, Unrestricted	\$ 35,485
TOTAL ASSETS	35,485
 LIABILITIES AND FUND BALANCE:	
Liabilities:	
Payroll Taxes Payable	491
Sales Tax Payable	82
Refundable Town Hall Deposits	50
Total liabilities	623
 Fund balance:	
Reserved	-
Unreserved	34,861
Total fund balance	34,861
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 35,485
 Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets:	
Fund balance - governmental fund	\$ 34,861
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Transfers from Water Fund are not reported on this statement	-
Capital assets in governmental activities are not reported on this statement	300,290
Long term liabilities are not reported on this statement	-
 NET ASSETS OF GOVERNMENTAL ACTIVITIES	 \$ 335,151
PER STATEMENT OF ACTIVITIES	

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2013

	<u>General Fund</u>
<u>REVENUES:</u>	
Alcoholic Beverage License	\$ 21
State Revenue Sharing	16,719
State Discretionary	12,596
Communication service tax	1,743
Local government sales tax	6,542
Local Option Gas Tax	5,448
Dept of Highway Safety	618
Electric Tax	5,952
Rental Income - Store	4,116
Rental Income - Town Hall	1,217
Fire Dept - Holmes County	5,000
Fire Dept - Equipment sales	4,300
Refunds	1,727
Contributions & Donations	252
Miscellaneous	621
Grants Income	24,494
Total Revenues	<u>91,367</u>
<u>EXPENDITURES:</u>	
General Government (excludes Depreciation)	\$ 59,865
Public Safety (excludes Depreciation)	1,298
Streets	3,531
Culture and Recreation (excludes Depreciation)	
Interest	393
Total Expenditures	<u>65,088</u>
Excess Revenues over Expenditures	26,279
Fund balance at beginning of year	<u>8,582</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 34,861</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Excess of Revenues over Expenditures	\$ 26,279
Governmental funds reports capital assets as expenditures and do not expense depreciation.	
Minus Depreciation expense on Statement of Activities	<u>(53,895)</u>
CHANGE IN NET ASSETS OF STATEMENT OF ACTIVITIES	<u><u>\$ (27,616)</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2013

	Budgeted Amounts	Actual Amounts	Budget Variance
<u>REVENUES:</u>			
Alcoholic Beverage License		\$ 21	\$ 21
State Revenue Sharing	\$ 15,507	16,719	1,212
State Discretionary	9,402	12,596	
Communication service tax	1,112	1,743	
Local government sales tax	10,980	6,542	
Local Option Gas Tax	3,402	5,448	
Dept of Highway Safety	-	618	
Electric Tax	6,776	5,952	
Rental Income - Store	4,116	4,116	
Rental Income - Town Hall	2,410	1,217	
Fire Dept - Holmes County	-	5,000	
Fire Dept - Equipment sales		4,300	
Refunds	49	1,727	1,678
Contributions & Donations	700	252	(448)
Miscellaneous	-	621	621
Grants Income	24,000	24,494	494
Total Revenues	78,454	91,367	3,579
<u>EXPENDITURES:</u>			
General Governmental Services	40,777	59,865	(19,088)
Public Safety	-	1,298	(1,298)
Streets	290	3,531	(3,241)
Culture and Recreation	-		-
Interest		393	(393)
Total Expenditures	41,067	65,088	(24,021)
Excess Revenues over Expenditures	\$ 37,387	\$ 26,279	\$ (20,442)

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
BALANCE SHEET - PROPRIETARY FUND
September 30, 2013

Business-type Activities - Enterprise Funds - Water Fund

	<u>2013</u>
ASSETS:	
Current Assets:	
Cash, Unreserved	\$ 34,931
Restricted Cash	8,326
Total current assets	<u>43,257</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	4,696
Improvements other than buildings	5,525
Machinery and equipment	1,317,272
Less accumulated depreciation	<u>(811,927)</u>
Total capital assets (net of accumulated depreciation)	<u>515,566</u>
Total noncurrent assets	515,566
TOTAL ASSETS	<u><u>\$ 558,823</u></u>
LIABILITIES AND EQUITY:	
Liabilities:	
Revenue bonds payable (current portion)	\$ 4,000
Accrued Interest	192
Customer Deposits	469
Total current liabilities	<u>\$ 4,661</u>
Noncurrent liabilities	
Revenue bonds payable (noncurrent portion)	<u>42,000</u>
Total noncurrent liabilities	<u>42,000</u>
TOTAL LIABILITIES	46,661
Equity:	
Invested in capital assets, net of related debt	469,566
Restricted for revenue bond retirement	8,326
Unrestricted	<u>\$ 34,270</u>
TOTAL EQUITY	<u>512,162</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 558,823</u></u>

