

TOWN OF WELAKA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**TOWN OF WELAKA, FLORIDA
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SEPTEMBER 30, 2021**

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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

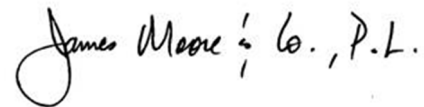
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in 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 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 March 7, 2023, 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.

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

Gainesville, Florida
March 7, 2023

**TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021. 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, 2021, by \$7,719,281 (*net position*). Of this amount, \$2,411,874 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 \$4,839,732, 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 \$276,738 is restricted by constraints imposed from outside of the Town such as debt covenants, grantors, laws, or regulations. An additional \$190,937 is restricted by action of the Town for specific purposes such as road and utility improvements.
 - 3) \$1,001,794 of governmental net position and \$1,410,080 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 \$126,193 over the previous year with a decrease of \$97,355 resulting from governmental activities and a decrease of \$28,838 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.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

- 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 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.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

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.

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 \$7,719,281 at the close of the fiscal year ended September 30, 2021. By far the largest portion of the Town's net position, \$4,839,732 or 62.7%, 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 Activities		Total	
	2021	2020	2021	2020	2021	2020
Cash and investments	\$ 1,324,929	\$ 1,142,991	\$ 1,656,760	\$ 1,523,274	\$ 2,981,689	\$ 2,666,265
Other current assets	149,682	114,457	46,350	66,628	196,032	181,085
Capital assets, net	783,995	913,822	4,733,780	4,984,002	5,517,775	5,897,824
Total Assets	<u>2,258,606</u>	<u>2,171,270</u>	<u>6,436,890</u>	<u>6,573,904</u>	<u>8,695,496</u>	<u>8,745,174</u>
Current liabilities	17,470	12,235	181,150	206,410	198,620	218,645
Long-term liabilities	180,356	900	597,239	680,155	777,595	681,055
Total Liabilities	<u>197,826</u>	<u>13,135</u>	<u>778,389</u>	<u>886,565</u>	<u>976,215</u>	<u>899,700</u>
Net Position:						
Net invested in capital assets	783,995	913,822	4,055,737	4,225,842	4,839,732	5,139,664
Restricted	274,991	193,790	192,684	182,812	467,675	376,602
Unrestricted	1,001,794	1,050,523	1,410,080	1,278,685	2,411,874	2,329,208
Total Net Position	<u>\$ 2,060,780</u>	<u>\$ 2,158,135</u>	<u>\$ 5,658,501</u>	<u>\$ 5,687,339</u>	<u>\$ 7,719,281</u>	<u>\$ 7,845,474</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.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

Change in Net Position

Governmental activities decreased the Town's net position by \$97,355. This decrease resulted from the following: the recognition of \$76,423 of depreciation expense and \$42,983 decrease in deferred inflow related to unavailable related grant revenues.

	Town of Welaka, Florida					
	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 122,193	\$ 52,087	\$ 755,681	\$ 721,089	\$ 877,874	\$ 773,176
Operating grants and contributions	141,255	139,587	-	10,731	141,255	150,318
Capital grants and contributions	14,888	14,758	-	-	14,888	14,758
General Revenues:						
Property taxes	330,166	311,887	-	-	330,166	311,887
Sales tax and other state shared revenues	141,317	120,531	-	-	141,317	120,531
Communications service tax	30,385	27,534	-	-	30,385	27,534
Other taxes	68,097	66,707	-	-	68,097	66,707
Other revenue	1,508	2,910	701	2,116	2,209	5,026
Total Revenues	849,809	736,001	756,382	733,936	1,606,191	1,469,937
Expenses:						
General government	388,119	349,583	-	-	388,119	349,583
Public safety	249,619	141,913	-	-	249,619	141,913
Transportation	173,755	163,250	-	-	173,755	163,250
Human services	6,697	6,275	-	-	6,697	6,275
Culture/Recreation	85,991	88,235	-	-	85,991	88,235
Water and wastewater	-	-	828,203	781,784	828,203	781,784
Total Expense	904,181	749,256	828,203	781,784	1,732,384	1,531,040
Increase (decrease) in net assets before transfers	(54,372)	(13,255)	(71,821)	(47,848)	(126,193)	(61,103)
Transfers	(42,983)	(12,671)	42,983	12,671	-	-
Increase (decrease) in net assets	(97,355)	(25,926)	(28,838)	(35,177)	(126,193)	(61,103)
Net position, beginning of year	2,158,135	2,184,061	5,687,339	5,722,516	7,845,474	7,906,577
Net position, end of year	\$ 2,060,780	\$ 2,158,135	\$ 5,658,501	\$ 5,687,339	\$ 7,719,281	\$ 7,845,474

