

TOWN OF WELAKA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

**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 Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United State of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

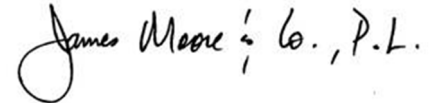
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 June 30, 2025, 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" and a stylized "M".

Gainesville, Florida
June 30, 2025

**TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023. 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, 2023, by \$7,739,605 (*net position*). Of this amount, \$2,244,740 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 \$5,068,444, 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 \$426,421 is restricted by constraints imposed from outside of the Town such as debt covenants, grantors, laws, or regulations.
 - 3) \$762,317 of governmental net position and \$1,482,423 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 increased \$151,187 over the previous year with an increase of \$47,853 resulting from governmental activities and an increase of \$103,334 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, 2023
(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, 2023
(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 \$7,739,605 at the close of the fiscal year ended September 30, 2023. By far the largest portion of the Town's net position, \$5,068,444 or 65.5%, 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 Activities		Total	
	2023	2022	2023	2022	2023	2022
Cash and investments	\$ 1,149,441	\$ 1,539,390	\$ 1,516,419	\$ 1,673,037	\$ 2,665,860	\$ 3,212,427
Other current assets	67,927	86,894	231,586	56,951	299,513	143,845
Capital assets, net	1,091,551	834,230	4,808,419	4,539,155	5,899,970	5,373,385
Total Assets	<u>2,308,919</u>	<u>2,460,514</u>	<u>6,556,424</u>	<u>6,269,143</u>	<u>8,865,343</u>	<u>8,729,657</u>
Current liabilities	225,882	75,264	474,820	203,374	700,702	278,638
Long-term liabilities	2,006	352,072	423,030	510,529	425,036	862,601
Total Liabilities	<u>227,888</u>	<u>427,336</u>	<u>897,850</u>	<u>713,903</u>	<u>1,125,738</u>	<u>1,141,239</u>
Net Position:						
Net invested in capital assets	1,071,275	834,230	3,997,169	3,943,650	5,068,444	4,777,880
Restricted	247,439	354,283	178,982	168,845	426,421	523,128
Unrestricted	762,317	844,665	1,482,423	1,442,745	2,244,740	2,287,410
Total Net Position	<u>\$ 2,081,031</u>	<u>\$ 2,033,178</u>	<u>\$ 5,658,574</u>	<u>\$ 5,555,240</u>	<u>\$ 7,739,605</u>	<u>\$ 7,588,418</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, 2023
(Continued)

Change in Net Position

Governmental activities increased the Town's net position by \$47,853. This increase resulted primarily from the recognition of \$262,942 of grants and contributions in the current year.

Town of Welaka, Florida
Changes in Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 58,006	\$ 143,821	\$ 778,010	\$ 790,080	\$ 836,016	\$ 933,901
Operating grants and contributions	101,973	116,262	-	-	101,973	116,262
Capital grants and contributions	160,969	14,930	329,030	-	489,999	14,930
General Revenues:						
Property taxes	413,416	344,833	-	-	413,416	344,833
Sales tax and other state shared revenues	185,540	162,726	-	-	185,540	162,726
Communications service tax	32,448	33,783	-	-	32,448	33,783
Other taxes	91,711	84,173	-	-	91,711	84,173
Other revenue	20,716	4,090	7,044	1,838	27,760	5,928
Total Revenues	<u>1,064,779</u>	<u>904,618</u>	<u>1,114,084</u>	<u>791,918</u>	<u>2,178,863</u>	<u>1,696,536</u>
Expenses:						
General government	461,210	400,943	-	-	461,210	400,943
Public safety	254,207	238,078	-	-	254,207	238,078
Transportation	193,256	223,307	-	-	193,256	223,307
Human services	5,044	5,341	-	-	5,044	5,341
Culture/Recreation	103,209	64,551	-	-	103,209	64,551
Water and wastewater	-	-	1,010,750	895,179	1,010,750	895,179
Total Expense	<u>1,016,926</u>	<u>932,220</u>	<u>1,010,750</u>	<u>895,179</u>	<u>2,027,676</u>	<u>1,827,399</u>
Increase (decrease) in net assets	47,853	(27,602)	103,334	(103,261)	151,187	(130,863)
Net position, beginning of year	2,033,178	2,060,780	5,555,240	5,658,501	7,588,418	7,719,281
Net position, end of year	<u>\$ 2,081,031</u>	<u>\$ 2,033,178</u>	<u>\$ 5,658,574</u>	<u>\$ 5,555,240</u>	<u>\$ 7,739,605</u>	<u>\$ 7,588,418</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$320,948 in program revenues and \$743,831 of general revenues, and incurred \$1,016,926 of program expenses. This resulted in a \$47,853 increase in net position. The primary reason for the increase was due to additional grants and contributions.

