

THE CITY OF WEEKI WACHEE, FLORIDA
INDEPENDENT AUDITOR'S REPORT
for the fiscal year ended SEPTEMBER 30, 2014

King & Walker, CPAs, PL

Certified Public Accountants

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THE CITY OF WEEKI WACHEE, FLORIDA

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of Weeki Wachee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Weeki Wachee, Florida ("City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and Note to Required Supplementary Information, as shown on the table of contents, 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 historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

April 24, 2015
Tampa, Florida

THE CITY OF WEEKI WACHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the City of Weeki Wachee, Florida ("City") provides an overview of the City's activities for the fiscal year ended September 30, 2014.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the City's financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2014, the City's revenues exceeded expenses as shown on the City's statement of activities by \$80,504.
- As shown on the statement of net position, the City reported an unrestricted deficit balance of \$1,102,746.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the City's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the City presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the City. The statement of activities presents information about the change in the City's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the City's financial health is improving or deteriorating. To assess the overall financial position of the City, one needs to consider additional non-financial factors such as changes in the City student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the City's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the City's most significant funds. The City operates one fund, a General Fund.

The City adopts an annual budget for its General Fund. A budgetary comparison schedule, as required, has been provided for these fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the City's net position for the fiscal years ended September 30, 2013 and 2014:

	Net Position, End of Year		
	Governmental Activities		
	9-30-13	9-30-14	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 88,916	\$ 62,217	\$ (26,699)
Capital Assets, Net	1,503	1,106	(397)
Total Assets	<u>90,419</u>	<u>63,323</u>	<u>(27,096)</u>
LIABILITIES			
Current Liabilities	<u>1,272,563</u>	<u>1,164,963</u>	<u>(107,600)</u>
Total Liabilities	<u>1,272,563</u>	<u>1,164,963</u>	<u>(107,600)</u>
NET POSITION			
Net Investment in Capital Assets	1,503	1,106	(397)
Unrestricted	<u>(1,183,647)</u>	<u>(1,102,746)</u>	<u>80,901</u>
Total Net Position	<u>\$ (1,182,144)</u>	<u>\$ (1,101,640)</u>	<u>\$ 80,504</u>

Assets consist primarily of cash in the City's bank account. Current liabilities primarily consist of outstanding legal fees incurred in prior years totaling \$1,164,360 at September 30, 2014.

The City's total net position amounted to (\$1,101,640) which included an unrestricted net position balance of (\$1,102,746).

The key elements of the changes in the City's net position for the fiscal years ended September 30, 2013 and 2014, is as follows:

Operating Results for the Year			
Governmental Activities			
	9-30-13	9-30-14	Increase (Decrease)
Revenues:			
Property Taxes	\$ 53,331	\$ 46,274	\$ (7,057)
Building Permits	5,151	12,690	7,539
State Shared Revenue	6,623	4,216	(2,407)
Other	-	4	4
Debt Forgiveness	-	63,203	63,203
Total Revenues	65,105	126,387	61,282
Expenses:			
General Government	26,495	37,308	10,813
Physical Environment	4,260	4,938	678
Culture/Recreation	1,515	3,240	1,725
Unallocated Depreciation	929	397	(532)
Total Expenses	33,199	45,883	12,684
Increase/(Decrease) in Net Position	\$ 31,906	\$ 80,504	\$ 48,598

The City receives a majority of its operating revenue from ad valorem property taxes and building permit fees. In the current fiscal year the City reached a settlement of outstanding legal fees in the amount of \$63,203, this amount is recorded as revenue in the statement of activities.

Expenses increased over the prior year mainly due to the increased fees for building permit processing.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds reported a combined deficit fund balance of \$1,102,746.

BUDGETARY HIGHLIGHTS

The general fund budgets for the fiscal year ended September 30, 2014, was developed based on the City's anticipated revenues and expenditures and the planned City activities for the fiscal year. Actual revenue and expenditures were down from what was originally anticipated. Refer to the Budgetary Comparison Schedule – General Fund for additional information.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2014, amounts to \$1,106 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment. Additional information regarding the City's capital assets can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor of the City of Weeki Wachee, Florida.

CITY OF WEEKI WACHEE, FLORIDA

STATEMENT OF NET POSITION

September 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 62,180
Accounts Receivable	<u>37</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	<u>1,106</u>
TOTAL ASSETS	<u><u>63,323</u></u>
LIABILITIES	
Wages and Benefits Payable	603
Accounts Payable	<u>1,164,360</u>
TOTAL LIABILITIES	<u><u>1,164,963</u></u>
NET POSITION	
Net Investment in Capital Assets	1,106
Unrestricted	<u>(1,102,746)</u>
TOTAL NET POSITION	<u><u>\$ (1,101,640)</u></u>