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$278,336 in program revenues and \$571,473 of general revenues, and incurred \$904,181 of program expenses. This resulted in a \$97,355 decrease in net position. The primary reason for the decrease was due to additional public safety expenditures.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

Business-type Activities

Business-type activities decreased the Town's net position by \$28,838 as opposed to a decrease of \$35,177 in the previous year. The primary element resulting in the difference was due to a decrease of operating grants in FY 2021.

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, 2021, the net increase in fund balances per the Governmental Funds (General Fund) Financial Statements totaled \$75,955 while the governmental activities column of the Government-wide Financial Statements reported a decrease of \$97,355 in net position. A detailed reconciliation between these two amounts is provided on page 15 of the accompanying Financial Statements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$969,184, while total fund balance was \$1,251,010. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 124% of the total General Fund expenditures, while total fund balance represents 161% of that same amount.

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, 2021, total net position for the Utility Fund amounted to \$5,658,501, a decrease of \$28,838 from the prior fiscal year. Unrestricted net position totaled \$1,410,080. 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 under their amount budgeted. The combined total was \$80,229 or 8.20% under the total budgeted amount, due to less grant related revenue than expected.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

A review of actual expenditure results versus the final budget reveals that the actual expenditures for the General Fund were \$199,167 or 20.36% under the total budgeted amount for the year, largely due to less grant activity.

Capital Asset and Debt Administration

	Town of Welaka, Florida					
	Capital Asset Summary					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 19,258	\$ 19,258	\$ 102,260	\$ 102,260	\$ 121,518	\$ 121,518
Buildings and improvements	241,640	298,101	-	-	241,640	298,101
Equipment	58,269	79,748	-	-	58,269	79,748
Infrastructure	464,828	516,715	-	-	464,828	516,715
Water and sewer distribution system	-	-	4,631,520	4,881,742	4,631,520	4,881,742
Total Capital Assets, Net	<u>\$ 783,995</u>	<u>\$ 913,822</u>	<u>\$ 4,733,780</u>	<u>\$ 4,984,002</u>	<u>\$ 5,517,775</u>	<u>\$ 5,897,824</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, 2021, amounts to \$5,517,775 (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:

- Security cameras of \$15,651.
- Governmental activity disposals of \$1,477,696.

Additional information on the Town's Capital Assets may be found in Note 7 beginning on page 26 of the accompanying Financial Statements.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(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 \$500 to \$2,700.

Town of Welaka, Florida
Long-Term Debt Obligations

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ -	\$ -	\$ 678,043	\$ 758,160	\$ 678,043	\$ 758,160
Compensated absences	2,700	2,200	5,259	5,276	7,959	7,476
Total Long Term Debt	<u>\$ 2,700</u>	<u>\$ 2,200</u>	<u>\$ 683,302</u>	<u>\$ 763,436</u>	<u>\$ 686,002</u>	<u>\$ 765,636</u>

Business-type Activities:

- The Utility Fund retired \$80,117 of note obligations.
- Utility Fund compensated absences increased by \$17 to \$5,259.