Business-type Activities

Business-type activities increased the Town's net position by \$103,334 as opposed to a decrease of \$(103,261) in the previous year. The primary element resulting in the difference was mainly due to the recognition of \$329,030 in grants and contributions in the current year.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(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, 2023, the net decrease in fund balances per the Governmental Funds (General Fund) Financial Statements totaled \$(230,246) while the governmental activities column of the Government-wide Financial Statements reported an increase of \$47,853 in net position. A detailed reconciliation between these two amounts is provided on page 16 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 \$725,664, while total fund balance was \$973,103. 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 57% of the total General Fund expenditures, while total fund balance represents 76% 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, 2023, total net position for the Utility Fund amounted to \$5,658,574, an increase of \$103,334 from the prior fiscal year. Unrestricted net position totaled \$1,482,423. 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 32 of the accompanying Financial Statements. There was no variance between original and final budgeted amounts.

A comparison of actual revenues versus budget reflects that one category of revenue was individually under their amount budgeted by \$46,006 or 4.7%. under the total budgeted amount, due to less tax revenue than expected.

A review of actual expenditure results versus the final budget reveals that the actual expenditures for the General Fund were \$291,705 or 29.6% over the total budgeted amount for the year, largely due to general government and capital outlay expenditures not included in the budget.

TOWN OF WELAKA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

Capital Asset and Debt Administration

Town of Welaka, Florida
Capital Asset Summary

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 19,258	\$ 19,258	\$ 102,260	\$ 102,260	\$ 121,518	\$ 121,518
Construction in progress	-	-	421,670	-	421,670	-
Buildings and improvements	213,714	223,123	-	-	213,714	223,123
Equipment	458,593	160,125	-	-	458,593	160,125
Infrastructure	399,986	431,724	-	-	399,986	431,724
Water and sewer distribution system	-	-	4,284,489	4,436,895	4,284,489	4,436,895
Total Capital Assets, Net	<u>\$ 1,091,551</u>	<u>\$ 834,230</u>	<u>\$ 4,808,419</u>	<u>\$ 4,539,155</u>	<u>\$ 5,899,970</u>	<u>\$ 5,373,385</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, 2023, amounts to \$5,899,970 (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:

- Governmental activity additions of three vehicles totaling \$180,633 and various additional equipment and a digital sign totaling \$149,777.
- Business-type activity additions included construction in progress associated with wastewater treatment of \$421,670 and related equipment of \$95,445.
- No governmental or business-type capital assets were disposed in the year-ended September 30, 2023.

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, 2023
(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 \$615 to \$5,016.

**Town of Welaka, Florida
Long-Term Debt Obligations**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ -	\$ -	\$ 510,590	\$ 595,505	\$ 510,590	\$ 595,505
Compensated absences	5,016	4,401	2,343	2,116	7,359	6,517
Total Long Term Debt	<u>\$ 5,016</u>	<u>\$ 4,401</u>	<u>\$ 512,933</u>	<u>\$ 597,621</u>	<u>\$ 517,949</u>	<u>\$ 602,022</u>

Business-type Activities:

- The Utility Fund retired \$84,915 of note obligations.
- Utility Fund compensated absences increased by \$227 to \$2,343.