The notes to the financial statements are an integral part of this statement

TOWN OF WESTVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN EQUITY - PROPRIETARY FUND
For the Year Ended September 30, 2013

Business-type Activities - Enterprise Funds - Water Fund

Operating revenues:	
Charges for services	\$ 47,028
Operating expenses:	
Personal services	19,542
Materials and supplies	6,217
Repairs and maintenance	2,729
Utilities	2,543
Other operating expenses	1,574
Depreciation and amortization	<u>27,367</u>
Total operating expenses	<u>59,972</u>
OPERATING INCOME (LOSS)	(12,944)
Non-operating revenues (expenses)	
Interest expense	<u>(2,692)</u>
Total Non-operating revenues (expenses)	<u>(2,692)</u>
INCOME (LOSS) AND CHANGE IN EQUITY	(15,636)
Equity at beginning of year	<u>527,798</u>
EQUITY AT END OF YEAR	<u>\$ 512,162</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
 PROPRIETARY FUND: STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2013

Business-type Activities - Enterprise Funds - Water Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Charges for services	\$ 50,737	\$ 47,028	\$ (3,709)
Operating expenses:			
Personal services	17,862	19,542	1,680
Materials and supplies	4,708	6,217	1,509
Repairs and maintenance	1,395	2,729	1,334
Utilities	3,019	2,543	(476)
Other operating expenses	3	1,574	1,571
Depreciation and amortization	-	27,367	27,367
Total operating expenses	<u>26,987</u>	<u>59,972</u>	<u>32,985</u>
OPERATING INCOME (LOSS)	23,750	(12,944)	(36,694)
Non-operating revenues (expenses)			
Interest expense	-	(2,692)	(2,692)
Total non-operating revenues (expenses)	<u>-</u>	<u>(2,692)</u>	<u>(2,692)</u>
INCOME (LOSS)	<u>\$ 23,750</u>	<u>\$ (15,636)</u>	<u>\$ (39,386)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2013

Business-type Activities - Enterprise Funds - Water Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 47,028
Payments to suppliers	(6,217)
Payments to employees and contractors	(22,271)
Payments for Utilities	(2,543)
Payments for Other operating expenses	(1,574)
Net cash provided by operating activities	14,422

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Transfers from the General Fund	-
Net cash provided by non-capital financing activities	-

CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES

Principal paid on capital debt	(4,000)
Interest paid on capital debt	(2,692)
Net cash provided (used) by capital and related financing activities	(6,692)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	-
Net cash provided by investing activities	-

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,526
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 43,257

CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF :

Unrestricted cash	34,931
Restricted cash	8,326
Total	\$ 43,257

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
For the Year Ended September 30, 2013

Business-type Activities - Enterprise Funds - Water Fund

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (15,636)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	27,367
Change in assets and liabilities:	
Accrued Interest increase	192
Customer Deposits increase	469
Receivables Decrease	<u>2,030</u>
Net cash provided by operating activities	<u><u>\$ 14,422</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WESTVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Westville was created May 21, 1970 by an 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 Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies used by the Town are discussed below:

The Town's financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all Town activities.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. No potential component units were identified.

BASIC FINANCIAL STATEMENTS: GOVERNMENTAL –WIDE STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's general and proprietary funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's fire protection, parks and recreation, street, and general administration services are classified as governmental activities.

In the government-wide Statement of Net Assets, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Town's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first uses restricted resources to finance qualifying activities. The government-wide Statement of Net Assets reports as restricted net assets those resources that are restricted by legislation.