Additional information on the Town's long-term obligations can be found in Note 8 beginning on page 27 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, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 962,449	\$ 1,326,013	\$ 2,288,462
Certificates of deposit	92,114	72,901	165,015
Receivables, net	11,415	63,333	74,748
Internal balances	16,983	(16,983)	-
Due from other governments	121,284	-	121,284
Restricted assets:			
Cash and cash equivalents	270,366	257,846	528,212
Capital assets:			
Non-depreciable	19,258	102,260	121,518
Depreciable, net	764,737	4,631,520	5,396,257
Total assets	<u>2,258,606</u>	<u>6,436,890</u>	<u>8,695,496</u>
LIABILITIES			
Accounts payable	15,362	29,925	45,287
Due to other governments	208	-	208
Customer deposits - payable from restricted assets	-	65,162	65,162
Unearned revenue	179,556	-	179,556
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	82,811	82,811
Compensated absences	1,900	3,252	5,152
Due in more than one year:			
Notes payable	-	595,232	595,232
Compensated absences	800	2,007	2,807
Total liabilities	<u>197,826</u>	<u>778,389</u>	<u>976,215</u>
NET POSITION			
Net investment in capital assets	783,995	4,055,737	4,839,732
Restricted for:			
Better Place Plan	265,360	-	265,360
Building permits	4,625	-	4,625
Welaka Centennial Commission	5,006	-	5,006
Debt service	-	1,747	1,747
Utility improvements outside town limits	-	190,937	190,937
Unrestricted	1,001,794	1,410,080	2,411,874
Total net position	<u>\$ 2,060,780</u>	<u>\$ 5,658,501</u>	<u>\$ 7,719,281</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, 2021**

Functions/Programs	Expenses	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	\$ 388,119	\$ 33,993	\$ 103,492	\$ -	\$ (250,634)	\$ -	\$ (250,634)
Public safety	249,619	88,200	15,650	-	(145,769)	-	(145,769)
Transportation	173,755	-	22,113	14,888	(136,754)	-	(136,754)
Human services	6,697	-	-	-	(6,697)	-	(6,697)
Culture and recreation	85,991	-	-	-	(85,991)	-	(85,991)
Total governmental activities	<u>904,181</u>	<u>122,193</u>	<u>141,255</u>	<u>14,888</u>	<u>(625,845)</u>	<u>-</u>	<u>(625,845)</u>
Business-type activities:							
Utilities	828,203	755,681	-	-	-	(72,522)	(72,522)
Total business-type activities	<u>828,203</u>	<u>755,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,522)</u>	<u>(72,522)</u>
Total primary government	<u>\$ 1,732,384</u>	<u>\$ 877,874</u>	<u>\$ 141,255</u>	<u>\$ 14,888</u>	<u>(625,845)</u>	<u>(72,522)</u>	<u>(698,367)</u>
General revenues:							
Property taxes					330,166	-	330,166
Sales and use taxes					41,140	-	41,140
Unrestricted state shared revenues					22,556	-	22,556
Local infrastructure surtax					77,621	-	77,621
Utility taxes					25,415	-	25,415
Communications service tax					30,385	-	30,385
Franchise fees					42,682	-	42,682
Investment earnings					533	701	1,234
Miscellaneous					975	-	975
Transfers					(42,983)	42,983	-
Total general revenues and transfers					<u>528,490</u>	<u>43,684</u>	<u>572,174</u>
Change in net position					(97,355)	(28,838)	(126,193)
Net position - beginning, as restated					2,158,135	5,687,339	7,845,474
Net position - ending					<u>\$ 2,060,780</u>	<u>\$ 5,658,501</u>	<u>\$ 7,719,281</u>

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

**TOWN OF WELAKA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,232,815
Certificate of deposit	92,114
Receivables, net	11,415
Due from other governments	121,284
Due from other funds	16,983
Total assets	\$ 1,474,611
LIABILITIES	
Accounts payable and accrued liabilities	\$ 15,362
Due to other governments	208
Unearned revenue	179,556
Total liabilities	195,126
DEFERRED INFLOWS OF RESOURCES	
Unavailable grant revenue	28,475
FUND BALANCES	
Restricted for:	
Better Place Plan	265,360
Building permits	4,625
Centennial commission	5,006
Assigned to:	
Oakwood Cemetery	6,835
Unassigned	969,184
Total fund balances	1,251,010
Total liabilities, deferred inflows and fund balances	\$ 1,474,611

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, 2021**

Fund balances - total governmental funds \$ 1,251,010

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.

