

TOWN OF WELAKA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

**TOWN OF WELAKA, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Town Council,
Town of Welaka, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Welaka, Florida (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's 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.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

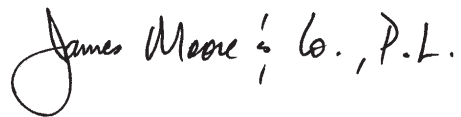
Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
January 5, 2018

**TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

The Town's discussion and analysis is designed to provide an objective and easy to read analysis of the Town's financial activities for the fiscal year ended September 30, 2017. It is intended to provide a broad overview using a short-term and long-term analysis of the Town's activities based on information in the financial report and fiscal policies that have been adopted by the Town Council. Please read it in conjunction with the Town's financial statements.

Financial Highlights

Government-wide Statements

- The Town's assets exceeded its liabilities at September 30, 2017, by \$8,190,736 (*net position*). Of this amount, \$2,163,500 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position is comprised of the following:
 - 1) Capital assets, net of related debt, of \$5,772,884, include property, equipment and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of those capital assets.
 - 2) Net position of \$110,810 is restricted by constraints imposed from outside of the Town such as debt covenants, grantors, laws, or regulations. An additional \$143,542 is restricted by action of the Town for specific purposes such as road and utility improvements.
 - 3) \$1,004,673 of governmental net position and \$1,158,827 of business-type net position represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's total net position decreased \$62,026 over the previous year with a decrease of \$24,037 resulting from governmental activities and a decrease of \$37,989 resulting from business activities.

Overview of the Financial Statements

This annual report contains government-wide financial statements that report the Town's activities as a whole and fund financial statements that report the Town's individual funds.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements include a ***Statement of Net Position*** and a ***Statement of Activities***.

- The *Statement of Net Position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Changes in net position over time may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. Changes in net position are reported as soon as

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

the underlying economic transactions occur, regardless of when cash is received or paid. Therefore, some of the revenues or expenses reported in the Statement of Activities will have cash flows in future fiscal periods. For example, certain sales taxes are shown as revenues although cash receipts will occur early in the following fiscal year; an increase in unused vacation leave is recorded as an expense although related cash outflows will occur in the future. Furthermore, this statement demonstrates the degree to which the direct expenses of a given function are offset by program revenues.

The *Government-wide Financial Statements* show a distinction between activities that are supported primarily by taxes and intergovernmental revenues (i.e., governmental activities) and activities that attempt to recover all or most of their costs through user fees and charges (i.e., business-type activities). The governmental activities of the Town include general government, public safety (law enforcement), transportation, human services, and culture and recreation. Business-type activities of the Town are the Water and Wastewater Utility System.

Fund 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. The Town uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions.

Governmental funds

Governmental funds are used to account for essentially the same functions that are reported as *governmental activities* in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Reconciliations of the differences between the Government-wide and the Fund Financial Statements are provided immediately after the *Balance Sheet-Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds*, respectively, in the *Basic Financial Statements*.

The Town's only governmental fund is the General Fund. A budget and actual comparison statement is also presented as *Required Supplementary Information (RSI)* for the General Fund.

Proprietary funds

The *Proprietary Fund Financial Statements* may be found in the *Basic Financial Statements*. *Enterprise funds* are used to report in greater detail the same functions presented as business-type activities in the Government-wide Financial Statements. The Town uses an enterprise fund to account for its Water and Wastewater Utility System.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$8,190,736 at the close of the fiscal year ended September 30, 2017. By far the largest portion of the Town's net position, \$5,772,884 or 70.5%, reflects its investment in capital assets such as land, buildings, infrastructure and equipment, less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are *not available* for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The payment of maintenance and debt service costs on those capital assets will require future government resources.

Town of Welaka, Florida
Summary Statement of Net Position

	Governmental Activities		Business-type Activites		Total	
	2017	2016	2017	2016	2017	2016
Cash and Investments	\$ 1,101,581	\$ 1,143,949	\$ 1,340,857	\$ 1,233,543	\$ 2,442,438	\$ 2,377,492
Other Current Assets	45,616	27,218	83,113	105,107	128,729	132,325
Capital Assets, Net	1,162,397	1,147,050	5,596,354	5,757,757	6,758,751	6,904,807
Total Assets	<u>2,309,594</u>	<u>2,318,217</u>	<u>7,020,324</u>	<u>7,096,407</u>	<u>9,329,918</u>	<u>9,414,624</u>
Current Liabilities	31,561	14,247	195,706	139,115	227,267	153,362
Long-Term Obligations	1,900	3,800	910,015	1,004,700	911,915	1,008,500
Total Liabilities	<u>33,461</u>	<u>18,047</u>	<u>1,105,721</u>	<u>1,143,815</u>	<u>1,139,182</u>	<u>1,161,862</u>
Net Position:						
Net Invested in Capital Assets	1,162,397	1,147,050	4,610,487	4,757,463	5,772,884	5,904,513
Restricted	109,063	164,642	145,289	206,591	254,352	371,233
Unrestricted	1,004,673	988,478	1,158,827	988,538	2,163,500	1,977,016
TOTAL NET POSITION	<u><u>\$ 2,276,133</u></u>	<u><u>\$ 2,300,170</u></u>	<u><u>\$ 5,914,603</u></u>	<u><u>\$ 5,952,592</u></u>	<u><u>\$ 8,190,736</u></u>	<u><u>\$ 8,252,762</u></u>