TOWN OF WESTVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
BASIC FINANCIAL STATEMENTS: GOVERNMENTAL –WIDE STATEMENTS

The government-wide Statement of Activities reports both gross and net cost of each of the Town's functions and business-type activities: general government, fire, etc. The functions are also supported by general government revenues (State Discretionary taxes, State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and grants. Program revenues must be directly associated with the function or business-type activity.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from current year activities.

BASIC FINANCIAL STATEMENTS: FUND FINANCIAL STATEMENTS

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that includes assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund types are used by the Town:

Governmental Funds:

The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds:

The **Water Fund** accounts for all of the activity related to providing water services to the citizens of the Town. The financial focus of the Water fund is the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to private sector business. Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses result from providing and delivering services in connection with the principal ongoing operation of the fund. Operating expenses include all costs associated with providing these services, including

TOWN OF WESTVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FINANCIAL STATEMENTS AMOUNTS (CONTINUED)

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Contributions to capital arise from contributions of resources restricted to capital acquisition and construction.

BASIS OF ACCOUNTING

Basis of accounting refers to the point that revenues and expenditures/expenses are recognized in the accounts and reported in financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, and when they are measurable and available. Measurable means the amount the transaction is known, or can reasonably be estimated. Available means collectible within the current period or with 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligations long-term debt, are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Cash

The Town's cash is carried in qualified public depositories. Therefore, the Town believes all of its deposits are fully insured. Florida statutes authorize the investment of surplus funds in interest-bearing time deposits or savings accounts, the State of Florida Local Government Surplus Funds Trust Fund, and certain obligations of the U.S. Government.

TOWN OF WESTVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FINANCIAL STATEMENTS AMOUNTS (CONTINUED)

Prepaid Items

Payments to vendors for services that will benefit future periods are recorded as prepaid items.

Restricted Assets

Customer deposits, certain resources set aside for repayment of water bonds, customer deposits, and impact fees are classified as restricted assets in the balance sheet, because they are refundable or their use is limited, such as by grant documents, bond covenants or Town ordinances. Retained earnings have been reserved for the excess of restricted assets over related liabilities, where appropriate.

Capital Assets

Capital Assets include property, plant, buildings, equipment, and infrastructure assets with an estimated useful life in excess of one year, and a cost, or value if donated, in excess of \$1,000. Such assets are reported at historical cost if purchased or constructed. Donated assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Town did not report infrastructure prior to October 1, 2003. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Building and improvements	40 years
Machinery and equipment	5 to 10 years

Governmental Accounting Standards Board (GASB) statement number 34 requires the Town to report and depreciate new infrastructure assets. Infrastructure assets include road, drainage systems, water systems, etc.

Long Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

TOWN OF WESTVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For fiscal year ending September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FINANCIAL STATEMENTS AMOUNTS (CONTINUED)

Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – BUDGETARY ACCOUNTING AND LEGAL COMPLIANCE

Budgetary data reflected in the financial statements were approved by the Town council.

TOWN OF WESTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For fiscal year ending September 30, 2013

NOTE C – CASH

Cash at fiscal year end consists of the following:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Total Deposits	\$ 35,485	\$ 43,257	\$ 78,742
Less Restricted amounts		<u>(8,326)</u>	<u>(8,326)</u>
Un-Restricted amounts	\$ 35,485	\$ 34,931	\$ 70,416

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Land	\$ 10,171
Buildings	125,775
Improvements	41,308
Machinery & Equipment	<u>123,037</u>
Total Depreciation Expense – Governmental Activities	\$ 300,290

Business Type Activities:

Water Equipment	\$ 515,566
Water Buildings	
Water Improvements	_____
Total Depreciation Expense – Business Activities	\$ 515,566

TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30,2013

NOTE D - CAPITAL ASSETS (CONTINUED)