Deferred inflow - unavailable grant revenue 28,475

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:

Capital assets - net 783,995

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 (2,700)

Net position of governmental activities \$ 2,060,780

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, 2021

	General Fund
Revenues	
Taxes	\$ 501,753
Licenses and permits	136,870
Intergovernmental	225,821
Charges for services	27,416
Fines and forfeitures	37
Miscellaneous	5,895
Total revenues	897,792
 Expenditures	
Current:	
General government	380,304
Public safety	171,878
Transportation	138,557
Human services	1,653
Culture and recreation	70,811
Capital outlay	15,651
Total expenditures	778,854
 Excess (deficiency) of revenues over expenditures	118,938
 Other financing sources (uses)	
Transfers out	(42,983)
Total other financing sources (uses)	(42,983)
 Net change in fund balances	75,955
 Fund balances, beginning of year	1,175,055
 Fund balances, end of year	\$ 1,251,010

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, 2021**

Net change in fund balances - total governmental funds		\$ 75,955
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	15,651	
Current year depreciation	<u>(76,423)</u>	
Amount by which capital outlay exceeds depreciation in the current period		(60,772)
The effect of sale of capital assets is to decrease net position		(69,055)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:		
Grant revenue related to hurricane recovery		(42,983)
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		(500)
Change in net position of governmental activities		<u>\$ (97,355)</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, 2021**

	Utility
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,326,013
Restricted cash and equivalents:	
Customer deposits	65,162
Certificate of deposit	72,901
Accounts receivable, net	63,333
Total current assets	1,527,409
Noncurrent assets:	
Restricted cash and equivalents:	
Debt service	1,747
System improvements outside town limits	190,937
Capital assets, net	4,733,780
Total noncurrent assets	4,926,464
Total assets	6,453,873
LIABILITIES	
Current liabilities:	
Accounts payable	29,925
Due to other funds	16,983
Compensated absences	3,252
Payable from restricted assets:	
Current maturities on notes payable	82,811
Customer deposits	65,162
Total current liabilities	198,133
Noncurrent liabilities:	
Notes payable	595,232
Compensated absences	2,007
Total noncurrent liabilities	597,239
Total liabilities	795,372
NET POSITION	
Net investment in capital assets	4,055,737
Restricted for:	
Debt service	1,747
Utility expansion	190,937
Unrestricted	1,410,080
Total net position	\$ 5,658,501

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, 2021

	Utility
Operating revenues	
Charges for services	\$ 755,681
Operating expenses	
Personal services	268,782
Operating expense	284,711
Depreciation and amortization	250,222
Total operating expenses	803,715
Operating income (loss)	(48,034)
Nonoperating revenues (expenses)	
Investment earnings	701
Interest expense	(24,488)
Total nonoperating revenues (expenses)	(23,787)
Loss before capital contributions	(71,821)
Transfers in	42,983
Change in net position	(28,838)
Net position, beginning of year	5,687,339
Net position, end of year	\$ 5,658,501

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, 2021**

	Utility
Cash flows from operating activities	
Cash received from customers	\$ 772,349
Cash paid to suppliers	(322,501)
Cash paid to employees	(268,799)
Net cash provided by operating activities	181,049
Cash flows from noncapital financing activities	
Operating grant	13,358
Interfund transfers	42,983
Net cash provided by (used in) noncapital and financing activities	56,341
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(80,117)
Interest paid	(24,488)
Net cash provided by (used in) capital and related financing activities	(104,605)
Cash flows from investing activities	
Interest on investments	701
Net change in cash and cash equivalents	133,486
Cash and cash equivalents, beginning of year	1,450,373
Cash and cash equivalents, end of year	\$ 1,583,859
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (48,034)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	250,222
Changes in assets and liabilities:	
Accounts receivable	6,920
Due to other governments	-
Accounts payable and accrued liabilities	(37,790)
Deposits	9,748
Compensated absences	(17)
Net cash provided by operating activities	\$ 181,049
Cash and cash equivalents classified as:	
Unrestricted	\$ 1,326,013
Restricted	257,846
Total cash and cash equivalents	\$ 1,583,859