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

Change in Net Position

Governmental activities decreased the Town's net position by \$24,037. This decrease resulted from the following: capital asset acquisitions of \$107,721; the recognition of \$118,048 of depreciation expense; an increase in compensated absences of \$1,300; and a \$57,596 decrease in the fund balance of the General Fund.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Town of Welaka, Florida
Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 44,742	\$ 45,595	\$ 727,637	\$ 708,131	\$ 772,379	\$ 753,726
Operating Grants and Contributions	54,391	34,151	-	-	54,391	34,151
Capital Grants and Contributions	40,599	189,368	14,855	309,764	55,454	499,132
General Revenues:						
Property Taxes	274,803	275,768	-	-	274,803	275,768
Sales Tax and Other State Shared Revenues	111,228	104,765	-	-	111,228	104,765
Communications Service Tax	23,591	24,002	-	-	23,591	24,002
Other Taxes	64,723	63,192	-	-	64,723	63,192
Other Revenue	2,639	2,621	1,021	927	3,660	3,548
Total Revenues	<u>616,716</u>	<u>739,462</u>	<u>743,513</u>	<u>1,018,822</u>	<u>1,360,229</u>	<u>1,758,284</u>
Expenses:						
General Government	263,863	259,375	-	-	263,863	259,375
Public Safety	128,887	98,805	-	-	128,887	98,805
Transportation	81,771	70,210	-	-	81,771	70,210
Human Services	6,270	9,481	-	-	6,270	9,481
Culture/Recreation	144,250	138,756	-	-	144,250	138,756
Water and Wastewater	-	-	797,214	770,408	797,214	770,408
Total Expenses	<u>625,041</u>	<u>576,627</u>	<u>797,214</u>	<u>770,408</u>	<u>1,422,255</u>	<u>1,347,035</u>
Increase (Decrease) in Net Assets						
Before Transfers	(8,325)	162,835	(53,701)	248,414	(62,026)	411,249
Transfers	(15,712)	5,000	15,712	(5,000)	-	-
Increase (Decrease) in net assets	(24,037)	167,835	(37,989)	243,414	(62,026)	411,249
Net Position - Beginning of Year	2,300,170	2,132,335	5,952,592	5,709,178	8,252,762	7,841,513
Net Position - End of Year	<u>\$ 2,276,133</u>	<u>\$ 2,300,170</u>	<u>\$ 5,914,603</u>	<u>\$ 5,952,592</u>	<u>\$ 8,190,736</u>	<u>\$ 8,252,762</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$139,732 in program revenues and \$476,984 of general revenues, and incurred \$625,041 of program expenses. This resulted in a \$24,037 decrease in net position. The primary reason for the decrease was depreciation and planned capital grant expenditures for road and drainage improvements.

Business-type Activities

Business-type activities decreased the Town's net position by \$37,988 as opposed to an increase of \$243,414 in the previous year. The primary element resulting in the difference was due to depreciation expense and grant revenues received in FY 2017 to fund sewer system improvements.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Financial Analysis of the Town's Funds

As mentioned earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This difference in focus and purpose creates significant variances between the Governmental Fund Financial Statements and the Government-wide Financial Statements. For the year ended September 30, 2017, the net decrease in fund balances per the Governmental Funds (General Fund) Financial Statements totaled \$57,596 while the governmental activities column of the Government-wide Financial Statements reported a decrease of \$24,037 in net position. A detailed reconciliation between these two amounts is provided on page 15 of the accompanying Financial Statements.

Proprietary Funds

The proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. At September 30, 2017, total net position for the Utility Fund amounted to \$5,914,603, a decrease of \$37,989 from the prior fiscal year. Unrestricted net position totaled \$1,158,827. Other factors concerning the finances of the Utility Fund were previously addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The General Fund budget to actual schedule is presented as *Required Supplementary Information* on page 31 of the accompanying Financial Statements. There was no variance between original and final budgeted amounts.

A comparison of actual revenues versus budget reflects that three categories of revenue were individually over their amount budgeted. The combined total was \$5,303 or 0.92% under the total budgeted amount.