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

CITY OF WEEKI WACHEE, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
General Government	\$ 37,308	\$	\$	\$ -	\$ (37,308)	\$ (37,308)
Physical Environment	4,938				(4,938)	(4,938)
Culture/Recreation	3,240				(3,240)	(3,240)
Unallocated Depreciation	397				(397)	(397)
Total Governmental Activities	\$ 45,883	\$	\$ -	\$ -	(45,883)	(45,883)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes					46,274	46,274
Building Permit Fees					12,690	12,690
State shared revenue					4,216	4,216
Other					4	4
Special Item - Forgiveness of Debt					63,203	63,203
Total General Revenues & Special Items					126,387	126,387
Change in Net Position					80,504	80,504
Net Position - October 1, 2013					(1,182,144)	(1,182,144)
Net Position - September 30, 2014					\$ (1,101,640)	\$ (1,101,640)

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

CITY OF WEEKI WACHEE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund
ASSETS	
Cash & Cash Equivalents	\$ 62,180
Accounts Receivable	37
	62,180
Total Assets	\$ 62,217
LIABILITIES	
Wages & Benefits Payable	\$ 603
Accounts Payable	1,164,360
	1,164,963
Total Liabilities	1,164,963
FUND BALANCE	
Unassigned	(1,102,746)
	(1,102,746)
Total Fund Balances	(1,102,746)
Total Liabilities and Fund Balance	\$ 62,217

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

CITY OF WEEKI WACHEE, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2014

Total Fund Balances - Governmental Funds	\$ (1,102,746)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>1,106</u>
Total Net Position - Governmental Activities	<u><u>\$ (1,101,640)</u></u>

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

CITY OF WEEKI WACHEE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2014

		General Fund
Revenues		
Property Taxes	\$	46,274
Building Permits		12,690
State Revenue Sharing		4,216
Other		4
Total Revenues		63,184
Expenditures		
Current:		
General government	\$	37,308
Physical Environment		4,938
Culture/Recreation		3,240
Total Expenditures		45,486
Excess (Deficiency) of Revenues Over Expenditures		17,698
Other Financing Sources (Uses):		
Forgiveness of Debt		63,203
Total Other Financing Sources (Uses)		63,203
Net Change in Fund Balances		80,901
Fund Balances, October 1, 2013		(1,183,647)
Fund Balances, September 30, 2014	\$	(1,102,746)

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

CITY OF WEEKI WACHEE, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

Net Change in Fund Balances - Governmental Funds	\$	80,901
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount of depreciation (\$397) in excess of capital outlays (\$0) in the current period.		(397)

Change in Net Position - Governmental Activities	\$	80,504
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The accompanying notes to the financial statements are an integral part of this statement.

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The City was established as Weeki Wachee by Chapter 65-2378, Laws of Florida. The City is located in Hernando County, Florida. As provided in Article VIII, Section 2.(b) of the State Constitution, and Section 166.021(1), Florida Statutes, the City is empowered to conduct municipal government, perform municipal functions, and render municipal services.

The City Charter, as amended by various ordinances, establishes the general powers and duties of the City Commission, including the Mayor; the duties of the City Clerk; and administrative requirements, procedures, and guidelines for various City activities and functions.

The City is governed by an elective legislative body. Section 4 of Chapter 65-2378, Laws of Florida, as amended by the City, stipulates that the City's governing body shall be composed of three commissioners elected at large for a term of four years. Section 7 of Chapter 65-2378, Laws of Florida, as amended by the City, provides that the Mayor shall be elected from among the City Commissioners. The Mayor shall preside at all City Commission meetings and, when directed to do so by the City Commission, execute all instruments to which the City is a party unless otherwise provided by the City Charter or by ordinance. The Mayor shall be the head of the City government for all ceremonial purposes.

Criteria for determining if other entities are potential component units which should be reported within the City's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the City.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the City as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The City's major governmental fund is as follows:

- General Fund – is the operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

➤ Basis of Accounting

Basis of accounting refers to when revenues and 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 government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year which they are levied.

The governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year.

➤ Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with a financial institution. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ Capital Assets

Expenditures for capital assets acquired or constructed for general City purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the City as those costing more than \$750. Such assets are recorded at historical cost or

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years

➤ **Property Tax Revenues**

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the office of the Hernando County Property Appraiser and Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year. The Hernando County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the county, independent districts and the school district tax requirements. The City voted to levy taxes at a rate of 2.6267 mills per \$1,000 of assessed property values.

Property taxes are recognized in the fiscal year when they become measurable and available. The taxes are collected by Hernando County Tax Collector and remitted to the City net of an early payment discount (4% starting in November and gradually decreasing by 1% per month until March). Delinquent taxes on real and personal property bear interest of 18% per year. On June 1 following the tax year, tax certificates are sold by the Hernando County Tax Collector for all delinquent taxes on real property.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The City does not have any items that qualify for reporting in this category.

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

➤ Net Position and Fund Balance Classification

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the City’s Board of Governance.
- Assigned – fund balance that is intended to be used by the City’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the City’s general fund and includes all spendable amounts not contained in the other classifications.