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

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(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, 2021

(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:

Utility 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, 2021

(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 Utility fund is net of a \$5,000 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.

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

(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 whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(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, 2021

(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.

(q) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, 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.

In addition to liabilities, the statement of financial position and balance sheet 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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the one item in this category is unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available.

(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

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(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.

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	\$	2,288,462
Certificates of deposit		165,015
Restricted cash		528,212
Total deposits and certificates of deposit	<u>\$</u>	<u>2,981,689</u>

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) Interfund Loans, Advances, and Transfers:

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2021, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Utility Fund:	\$ 16,983	\$ -
Business-Type Activities:		
Utility Fund:		
General Fund	-	16,983
Totals – All Funds	<u>\$ 16,983</u>	<u>\$ 16,983</u>

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) **Interfund Loans, Advances, and Transfers:** (Continued)

Interfund transfers:

	Transfers In:		
	General Fund	Utility Fund	Total
Transfer Out:			
General Fund	\$ -	\$ 42,983	\$ 42,983
Utility Fund	-	-	-
	\$ -	\$ 42,983	\$ 42,983

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

(6) **Accounts Receivable:**

The Town's receivables consist of the following at September 30, 2021:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 11,415	\$ -	\$ 11,415
Totals – Governmental Type Activities	11,415	-	11,415
Business-Type Activities:			
Utility Fund			
Accounts receivable	68,333	(5,000)	63,333
Totals – Business-Type Activities	68,333	(5,000)	63,333
Totals	\$ 79,748	\$ (5,000)	\$ 74,748

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	<u>Balance October 1, 2020</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance September 30, 2021</u>
Primary Government				
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 19,258	\$ -	\$ -	\$ 19,258
Total Capital Assets Not Being Depreciated	<u>19,258</u>	<u>-</u>	<u>-</u>	<u>19,258</u>
Capital Assets Being Depreciated:				
Buildings	332,398	-	-	332,398
Improvements	1,445,846	-	(1,027,856)	417,990
Equipment	479,001	15,651	(424,840)	69,812
Infrastructure	851,536	-	(25,000)	826,536
Total Capital Assets Being Depreciated	<u>3,108,781</u>	<u>15,651</u>	<u>(1,477,696)</u>	<u>1,646,736</u>
Less Accumulated Depreciation For:				
Buildings	(200,432)	(5,044)	-	(205,476)
Improvements	(1,279,711)	(26,478)	1,002,917	(303,272)
Equipment	(399,253)	(9,910)	397,620	(11,543)
Infrastructure	(334,821)	(34,991)	8,104	(361,708)
Total Accumulated Depreciation	<u>(2,214,217)</u>	<u>(76,423)</u>	<u>1,408,641</u>	<u>(881,999)</u>
Total Capital Assets Being Depreciated, Net	894,564	(60,772)	(69,055)	764,737
Governmental Activities Capital Assets, Net	<u>\$ 913,822</u>	<u>\$ (60,772)</u>	<u>\$ (69,055)</u>	<u>\$ 783,995</u>
	<u>Balance October 1, 2020</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance September 30, 2021</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 102,260	\$ -	\$ -	\$ 102,260
Total Capital Assets Not Being Depreciated	<u>102,260</u>	<u>-</u>	<u>-</u>	<u>102,260</u>
Capital Assets Being Depreciated:				
Plant Assets and Equipment	9,205,586	-	-	9,205,586
Less Accumulated Depreciation For:				
Plant Assets and Equipment	(4,323,844)	(250,222)	-	(4,574,066)
Total Capital Assets Being Depreciated, Net	<u>4,881,742</u>	<u>(250,222)</u>	<u>-</u>	<u>4,631,520</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,984,002</u>	<u>\$ (250,222)</u>	<u>\$ -</u>	<u>\$ 4,733,780</u>