A review of actual expenditure results versus the final budget reveals that the actual expenditures for the General Fund were \$61,703 or 9.1% under the total budgeted amount for the year. The expenditures for Capital outlay were \$85,748 under budget for the year largely due to fiscal conservatism. Additionally, a Reserve for contingencies totaling \$24,403 was not needed during the year.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Capital Asset and Debt Administration

Town of Welaka, Florida
Capital Asset Summary

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 19,258	\$ 19,258	\$ 102,260	\$ 102,260	\$ 121,518	\$ 121,518
Buildings and Improvements	472,548	536,822	-	-	472,548	536,822
Equipment	52,138	37,589	-	-	52,138	37,589
Infrastructure	618,453	553,381	-	-	618,453	553,381
Water and Sewer Distribution System	-	-	5,494,094	5,655,497	5,494,094	5,655,497
Total Capital Assets, Net	<u>\$ 1,162,397</u>	<u>\$ 1,147,050</u>	<u>\$ 5,596,354</u>	<u>\$ 5,757,757</u>	<u>\$ 6,758,751</u>	<u>\$ 6,904,807</u>

Capital Assets

The Town's financial statements present capital assets in two groups: those assets subject to depreciation such as infrastructure, equipment and operational facilities, and those assets not subject to depreciation such as land and construction in progress. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$6,758,751 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, equipment, infrastructure (including roads), and the Water and Sewer Distribution System. Currently, infrastructure and buildings and improvements represent the largest components of governmental capital assets.

Capital asset events completed during the current fiscal year include the following:

- Water and Sewer plant equipment additions of \$64,709 and Sewer system improvements of \$14,547.
- Street and drainage improvements of \$93,284 and park improvements of \$14,437.

Additional information on the Town's Capital Assets may be found in Note 6 beginning on page 25 of the accompanying Financial Statements.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Long-term Obligations

Governmental Activities:

The Town owed no long-term debt obligations to outside institutions during the year. Governmental obligations for compensated absences increased \$1,300 to \$5,100.

	Town of Welaka, Florida					
	Long-Term Debt Obligations					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ -	\$ -	\$ -	\$ 671,100	-	671,100
Notes Payable	-	-	908,993	329,193	908,993	329,193
Compensated Absences	1,900	3,800	1,022	4,407	2,922	8,207
Total	\$ 1,900	\$ 3,800	\$ 910,015	\$ 1,004,700	\$ 911,915	\$ 1,008,500

Business-type Activities:

- The Utility Fund retired \$18,326 of note obligations, and \$671,100 of bond principal. The Utility fund obtained a new note payable from a bank to pay off the bond principal.
- Utility Fund compensated absences decreased by \$85 to \$4,322.

Additional information on the Town's long-term obligations can be found in Note 7 beginning on page 26 of the accompanying Financial Statements.

Economic Factors

We are not currently aware of any other conditions that are expected to have a significant effect on the Town's financial position or operations.

Requests for Information

This financial report is designed to present users with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact Welaka Town Hall at P.O. Box 1098, Welaka, Florida, 32193.

**TOWN OF WELAKA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 902,709	\$ 1,078,453	\$ 1,981,162
Certificates of deposit	89,809	71,078	160,887
Receivables, net	9,638	68,258	77,896
Due from other governments	35,978	14,855	50,833
Restricted assets:			
Cash and cash equivalents	109,063	191,326	300,389
Capital assets:			
Non-Depreciable	19,258	102,260	121,518
Depreciable, net	1,143,139	5,494,094	6,637,233
Total assets	<u>\$ 2,309,594</u>	<u>\$ 7,020,324</u>	<u>\$ 9,329,918</u>
LIABILITIES			
Accounts payable	\$ 28,153	\$ 69,495	\$ 97,648
Accrued payroll and employee benefits	208	-	208
Customer deposits	-	46,037	46,037
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	76,874	76,874
Compensated absences	3,200	3,300	6,500
Due in more than one year:			
Notes payable	-	908,993	908,993
Compensated absences	1,900	1,022	2,922
Total liabilities	<u>\$ 33,461</u>	<u>\$ 1,105,721</u>	<u>\$ 1,139,182</u>
NET POSITION			
Net investment in capital assets	\$ 1,162,397	\$ 4,610,487	\$ 5,772,884
Restricted for:			
Better Place Plan	104,057	-	104,057
Welaka Centennial Commission	5,006	-	5,006
Debt service	-	1,747	1,747
Utility improvements outside town limits	-	143,542	143,542
Unrestricted	1,004,673	1,158,827	2,163,500
Total net position	<u>\$ 2,276,133</u>	<u>\$ 5,914,603</u>	<u>\$ 8,190,736</u>