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

➤ **Order of Fund Balance Spending Policy**

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Recently Issued Accounting Principles**

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The City does not have any items that qualify for reporting in this category.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

THE CITY OF WEEKI WACHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

2. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance Beginning	Additions	Deletions	Balance Ending
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 12,223	\$ -	\$ -	\$ 12,223
Total Capital Assets Being Depreciated	<u>12,223</u>	<u>-</u>	<u>-</u>	<u>12,223</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	<u>(10,720)</u>	<u>(397)</u>	<u>-</u>	<u>(11,117)</u>
Total Accumulated Depreciation	<u>(10,720)</u>	<u>(397)</u>	<u>-</u>	<u>(11,117)</u>
Governmental Activities Capital Assets, net	<u>\$ 1,503</u>	<u>\$ (397)</u>	<u>\$ -</u>	<u>\$ 1,106</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

3. RISK MANAGEMENT PROGRAMS

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

4. DEFICIT FUND BALANCE

The City reported a deficit total fund balance in its balance sheet – governmental funds of \$1,102,746 at September 30, 2014. The School also reported a deficit total net position balance of \$1,101,640 in the statement of net position. This is a result unpaid legal fees.

5. LEGAL MATTERS

In the normal course of conducting its operations, the City occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

CITY OF WEEKI WACHEE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND-(UNAUDITED)
For the Fiscal Year Ended September 30, 2014

	General Fund		
	Original/Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:			
Property Taxes	\$ 48,223	\$ 46,274	\$ (1,949)
Building Permits	5,000	12,690	7,690
State Revenue Sharing	2,100	4,216	2,116
Other	500	4	(496)
Total Revenues	55,823	63,184	7,361
Expenditures:			
Current:			
General government	53,723	37,308	16,415
Public Safety	1,100		1,100
Physical Environment	-	4,938	(4,938)
Culture/Recreation	1,000	3,240	(2,240)
Total Expenditures	55,823	45,486	10,337
Excess (Deficiency) of Revenues Over Expenditures	-	17,698	17,698
Other Financing Sources (Uses):			
Forgiveness of Debt	-	63,203	63,203
Total Other Financing Sources (Uses)	-	63,203	63,203
Net Change in Fund Balance	-	80,901	80,901
Fund Balances, July 1, 2013	(1,173,693)	(1,183,647)	-
Fund Balances, June 30, 2014	\$ (1,173,693)	\$ (1,102,746)	\$ 80,901

See Independent Auditor's Report.

THE CITY OF WEEKI WACHEE, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2014

1. BUDGETARY BASIS OF ACCOUNTING

The City's procedures in establishing the budgetary data reflected in the financial statements are generally as follows:

- A public hearing is conducted on the tentative budget before its adoption.
- The budget is legally adopted through the passage of an ordinance.
- Budgetary control is maintained at the departmental level. The fund is the level of legal control.
- Appropriations lapse at the end of the year.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members of the City Council
of the City of Weeki Wachee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The City of Weeki Wachee, Florida ("City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

April 24, 2015
Tampa, Florida

Independent Auditor's Management Letter

To the Honorable Mayor and Members of the City Council
of the City of Weeki Wachee, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Weeki Wachee, Florida ("City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 24, 2015.

Auditor's Responsibility

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.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated April 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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 City was not required to have an annual audit for the fiscal year ended September 30, 2013; therefore, there were no prior audit findings or recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 City of Weeki Wachee, Florida was established by Chapter 65-2378, Laws of Florida. The City does not have any component units.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City met the condition described in Section 218.503(1)(b). Failure to pay uncontested claims from creditors within 90 days after the claim is presented, due to lack of funds.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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 have identified one recommendation, see page 26.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our 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, the City Council, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

April 24, 2015
Tampa, Florida

THE CITY OF WEEKI WACHEE, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2014

OTHER MATTERS:

2014-01 **Financial Emergency** – The Rules of the Auditor General (Section 10.554(1)(i)5.a), require that we make a statement as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School did meet one of the conditions described in Section 218.503(1), Florida Statutes. The City failed to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds. The City has accrued unpaid legal fees incurred in several prior fiscal years.

The City incurred legal fees in prior fiscal years totaling \$1,239,360. The City has made payments against this accrued payable of \$30,000, \$45,000 in the 2012-13 and 2013-14 fiscal years, respectively. The balance of this payable at September 30, 2014 is \$1,164,360. The City does not have a formal repayment plan with the creditor. The accrual of these unpaid fees has led to a deficit fund balance of \$1,102,746 as reported in the balance sheet – governmental funds.

We recommend that the City negotiate with the creditor in order to come to agreement on a long-term payment plan.

THE CITY OF WEEKI WACHEE, FLORIDA
MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS
September 30, 2014

Robyn Anderson
Mayor



6131 Commercial Way
Weeki Wachee, FL 34606
(352) 592-2004
(352) 592-2041

City of Live Mermaids

April 25, 2015
King & Walker, CPA's
709 W. Azeele Street
Tampa, FL 33606

Dear King & Walker CPAs,

Regarding the finding on page 26 of your report, the City will negotiate with the creditor in order to establish an agreeable long-term payment plan for the amount owed to the creditor.

Thank you.

Robyn Anderson

Robyn Anderson
Mayor
City of Weeki Wachee