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) **Capital Assets:** (Continued)

Depreciation expense was charged to functions as follows:

General Government	\$ 12,690
Public Safety	8,561
Transportation	35,173
Human Services	5,044
Culture and Recreation	14,955
Total Depreciation Expense - Governmental Activities	\$ 76,423
 Business-type Activities	
Water and Sewer Utilities	\$ 250,222

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

Notes payable in the Town's governmental activities at September 30, 2021, are comprised of the following 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.	\$ 76,409
<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.	157,900
<u>Note Payable</u> , \$675,000 to pay off revenue bonds. Payable in annual installments of \$80,129, including interest at 3.89%, maturing in August 2027, from the net revenues of the water and sewer system. The note payable also contains a special provision where the interest rate may increase to 4.92%, if for any reason the interest on this note payable becomes includable in the gross income of the bank for Federal income tax purposes.	443,734
Total Long-Term Obligations, Business-Type Activities	\$ 678,043

Aggregate maturities of notes payable are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2022	\$ 82,811	21,241
2023	85,604	18,448
2024	88,497	15,554
2025	91,496	12,557
2026	94,603	9,449
2027– 2031	161,511	12,598
2032– 2036	47,970	4,440
2037– 2039	25,551	654
	\$ 678,043	\$ 94,941

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

A summary of the debt transactions for the Town for the fiscal year ended September 30, 2021, is as follows:

	Governmental Activities				
	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Compensated Absences	\$ 2,200	\$ 8,377	\$ (7,877)	\$ 2,700	\$ 1,900
	Business-Type Activities				
	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Notes Payable	\$ 758,160	\$ -	\$ (80,117)	\$ 678,043	\$ 82,811
Compensated Absences	5,276	9,616	(9,633)	5,259	3,252
Long-Term Liabilities	\$ 763,436	\$ 9,616	\$ (89,750)	\$ 683,302	\$ 86,063

(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. Contributions to the Town's pension plan for the year ended September 30, 2021 was \$27,702. Employees did not contribute to the plan.

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

In accordance with GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, the Town has no liability under GASB 75 because the implied subsidy is assumed to disappear upon Medicare eligibility and current employees are not assumed to retire until age 65.

(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.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(13) **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. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

- (c) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 577,451	\$ 577,451	\$ 501,753	\$ (75,698)
Licenses and permits	33,100	33,100	136,870	103,770
Intergovernmental	333,700	333,700	225,821	(107,879)
Charges for services	23,850	23,850	27,416	3,566
Fines and forfeitures	550	550	37	(513)
Miscellaneous	9,370	9,370	5,895	(3,475)
Total revenues	<u>978,021</u>	<u>978,021</u>	<u>897,792</u>	<u>(80,229)</u>
Expenditures				
Current:				
General government	290,509	290,509	380,304	(89,795)
Public safety	139,350	139,350	171,878	(32,528)
Transportation	91,050	91,050	138,557	(47,507)
Human services	4,000	4,000	1,653	2,347
Culture and recreation	380,860	380,860	70,811	310,049
Reserve for contingencies	72,252	72,252	-	72,252
Capital outlay	-	-	15,651	(15,651)
Total expenditures	<u>978,021</u>	<u>978,021</u>	<u>778,854</u>	<u>199,167</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>118,938</u>	<u>118,938</u>
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(42,983)</u>	<u>(42,983)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(42,983)</u>	<u>(42,983)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>75,955</u>	<u>75,955</u>
Fund balances, beginning of year	1,175,055	1,175,055	1,175,055	-
Fund balances, end of year	<u>\$ 1,175,055</u>	<u>\$ 1,175,055</u>	<u>\$ 1,251,010</u>	<u>\$ 75,955</u>

See accompanying notes to required supplementary information.