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

TOWN OF WELAKA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 263,863	\$ 19,512	\$ -	\$ (219,070)	\$ -	\$ (219,070)
Public safety	128,887	12,989	25,673	(70,764)	-	(70,764)
Transportation	81,771	21,890	14,926	(44,955)	-	(44,955)
Human services	6,270	-	-	(6,270)	-	(6,270)
Culture and recreation	144,250	-	-	(144,250)	-	(144,250)
Total governmental activities	625,041	54,391	40,599	(485,309)	-	(485,309)
Business-type activities:						
Utilities	797,214	-	14,855	-	(54,722)	(54,722)
Total business-type activities	797,214	-	14,855	-	(54,722)	(54,722)
Total primary government	\$ 1,422,255	\$ 54,391	\$ 55,454	(485,309)	(54,722)	(540,031)
General revenues:						
Property taxes				274,803	-	274,803
Sales and use taxes				32,349	-	32,349
Unrestricted state shared revenues				19,525	-	19,525
Local infrastructure surtax				59,354	-	59,354
Utility taxes				18,064	-	18,064
Communications service tax				23,591	-	23,591
Franchise fees				46,659	-	46,659
Investment earnings				1,087	1,021	2,108
Miscellaneous				1,552	-	1,552
Transfers				(15,712)	15,712	-
Total general revenues and transfers				461,272	16,733	478,005
Change in net position				(24,037)	(37,989)	(62,026)
Net position - beginning				2,300,170	5,952,592	8,252,762
Net position - ending				\$ 2,276,133	\$ 5,914,603	\$ 8,190,736

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

**TOWN OF WELAKA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,011,772
Certificate of deposit	89,809
Receivables, net	9,638
Due from other governments	35,978
Total assets	<u>\$ 1,147,197</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 28,153
Due to other governments	208
Total liabilities	<u>\$ 28,361</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable grant revenue	<u>\$ 19,512</u>
FUND BALANCES	
Restricted for:	
Better Plan Plan	\$ 104,057
Centennial commission	5,006
Assigned to:	
Oakwood Cemetery	6,835
Unassigned	983,426
Total fund balances	<u>\$ 1,099,324</u>

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

**TOWN OF WELAKA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund balances - total governmental funds	\$ 1,099,324
Amounts reported for governmental activities in the statement of net position are different because:	
Because some revenues will not be collected for several months after the close of the Town's fiscal year end, they are not considered as "available" revenues in governmental funds, and therefore, reported as deferred inflows of unavailable revenues. In the statement of net position, which is presented on an accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.	
Due from other governments	19,512
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	
Capital assets - net	1,162,397
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:	
Compensated absences	(5,100)
Net position of governmental activities	<u>\$ 2,276,133</u>

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

TOWN OF WELAKA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund
Revenues	
Taxes	\$ 414,491
Licenses and permits	69,267
Intergovernmental	64,863
Charges for services	18,474
Fines and forfeitures	440
Miscellaneous	3,996
Total revenues	571,531
Expenditures	
Current:	
General government	253,340
Public safety	123,587
Transportation	50,341
Human services	1,226
Culture and recreation	77,200
Capital outlay	107,721
Total expenditures	613,415
Excess (deficiency) of revenues over (under) expenditures	(41,884)
Other financing sources (uses)	
Transfers in	5,000
Transfers out	(20,712)
Total other financing sources (uses)	(15,712)
Net change in fund balances	(57,596)
Fund balances, beginning of year	1,156,920
Fund balances, end of year	\$ 1,099,324

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

**TOWN OF WELAKA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds		\$ (57,596)
Differences in amounts reported for governmental activities in the statement of activities are		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital assets acquired by use of financial resources	107,721	
Current year depreciation	<u>(118,047)</u>	
Amount by which capital outlay exceeds depreciation in the current period		(10,326)
In the statement of activities, only the donated capital assets are reported		
However, in governmental funds, donated capital assets do not provide current financial resources		
Thus, the change in net position differs from the change in fund balance by the value of the capital assets donated.		
		25,673
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:		
Grants related to hurricane recovery		19,512
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in		
Compensated Absences		(1,300)
Change in net position of governmental activities		<u><u>\$ (24,037)</u></u>

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

**TOWN OF WELAKA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Utility
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,078,453
Restricted cash and equivalents:	
Customer deposits	46,037
Certificate of deposit	71,078
Accounts receivable, net	68,258
Due from other governments	14,855
Total current assets	1,278,681
Noncurrent assets:	
Restricted cash and equivalents:	
Debt service	1,747
System Improvements Outside Town Limits	143,542
Capital assets, net	5,596,354
Total noncurrent assets	5,741,643
Total assets	\$ 7,020,324
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 69,495
Compensated absences	3,300
Current maturities on long-term debt	76,874
Payable from restricted assets:	
Customer deposits	46,037
Total current liabilities	195,706
Noncurrent liabilities:	
Notes payable	908,993
Compensated absences	1,022
Total noncurrent liabilities	910,015
Total liabilities	\$ 1,105,721
NET POSITION	
Net investment in capital assets	\$ 4,610,487
Restricted for:	
Debt service	1,747
Utility expansion	143,542
Unrestricted	1,158,827
Total net position	\$ 5,914,603