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Governmental activities (General Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 10,171	\$ -	\$ -	\$ 10,171
Total Capital Assets not being depreciated	10,171	-	-	10,171
Capital Assets, being depreciated:				
Buildings	441,000			441,000
Improvements other than buildings	130,191			130,191
Machinery and Equipment	<u>465,656</u>			<u>465,656</u>
Total Capital Assets being depreciated	<u>1,036,847</u>	-	-	<u>1,036,847</u>
Total Cost of Capital Assets	1,047,018	-	-	1,047,018
Less accumulated depreciation for:				
Buildings	(304,200)	(11,025)		(315,225)
Improvements other than buildings	(82,374)	(6,510)		(88,884)
Machinery and Equipment	<u>(306,259)</u>	<u>(36,360)</u>		<u>(342,619)</u>
Total Accumulated Depreciation	<u>(692,833)</u>	<u>(53,895)</u>	-	<u>(746,728)</u>
Total capital assets, being depreciated, net	<u>344,014</u>	<u>(53,895)</u>	-	<u>290,119</u>
Governmental activities capital assets, net	<u>\$ 354,185</u>	<u>\$ (53,895)</u>	<u>\$ -</u>	<u>\$ 300,290</u>

TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30,2013

NOTE D - CAPITAL ASSETS (CONTINUED)

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Business-type activities (Water Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being depreciated	-	-	-	-
Capital Assets, being depreciated:				
Buildings	4,696			4,696
Improvements other than buildings	5,525			5,525
Machinery and Equipment	<u>1,317,272</u>	-	-	<u>1,317,272</u>
Total Capital Assets being depreciated	<u>1,327,493</u>	-	-	<u>1,327,493</u>
Total Cost of Capital Assets	1,327,493	-	-	1,327,493
Less accumulated depreciation for:				
Buildings	(4,696)			(4,696)
Improvements other than buildings	(5,525)			(5,525)
Machinery and Equipment	<u>(774,339)</u>	<u>(27,367)</u>		<u>(801,706)</u>
Total Accumulated Depreciation	<u>(784,560)</u>	<u>(27,367)</u>	-	<u>(811,927)</u>
Total capital assets, being depreciated, net	<u>542,933</u>	<u>(27,367)</u>	-	<u>515,566</u>
Business-type activities capital assets, net	<u>\$ 542,933</u>	<u>\$ (27,367)</u>	<u>\$ -</u>	<u>\$ 515,566</u>

TOWN OF WESTVILLE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2013

NOTE E - LONG TERM DEBT

Note payable People South Bank:

Funds were borrowed in 2011 to finance grant expenditures in advance of receipt of grant funds from the Florida energy & climate commission grant # ARS041. The note was paid off in Fiscal year 2013.

USDA Water Revenue Bonds:

The town issued revenue bonds October 22, 1982 to finance a new municipal water system. Interest rate is 5%, and interest and principal is payable annually on September 1. The original issue was \$110,600 with principal payments due September 1, 1985 to 2022. Interest is payable beginning September 1, 1983 to 2022. Net water revenue is pledged as collateral. Provisions of the revenue bonds require monthly sinking fund contributions of 1/12 of the next maturing principal and interest payment. Also a reserve for future debt service requirements of \$6,600 is required to be maintained. Any excess of proprietary funds are required to be deposited into the reserve fund.

Annual requirements of the revenue bonds at the beginning of the fiscal year are as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Totals	\$ 50,000	\$ 14,800	\$ 64,800

The following is a summary of long-term debt transactions for the year ended September 30, 2013:

	<u>Balance</u> <u>Oct. 1,</u> <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Sep. 30,</u> <u>2013</u>	<u>Due within</u> <u>one year</u>	<u>Long Term</u> <u>portion</u>
<u>Governmental Activities:</u>						
Note payable People South Bank	\$ 83,565		\$ 83,565	\$ -	\$ -	\$ -
Total						
<u>Business Type Activities:</u>						
USDA Water Revenue Bonds	\$ 50,000		\$ 4,000	\$ 46,000	\$ 4,000	\$ 42,000
Total						
Grand Total - All Funds	\$ 133,565		\$ 87,565	\$ 46,000	\$ 4,000	\$ 42,000

TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013

NOTE F - GRANT REVENUE

The following is a summary of Grant Revenue received by the city during the fiscal year ended September 30, 2013

	Operating <u>Grants</u>
<u>Governmental Activities:</u>	
The town received Florida Energy and Climate Commission Grant # ARS041 in 2011 to fund the replacement of street lights with energy efficient solar lights. Total amount of the grant was \$210,600. Replacement of street lights was completed in FY2012. Final receipt of grant funds was \$24,494 received January 2, 2013.	\$ 24,494

Business Type Activities:

No grant funds were received by the Water fund.