TOWN OF WELAKA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 7, 2023.

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) as a basis for designing 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. We did identify a deficiencies in internal control, described below are items that we consider to be a material weaknesses.

2021-001 Preparation of financial statements (Repeat Comment)

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.

2021-002 Segregation of duties

We noted the Town Clerk is responsible for payroll; however, there is no separate review and approval of the payroll register. There is currently no formal review of ACH payments initiated by the Town Clerk. Finally, the Town Clerk can create purchase orders without review and approval. These issues raise concerns about the accuracy and integrity of these financial transactions and the lack of oversight in the town's process. To ensure the accuracy and integrity of payroll, ACH payments, and purchase orders, it is recommended that the town implement a segregation of duties policy where at least one other individual reviews and approves the actions performed by the Town Clerk. This will provide an additional level of oversight and reduce the risk of errors or fraudulent activity.

2021-003 Bank reconciliation

We noted the bank reconciliations were completed late and did not reconcile to the Town's general ledger. Our audit procedures also revealed there is no systematic method of ensuring timely and complete monthly reconciliation and closing procedures take place. This situation leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system, which renders the accounting information virtually useless in making well informed business decisions. This accounting function disorganization will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to exist and continue without notice. This situation should be corrected as soon as possible with the establishment of a system of consistent monthly reconciliations and closing procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Town of Welaka, Florida's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying management's response as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

James Moore & Co., P.L.

Gainesville, Florida
March 7, 2023



**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, 2021, and have issued our report thereon dated March 7, 2023.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 7, 2023, 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. One uncorrected finding exists from the second preceding audit. The following summarizes the status of prior year findings and recommendations:

2020-001, 2019-001, and 2018-001 *Preparation of financial statements*: Corrective action not taken. See current year comment 2021-001

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.

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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. 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 noted the following recommendations:

2021-004 Budgetary noncompliance:

We noted the Town's budget was not posted on the Town's website within 30 days after adoption per Florida statute 166.241. We recommend the Town post the budget on the website as required by Florida statutes.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we noted no special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

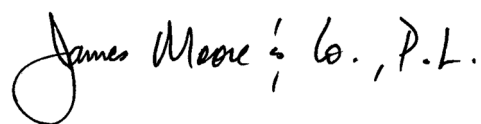
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Town of Welaka, Florida's Response to Findings

The Town's responses to the findings identified in our audit are described in the letter titled Management's Response to the Auditor's Comments, as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 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
March 7, 2023



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, 2021. 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, 2021, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." with a stylized flourish at the end.

Gainesville, Florida
March 7, 2023

MANAGEMENT'S RESPONSE TO FINDINGS

2021-001 – Preparation of financial statements (Repeat Comment)

The Town understand that this 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.

2021-002 – Segregation of duties

Currently, the Town Clerk does oversee the Payroll, ACH payments, and purchase orders. However, the Town is also preparing to purchase new accounting software that will require approval of Payroll, ACH payments, and purchase by a second person before they can occur. We anticipate having this new software in place in the next 12 to 14 months.

2021-003 – Bank reconciliation

Our new Town Clerk has significantly more accounting experience than our previous Clerk and, as such, has been working diligently to reconcile bank statements to ensure they are on time in the future. The Town is also preparing to purchase new accounting software to simplify this process. We anticipate having this new software in place in the next 12 to 14 months.

2021-004 – Budgetary noncompliance

The Town of Welaka experienced a significant change in 2021 as it recovered from the pandemic. They also experienced the loss due to the death of their former mayor and the loss of their Town Clerk due to her taking a new position elsewhere. At the time, the former Town Clerk was handling the postings on the Town website. With the former Town Clerk leaving unexpectedly, the new Clerk could not get up to speed as quickly. Since then, the matter has been addressed, and the current budget is on the Town website.