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

TOWN OF WELAKA, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Utility
Operating revenues	
Charges for services	\$ 705,550
Miscellaneous income	22,087
Total operating revenues	727,637
Operating expenses	
Personal services	203,475
Operating expense	315,445
Depreciation	240,658
Total operating expenses	759,578
Operating loss	(31,941)
Nonoperating revenues (expenses)	
Investment earnings	1,021
Interest expense	(37,636)
Total nonoperating revenues (expenses)	(36,615)
Loss before capital contributions and transfers	(68,556)
Capital grants	14,855
Transfers in	20,712
Transfers out	(5,000)
Change in net position	(37,989)
Net position, beginning of year	5,952,592
Net position, end of year	\$ 5,914,603

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

**TOWN OF WELAKA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Utility
Cash flows from operating activities	
Cash received from customers	\$ 751,629
Cash paid to suppliers	(341,026)
Cash paid to employees	(203,560)
Net cash provided by operating activities	207,043
Cash flows from noncapital financing activities	
Interfund transfers	15,712
Cash flows from capital and related financing activities	
Principal payments of long-term debt	(689,426)
Proceeds from issuance of long-term debt	675,000
Interest paid	(37,636)
Capital grant	14,855
Acquisitions of capital assets	(79,255)
Net cash used in capital and related financing activities	(116,462)
Cash flows from investing activities	
Interest on Investments	596
Net increase in cash and cash equivalents	106,889
Cash and cash equivalents, beginning of year	1,162,890
Cash and cash equivalents, end of year	\$ 1,269,779
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (31,941)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	240,658
Changes in assets and liabilities:	
Accounts receivable	4,026
Due from other governments	17,968
Accounts payable and accrued liabilities	(25,581)
Deposits	1,998
Compensated absences	(85)
Net cash provided by operating activities	\$ 207,043
Cash and cash equivalents classified as:	
Unrestricted	\$ 1,078,491
Restricted	191,288
Total cash and cash equivalents	\$ 1,269,779

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

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:**

The financial statements of the Town of Welaka, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town of Welaka (the "Town") is a Florida municipality, established by Section 24975 (1947), Laws of Florida, which operates under a Mayor-Council form of government.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the Town Council of the Town, the reporting entity of government for which the Town Council is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included in program revenues are reported instead as general revenues.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(d) **Fund financial statements**—Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but any nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The Town reports the following major governmental fund:

General Fund – the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

The Town reports the following major enterprise fund:

Utilities Fund – to account for the assets, operation and maintenance of the Town-owned water and sewer distribution system.

(e) **Budgetary information**—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end.

Prior to August 1, the Town Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing the expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution. Revisions that alter the total expenditures of any fund must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental funds.

The appropriated budget is prepared by fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made no supplemental budgetary appropriations throughout the year.

(f) **Use of estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

(g) **Deposits and investments**—For purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Receivables**—Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Utilities enterprise fund is net of a \$3,000 allowance.

(i) **Restricted assets**—Certain assets are required to be segregated from other assets due to various debt agreements and restricted revenue sources. The “Surcharge” account is used to report resources set aside to subsidize potential deficiencies from the Town’s operations that could adversely affect debt service payments. Additionally, amounts received as deposits on utility services are classified as restricted cash.

(j) **Capital assets**—Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The Town uses a capitalization threshold of \$750 for all classes of capital assets.

In accordance with GASB Statement No. 34, the Town has elected not to record general infrastructure assets acquired prior to October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	Years
Infrastructure	30 – 40
Buildings	40
Improvements other than buildings	10 – 40
Machinery and equipment	5 – 10
Plant assets and equipment	5 – 40

For its business-type activities, the Town’s policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2017.

(k) **Compensated absences and claims and judgments**—For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide and proprietary fund financial statements.

(l) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are deferred and amortized over the life of the debt using the effective interest method.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

In the fund financial statements, governmental fund types recognize debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(m) **Fund equity**—Fund balance classifications are described below:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Town’s highest level of decision-making authority, which is by Ordinance approved by the Town Council. Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Town Council or (b) a body or official to whom the Town Council has delegated the authority to assign amounts used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

(n) **Net position flow assumptions**—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(o) **Fund balance flow assumptions**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(p) **Operating revenues and expenses**—The enterprise funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

The Putnam County Tax Collector bills and collects property taxes for the Town.