NOTE G – RISK MANAGEMENT

The Town of Westville, Florida is exposed to various risks of loss related to tort, theft, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The Town purchases insurance through the Florida Municipal Insurance Trust, effectively transferring any risk of loss.

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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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

The Honorable Mayor, City Clerk, and Members of the Town Council
Town of Westville, Florida

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Westville, Florida, as of and for the year ended September 30, 2013, which collectively comprise the Town of Westville's basic financial statements and have issued my report thereon dated November 5, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the **Governmental Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

Internal Control Over Financial Reporting (Continued)

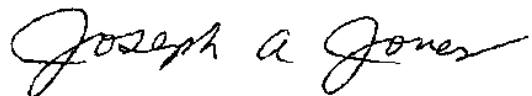
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Westville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Any other matters pertaining to immaterial instances of noncompliance have been reported to management of the Town in a separate letter dated November 5, 2014.

This report is intended solely for the information and use of management, the Town Council of the Town of Westville, Florida, the State of Florida, and the office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.



Joseph A. Jones, CPA
Crestview, Florida
November 5, 2014

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

The Honorable Mayor, City Clerk, and Members of the Town Council
Town of Westville, Florida

I have audited the financial statements of the Town of Westville, Florida as of and for the year ended September 30, 2013, and I have issued my report thereon dated November 5, 2014. I conducted my 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. I have issued my 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 dated November 5, 2014. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, my audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The previous audit was 3 years ago for the period ending September 30, 2010, and there were 12 audit findings which I will address.

Finding 10-01, Financial Statement preparation knowledge: The FY2010 audit finding said there are no Town personnel with the experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards to prepare financial statements in accordance acceptable standards. My audit of FY2013 determined that the Town has taken corrective active to address this finding. The new bookkeeper has knowledge of financial accounting standards. The Town has contracted with a bookkeeping service to review the Town bookkeeper's work each month to ensure the books are prepared in accordance with financial accounting standards.

Finding 10-02, Separation of Duties: The FY2010 audit finding said the Town failed to have a separation of cash custodian duties from accounting duties. My audit of FY2013 determined that

the Town has taken corrective active to address this finding. The Town has contracted with a bookkeeping service to (1) review the Town bookkeeper's work each month, and (2) to reconcile the bank statements to the books. Additionally the mayor and town council review the financial reports each month.

Finding 10-03, Budget Adoption: The FY2010 audit finding said the Town failed to adopt a budget as required by Florida Statutes. My audit of FY2013 determined that the Town has adopted a budget for FY2013.

Finding 10-04, Accounting for Accruals: The FY2010 audit finding said the Town failed to properly record receivables and payables. My audit of FY2013 determined that the Town has made improvements. Accounts Payables are being properly recorded in FY2013 in the General Ledger. Customer Deposits received in FY2013 are being recorded in the General Ledger. Water Systems billings are not being recorded as an Account Receivable, and Water Sales are not recorded until cash is received.

Finding 10-05, Recording activity on General Ledger: The FY2010 audit finding said the Town failed to record certain receipts, disbursements, assets and liabilities into the General Ledger. My audit of FY2013 determined that the Town has made substantial improvements in recording receipts, disbursements, assets and liabilities into the General Ledger. However the Town still needs to record fixed assets into the General Ledger.

Finding 10-06, Public Depositor Annual Report: The FY2010 audit finding said the Town failed to submit an annual Public Depositor Annual Report to the Florida Department of Financial Services. My audit of FY2013 determined that the Town did not file an annual Public Depositor Annual Report to the Florida Department of Financial Services.