Additional information on the Town's long-term obligations can be found in Note 8 beginning on page 28 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, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 808,833	\$ 1,189,274	\$ 1,998,107
Certificates of deposit	93,169	73,737	166,906
Receivables, net	11,517	62,463	73,980
Internal balances	20,607	(20,607)	-
Due from other governments	35,803	189,730	225,533
Restricted assets:			
Cash and cash equivalents	247,439	253,408	500,847
Capital assets:			
Non-depreciable	19,258	523,930	543,188
Depreciable, net	1,072,293	4,284,489	5,356,782
Total assets	<u>2,308,919</u>	<u>6,556,424</u>	<u>8,865,343</u>
LIABILITIES			
Accounts payable	35,129	310,491	345,620
Customer deposits - payable from restricted assets	-	74,426	74,426
Unearned revenue	187,743	-	187,743
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	88,497	88,497
Compensated absences	3,010	1,406	4,416
Due in more than one year:			
Notes payable	-	422,093	422,093
Compensated absences	2,006	937	2,943
Total liabilities	<u>227,888</u>	<u>897,850</u>	<u>1,125,738</u>
NET POSITION			
Net investment in capital assets	1,071,275	3,997,169	5,068,444
Restricted for:			
Better Place Plan	247,439	-	247,439
Debt service	-	1,747	1,747
Utility improvements outside town limits	-	177,235	177,235
Unrestricted	762,317	1,482,423	2,244,740
Total net position	<u>\$ 2,081,031</u>	<u>\$ 5,658,574</u>	<u>\$ 7,739,605</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, 2023**

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	\$ 461,210	\$ 30,746	\$ 61,996	\$ 50,477	\$ (317,991)	\$ -	\$ (317,991)
Public safety	254,207	27,260	-	110,492	(116,455)	-	(116,455)
Transportation	193,256	-	39,977	-	(153,279)	-	(153,279)
Human services	5,044	-	-	-	(5,044)	-	(5,044)
Culture and recreation	103,209	-	-	-	(103,209)	-	(103,209)
Total governmental activities	<u>1,016,926</u>	<u>58,006</u>	<u>101,973</u>	<u>160,969</u>	<u>(695,978)</u>	<u>-</u>	<u>(695,978)</u>
Business-type activities:							
Utilities	1,010,750	777,984	-	329,030	-	96,264	96,264
Total business-type activities	<u>1,010,750</u>	<u>777,984</u>	<u>-</u>	<u>329,030</u>	<u>-</u>	<u>96,264</u>	<u>96,264</u>
Total primary government	<u>\$ 2,027,676</u>	<u>\$ 835,990</u>	<u>\$ 101,973</u>	<u>\$ 489,999</u>	<u>(695,978)</u>	<u>96,264</u>	<u>(599,714)</u>
General revenues:							
Property taxes					413,416	-	413,416
Sales and use taxes					41,933	-	41,933
Unrestricted state shared revenues					49,562	-	49,562
Local infrastructure surtax					94,045	-	94,045
Utility taxes					34,435	-	34,435
Communications service tax					32,448	-	32,448
Franchise fees					57,276	-	57,276
Investment earnings					6,523	6,938	13,461
Miscellaneous					14,193	132	14,325
Total general revenues					<u>743,831</u>	<u>7,070</u>	<u>750,901</u>
Change in net position					47,853	103,334	151,187
Net position - beginning					2,033,178	5,555,240	7,588,418
Net position - ending					<u>\$ 2,081,031</u>	<u>\$ 5,658,574</u>	<u>\$ 7,739,605</u>