Details of the Town's tax calendar are presented below:

Valuation Date	January 1
Lien Date	May 31
Levy Date	November 1
Discount Period	November – February
No Discount Period	March
Delinquent Date	April 1

(4) **Deposits and Investments:**

Deposits

All of the Town's demand deposits and certificates of deposit are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(4) **Deposits and Investments:** (Continued)

Investments

The Town invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the Town is authorized to invest excess public funds in the following instruments: the Local Government Surplus Funds Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Council registered money market funds with the highest credit quality rating, savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U. S. Treasury.

Deposits and investments are classified in the accompanying financial statements as follows:

Cash and equivalents	\$	1,974,327
Certificates of deposit		160,887
Restricted cash		307,224
Total deposits and certificates of deposit		\$ 2,442,438

Investment Risks

The Town is exposed to the following risks associated with its investment portfolio:

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the Town’s exposure to credit risk and interest rate risk by limiting authorized investment options as previously described.

(5) **Accounts Receivable:**

The Town’s receivables consist of the following at September 30, 2017:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 9,638	\$ -	\$ 9,638
Totals – Governmental Type Activities	9,638	-	9,638
Business-Type Activities			
Water Utility Fund			
Accounts receivable	71,258	(3,000)	68,258
Totals – Business-Type Activities	71,258	(3,000)	68,258
Totals	\$ 80,896	\$ (3,000)	\$ 77,896

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(6) **Capital Assets:**

	Balance October 1, 2016	Increases	Decrease	Balance September 30, 2017
Primary Government				
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 19,258	\$ -	\$ -	\$ 19,258
Total Capital Assets Not Being Depreciated	19,258	-	-	19,258
Capital Assets Being Depreciated:				
Buildings	332,398	-	-	332,398
Improvements	1,415,894	14,438	-	1,430,332
Equipment	388,265	25,673	-	413,938
Infrastructure	758,252	93,284	-	851,536
Total Capital Assets Being Depreciated	2,894,809	133,395	-	3,028,204
Less Accumulated Depreciation For:				
Buildings	(167,192)	(8,310)	-	(175,502)
Improvements	(1,044,278)	(70,402)	-	(1,114,680)
Equipment	(350,676)	(11,124)	-	(361,800)
Infrastructure	(204,871)	(28,212)	-	(233,083)
Total Accumulated Depreciation	(1,767,017)	(118,048)	-	(1,885,065)
Total Capital Assets Being Depreciated, Net	1,127,792	15,347	-	1,143,139
Governmental Activities Capital Assets, Net	\$ 1,147,050	\$ 15,347	\$ -	\$ 1,162,397
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 102,260	\$ -	\$ -	\$ 102,260
Total Capital Assets Not Being Depreciated	102,260	-	-	102,260
Capital Assets Being Depreciated:				
Plant Assets and Equipment	9,005,202	79,255	-	9,084,457
Less Accumulated Depreciation For:				
Plant Assets and Equipment	(3,349,705)	(240,658)	-	(3,590,363)
Total Capital Assets Being Depreciated, Net	5,655,497	(161,403)	-	5,494,094
Business-type Activities Capital Assets, Net	\$ 5,757,757	\$ (161,403)	\$ -	\$ 5,596,354

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions as follows:

General Government	\$ 16,542
Public Safety	4,975
Transportation	32,785
Human Services	5,044
Culture and Recreation	58,702
Total Depreciation Expense - Governmental Activities	\$ 118,048
Business-type Activities	
Water and Sewer Utilities	\$ 240,658

(7) **Long-Term Obligations:**

	Amount
<u>Business-type Activities</u>	
<u>Note Payable</u> , \$221,488 for improvements to the utility system outside of the Town limits. Payable in semi-annual installments of \$6,721 on March and September 15, including interest at 1.76%. Payable beginning March 15, 2008 and maturing in 2027, from revenues of the plant replacement surcharge after payment of operation and maintenance expense.	\$ 122,948
<u>Note Payable</u> , \$266,003 for improvements to the utility system outside of the Town limits. Payable in semi-annual installments of \$5,241 on January and July 15, including interest at 1.76%, payable beginning July 15, 2009, and maturing in 2039, from the revenues of the plant replacement surcharge.	187,919
<u>Note Payable</u> , \$675,000 to pay off revenue bonds. Payable in annual installments of \$80,129, including interest at 3.2%, maturing in August 2027, from the net revenues of the water and sewer system. The note payable contains a special provision where the interest rate may increase to 4.92%, if the lender's tax equivalent yield is impacted by changes in the federal income tax rates.	675,000
Accrued Compensated Absences	4,322
Total Long-Term Obligations, Business-Type Activities	\$ 990,189

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(7) **Long-Term Obligations:** (Continued)