Finding 10-07, Bond Covenants: The FY2010 audit finding said the Town failed to comply with Water Revenue Bond covenants, which require the Town to make the following deposits:

- (a) To make monthly deposits into a bond and interest sinking fund the amounts of 1/12 of one years' interest and 1/12 on one years' principal,
- (b) To make monthly deposits of \$55 into a reserve account until a maximum of \$6,600 is met,
- (c) To transfer any excess funds in the Water Operating account to the Water Reserve account until the Reserve Account has a balance of \$6,600.

My audit of FY2013, determined that the Town has partially complied with this finding.

(a) During FY2013, the Town did not make monthly deposits into a bond interest and sinking fund in the amounts of 1/12 on the annual requirement for interest and principal, but the Town did deposit \$6,145.96 into a Sinking fund bank account with Peoples South Bank on September 18, 2012. There has been no activity in this account since September 18, 2012. The balance remains at \$6,145.96 on September 30, 2013. The annual \$6,500 payment of revenue bond interest and principal was paid out of the Water Operating account on August 27, 2013.

(b) During FY2013, the Town did not make monthly deposits of \$55 per month into a reserve account, but the Town deposited \$2,179.75 into a Reserve account bank account with Peoples South Bank on September 18, 2012. There has been no activity in this account since September 18, 2012. The balance remains at \$2,179.75 on September 30, 2013.

(c) During FY2013, the Town has not transferred any excess funds from the Water Operating account to the Water Reserve account.

Finding 10-08, Payroll Taxes and IRS forms: This FY2010 audit finding said the Town failed to file payroll tax returns in a timely manner. My audit of FY2013 determined that the Town did timely file payroll tax returns and payroll taxes were timely paid.

Finding 10-09, Inventory: This FY2010 audit finding said the Town did not maintain an inventory listing of tangible personal property for all tangible property with a cost of over \$1,000. My audit of FY2013 determined that the Town has made improvements in maintaining an inventory list, but still does not maintain an inventory listing of all tangible personal property over \$1,000.

Finding 10-10, Fixed Asset Management Policy: This FY2010 audit finding said the Town does not have formal written fixed asset management policy and procedures for recording in the general ledger the acquisition and disposal of fixed assets. My audit of FY2013 determined that the Town still does not have formal written fixed asset management policy and procedures for recording in the general ledger the acquisition and disposal of fixed assets.

Finding 10-11, Customer Deposits: This FY2010 audit finding said the Town does not maintain a ledger of a water customer deposits. My audit of FY2013, determined that the Town has begun a ledger that includes water customer deposits received during FY2013, but still does not include customer deposits for FY2012 and prior years.

Finding 10-12, Cash Management: This FY2010 audit finding said the Town did not have policies and procedures in place to ensure grant funds were timely disbursed for Community Development Block Grant CFDS #14.228. My audit of FY2013 determined that this grant was paid out prior to FY2013, and therefore this finding is no longer applicable.

Finding 10-13, Investment Policy: This FY2010 audit finding said the Town did not have an investment policy in compliance with Florida Statutes. My audit of FY2013 determined that this finding is no longer applicable, because the Town no longer has funds in excess of those required to meet current expenses as explained in Florida Statute 218.415.

Finding 10-14, Deteriorating Financial Conditions: This FY2010 audit finding said the Town's financial condition could be deteriorating. My audit of FY2013 determined that this finding is no longer applicable, because the Town has paid off its debts, except for the long term Water Revenue Bond debt, which it pays annually. Also, when depreciation is not considered, the Town has excess revenues over expenditures of \$26,279 in the general fund, and \$11,731 in the water fund.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial management. I have the following recommendations or findings:

Finding 13-1, Accounting for Accruals: My audit of FY2013 determined that the Town failed to properly record Water Systems billings, collections, and customer deposits on the accrual basis. Customer Deposits received in FY2013 are being recorded in the General Ledger, but prior year customer deposits have not been recorded in the General Ledger. Water Systems billings are not being recorded as an Account Receivable, and Water Sales are not recorded until cash is received.

Finding 13-2, Recording activity on General Ledger: My audit of FY2013 determined that the Town failed to record certain receipts, disbursements, assets and liabilities into the General Ledger. My audit of FY2013 determined that the Town has made substantial improvements in recording receipts, disbursements, assets and liabilities into the General Ledger. However the Town still needs to record fixed assets into the General Ledger.