Aggregate maturities of notes payable are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2018	\$ 76,874	\$ 27,178
2019	79,089	24,963
2020	81,321	22,732
2021	83,824	20,228
2022	86,140	17,912
2023– 2027	469,737	50,612
2028– 2032	44,828	7,583
2033– 2037	48,788	3,624
2038– 2042	15,266	458
	<u>\$ 985,867</u>	<u>\$ 175,290</u>

	Governmental Activities				
	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Total Long-Term Obligations, Compensated Absences	\$ 3,800	\$ 10,750	\$ (9,450)	\$ 5,100	\$ 3,200

	Business-Type Activities				
	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Water and Sewer Revenue Bonds Series 1992 and 1992A	\$ 671,100	\$ -	\$ (671,100)	\$ -	\$ -
Notes Payable	329,193	675,000	(18,326)	985,867	76,874
Compensated Absences	4,407	8,300	(8,385)	4,322	3,300
Total Long-Term Obligations, Business-Type Activities	<u>\$ 1,004,700</u>	<u>\$ 683,300</u>	<u>\$ (697,811)</u>	<u>\$ 990,189</u>	<u>\$ 80,174</u>

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) Interfund Transfers:

Interfund transfers for the year ended September 30, 2017 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,000	\$ 20,712
Utilities Fund	20,712	5,000
Totals	\$ 25,712	\$ 25,712

The transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

(9) Pension Plan:

The Town has established a defined contribution pension plan for general and utilities' employees, administered by the Florida League of Cities, Inc. The Plan requires non-elective contributions from the Town of 7.5% of the employees' base pay up to a maximum of 40 hours per week. Employees fully vest after five years of service. The Town's contribution was \$11,007. Employees did not contribute to the plan.

(10) Other Post-Employment Benefits (OPEB):

In accordance with GASB Statement No. 45, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, the Town engaged an actuary to calculate the outstanding liability for certain post-employment healthcare benefits provided by the Town.

Retirees and their dependents are permitted to remain covered under the Town's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes. According to the Town's employee handbook, retirees are defined as "Any full time employee age sixty-five (65) or older with at least five (5) years of continuous eligible service at the time of his/her retirement."

Based on the Town's policies, the OPEB liability at September 30, 2017, was actuarially determined to be zero. As such, no disclosures regarding funding progress or OPEB cost and obligation have been prepared.

The following is a summary of the significant actuarial methods and assumptions:

Actuarial Valuation:	
Frequency	Tri-Annual
Latest Date	9/30/2014
Cost Method	Projected Unit Credit
UAAL Amortization:	
Method	Level \$ Payment
Open/Closed	Open
Remaining Amortization Period	10 Years
Asset Valuation	
	N/A
Actuarial Assumptions:	
Investment Earnings	4.00%
Inflation Rate	2.75%
Mortality Table	1994 Group Annuity Mortality Table
Healthcare Inflation Rate	9.00% in 2013, decreasing 0.5% per year until 5.00%

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(11) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. To manage its risks, the Town participates in the Florida League of Cities Self Insurance Fund (the “Fund”) a public entity risk pool currently operating as a common risk management and insurance program for member cities. The Town pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member.

(12) **Commitment:**

The Town contracts with a private company to provide preventive protection services to the Town’s water tank. The annual fee is approximately \$6,700 through January 2022.

The Town leases police equipment under an operating lease. For the year ended September 30, 2017, lease expense was \$4,254.

(13) **Operating Lease:**

The following is a schedule of future minimum rental payments required under the above operating leases as of September 30, 2017:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 4,040
2019	4,040

(14) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town’s financial statements:

- (a) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (b) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(14) **Recent Accounting Pronouncements:** (Continued)

- (c) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (d) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (e) GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.
- (f) GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in May 2017. GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources. The provisions in GASB 86 are effective for periods beginning after June 15, 2017.
- (g) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WELAKA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 422,574	\$ 422,574	\$ 414,491	(8,083)
Licenses and permits	52,547	52,547	69,267	16,720
Intergovernmental	81,792	81,792	64,863	(16,929)
Charges for services	18,627	18,627	18,474	(153)
Fines and forfeitures	150	150	440	290
Miscellaneous	1,144	1,144	3,996	2,852
Total revenues	<u>576,834</u>	<u>576,834</u>	<u>571,531</u>	<u>(5,303)</u>
Expenditures				
Current:				
General government	239,988	239,988	253,340	(13,352)
Public safety	98,797	98,797	123,587	(24,790)
Transportation	47,600	47,600	50,341	(2,741)
Human services	1,000	1,000	1,226	(226)
Culture and recreation	69,861	69,861	77,200	(7,339)
Reserve for contingencies	24,403	24,403	-	24,403
Capital outlay	100,185	193,469	107,721	85,748
Total expenditures	<u>581,834</u>	<u>675,118</u>	<u>613,415</u>	<u>61,703</u>
Excess (deficiency) of revenues over (under expenditures)	<u>(5,000)</u>	<u>(98,284)</u>	<u>(41,884)</u>	<u>56,400</u>
Other financing sources (uses)				
Transfers in	5,000	5,000	5,000	-
Transfers out	-	(20,712)	(20,712)	-
Total other financing sources (uses)	<u>-</u>	<u>(15,712)</u>	<u>(15,712)</u>	<u>-</u>
Net change in fund balances	-	(93,284)	(36,884)	56,400
Fund balances, beginning of year	<u>1,156,920</u>	<u>1,156,920</u>	<u>1,156,920</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,156,920</u>	<u>\$ 1,063,636</u>	<u>\$ 1,120,036</u>	<u>\$ 56,400</u>

See accompanying notes to required supplementary information.

TOWN OF WELAKA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

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

- ❖ During July, informal budget workshops are held to determine proposed expenditures and the means of financing them.
- ❖ By August 1, the Council adopts the proposed property tax millage rate and sets the date, time and place of the first public hearing. Within fifteen (15) days of the first public hearing the Town advertises its intention to finalize its budgets and millage rate and date, time and place for a public hearing. The second public hearing is convened two to five (2-5) days after the final advertisement, at which time the final budget and millage are adopted by the Council.
- ❖ Changes to budgeted line items during the fiscal year are approved by the Town Council.
- ❖ Florida Statutes stipulate that expenditures may not legally exceed budgeted appropriations. The fund is the legal level of budgetary control.
- ❖ All appropriations lapse at year end.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of Town Council,
Town of Welaka, Florida:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Welaka, Florida (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

2017-01 Preparation of financial statements

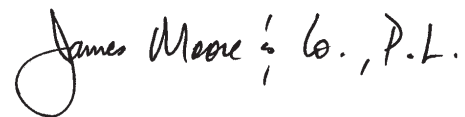
Professional standards promulgated by the American Institute of Certified Public Accountants provide a system of internal control over financial reporting should allow the Town to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the Town is not positioned to draft financial statements and all required disclosures. However, the outsourcing of these services is not unusual in governmental entities of similar budget and personnel size. For subsequent audits, management may wish to take an active role in the drafting of the financial statements and related disclosures.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looping initial "J".

Gainesville, Florida
January 5, 2018

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor and Members of Town Council,
Town of Welaka, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Welaka, Florida (the Town), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated January 5, 2018.

Auditors' 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 and Chapter 10.550, Rules of the Auditor General.

Other Reports

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*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 5, 2018, 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 following summarizes the status of prior year findings and recommendations

2016-001 – Grant Administration: Corrective action taken.

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 Town was established by Section 165.031 (4), Florida Statutes. There are no component units of the Town to be disclosed as required by accounting principles generally accepted in the United States of America.

- 35 -

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Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.566(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we do not note any such recommendations.

Annual Financial Report

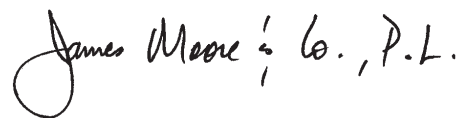
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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, Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Gainesville, Florida
January 5, 2018

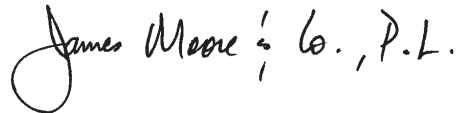
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and Members of Town Council,
Town of Welaka, Florida:

We have examined Town of Welaka, Florida (the Town)'s compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. The Town's management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Gainesville, Florida
January 5, 2018



Town of Welaka

P.O. Box 1098
WELAKA, FLORIDA 32193-1098

386-467-9800
386-467-2303

FAX
1-386-467-8863

UTILITIES DEPARTMENT
386-467-8677

January 5, 2018

James Moore & Co., P.L.
5931 NW 1st Place
Gainesville, Florida 32607

Re: Town of Welaka – 2016/2017 Audit Response

While performing your audit of the Town of Welaka, Florida's (the Town) financial statements as of and for the year ended September 30, 2017, you noted in the management letter required by the Florida Auditor General pursuant to Chapter 10.550 and the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on the Audit of the Financial Statements performed in Accordance with *Government Auditing Standards* the following item.

2017-01 – Preparation of Financial Statements


A system of internal control over financial reporting should allow the Town to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of managements. A control deficiency exists in instances where the Town is not positioned to draft financial statements and all required disclosures. For subsequent audits, management may wish to take an active role in the drafting of the financial statements and related disclosures.

Management Response:

The Town understands that the above statement is a weakness but is willing to accept the risk. The Town has a small office staff and is unable to prepare the financial statements at this time.

We agree with this finding and will monitor procedures to ensure compliance in the future.

If you have any questions, please contact our office at (386) 467-3171.

Signed: 

Title: Mayor