Finding 13-3, Public Depositor Annual Report: My audit of FY2013 determined that the Town failed to submit an annual Public Depositor Annual Report to the Florida Department of Financial Services.

Finding 13-4, Water Revenue Bond Covenants: My audit of FY2013 determined that the Town did not comply with the following Water Revenue Bond Covenants:

- (a) The Town did not make monthly deposits of 1/12 of the annual interest and principal requirements into an interest and sinking fund bank account so that the fund contained the annual requirement of \$6,500. However they have maintained a balance of \$6,145.96 in a Sinking fund bank account with Peoples South Bank since September 18, 2012. There has been no activity in the account since September 18, 2012. So the Town has partially complied with this requirement.
- (b) The Town did not make monthly deposits of \$55 into a reserve account until a maximum of \$6,600 is met. The Town deposited \$2,179.75 into a Reserve account bank account with Peoples South Bank on September 18, 2012. There has been no activity in this account since September 18, 2012. The balance remains at \$2,179.75 on September 30, 2013.
- (c) The Town did not transfer any excess funds in the Water Operating account to the Water Reserve account to make the Reserve Account balance be \$6,600.

Finding 13-5, Inventory of Fixed Assets: My audit of FY2013 determined that the Town did not maintain an inventory listing of fixed assets, or tangible personal property having a cost over \$1,000.

I have discussed the FY2013 audit findings with Town officials and have included their response following this management letter.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that I 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 my audit of the fiscal year ending September 30, 2013, I did not have any such findings.

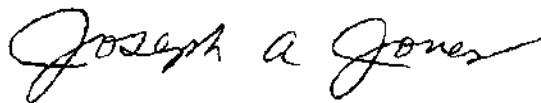
Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Westville has no component units.

Section 10.554(1)(i)6.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 my audit of the fiscal year ending September 30, 2013, I determined that the Town of Westville did not meet any of the conditions described in Section 218.503(1), Florida Statutes, "Determination of Financial Emergency."

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that I determine whether the annual financial report for the Town of Westville for the fiscal year ended September 30, 2013, 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, 2013. In connection with my audit, I determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, I applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Westville's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Based on my financial assessment of fiscal year ending September 30, 2013, I did not find any deteriorating conditions.

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Joseph A. Jones, CPA
Crestview, Florida
November 5, 2014

Town of Westville
PO Box 123
Westville, Florida 324064

Phone (850) 548-5858

November 4, 2014

To: Joseph A. Jones, CPA
6075 Bud Moulton Road
Crestview, FL. 32536

Subject: Town of Westville's response to the auditor's Management Letter listing the FY2013 audit findings

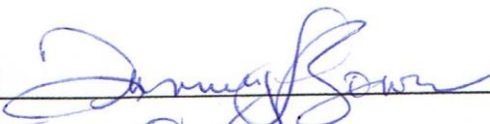
Finding 13-1, Accounting for Accruals: The Town will try to begin recording all accruals of receivables and payables, including prior year customer deposits and uncollected water sales.

Finding 13-2, Recording activity on General Ledger: The Town will record all fixed assets into the general ledger after receiving the auditor's adjusting entries and fixed asset depreciation schedule.

Finding 13-3, Public Depositor Annual Report: The Town will prepare and submit the Public Depositor to the Florida Department of Financial Services.

Finding 13-4, Water Revenue Bond Covenants: The Town will try to transfer funds to the Sinking fund bank account so that the Sinking fund bank balance is \$6,500. The Town will begin making transfers of at least \$55 per month into the Reserve account until the Reserve account balance is \$6,600. The Town will move excess Water operating funds from the water operating account to the water reserve account until the reserve account balance is \$6,600.

Finding 13-5, Inventory of Fixed Assets: The Town will prepare an inventory listing of all fixed assets have a cost or value of at least \$1,000. To prepare the list, the Town will start with the depreciation schedule and will add, or subtract, to/or from, that list. The Town will begin comparing the inventory list with actual fixed assets on hand and will do this inventory comparison at least once per year.

Signature 
Title Town Clerk