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

**TOWN OF WELAKA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,056,272
Certificate of deposit	93,169
Receivables, net	11,517
Due from other governments	35,803
Due from other funds	20,607
Total assets	\$ 1,217,368
LIABILITIES	
Accounts payable and accrued liabilities	\$ 35,129
Unearned revenue	187,743
Total liabilities	222,872
DEFERRED INFLOWS OF RESOURCES	
Unavailable intergovernmental revenue	21,393
FUND BALANCES	
Restricted for:	
Better Place Plan	247,439
Unassigned	725,664
Total fund balances	973,103
Total liabilities and fund balances	\$ 1,217,368

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, 2023**

Fund balances - total governmental funds	\$ 973,103
Amounts reported for governmental activities in the statement of net position are different 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 intergovernmental revenue	21,393
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:	
Total governmental capital assets	2,112,637
Accumulated depreciation	(1,021,086)
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	(5,016)
Net position of governmental activities	\$ 2,081,031

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, 2023

	General Fund
Revenues	
Taxes	\$ 615,551
Licenses and permits	88,891
Intergovernmental	293,067
Charges for services	28,824
Fines and forfeitures	1,337
Miscellaneous	20,716
Total revenues	1,048,386
Expenditures	
Current:	
General government	465,773
Public safety	229,865
Transportation	159,876
Culture and recreation	92,708
Capital outlay	330,410
Total expenditures	1,278,632
Net change in fund balances	(230,246)
Fund balances , beginning of year	1,203,349
Fund balances , end of year	\$ 973,103

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, 2023**

Net change in fund balances - total governmental funds \$ (230,246)

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	330,410	
Current year depreciation	<u>(73,089)</u>	
Amount by which capital outlay exceeds depreciation in the current period		257,321

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:

Unavailable intergovernmental revenue	21,393
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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	(615)
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Change in net position of governmental activities \$ 47,853

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, 2023**

	Utility
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,189,274
Restricted cash and equivalents:	
Customer deposits	74,426
Certificate of deposit	73,737
Accounts receivable, net	62,463
Due from other governments	189,730
Total current assets	1,589,630
Noncurrent assets:	
Restricted cash and equivalents:	
Debt service	1,747
System improvements outside town limits	177,235
Capital assets, net	4,808,419
Total noncurrent assets	4,987,401
Total assets	6,577,031
LIABILITIES	
Current liabilities:	
Accounts payable	310,491
Due to other funds	20,607
Compensated absences	1,406
Payable from restricted assets:	
Current maturities on notes payable	88,497
Payable from restricted assets:	
Customer deposits	74,426
Total current liabilities	495,427
Noncurrent liabilities:	
Notes payable	422,093
Compensated absences	937
Total noncurrent liabilities	423,030
Total liabilities	918,457
NET POSITION	
Net investment in capital assets	3,997,169
Restricted for:	
Debt service	1,747
Utility expansion	177,235
Unrestricted	1,482,423
Total net position	\$ 5,658,574

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, 2023

	Utility
Operating revenues	
Charges for services	\$ 777,984
Miscellaneous income	132
Total operating revenues	778,116
Operating expenses	
Personal services	295,483
Operating expense	449,382
Depreciation	247,851
Total operating expenses	992,716
Operating income (loss)	(214,600)
Nonoperating revenues (expenses)	
Investment earnings	6,938
Interest expense	(18,034)
Total nonoperating revenues (expenses)	(11,096)
Loss before capital grants	(225,696)
Capital grants	329,030
Change in net position	103,334
Net position, beginning of year	5,555,240
Net position, end of year	\$ 5,658,574

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, 2023**

	Utility
Cash flows from operating activities	
Cash received from customers	\$ 811,607
Cash paid to suppliers	(199,143)
Cash paid to employees	(295,256)
Net cash provided by (used in) operating activities	317,208
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(84,915)
Interest paid	(18,034)
Capital grants	139,300
Acquisitions of capital assets	(517,115)
Net cash provided by (used in) capital and related financing activities	(480,764)
Cash flows from investing activities	
Interest on investments	6,419
Net change in cash and cash equivalents	(157,137)
Cash and cash equivalents, beginning of year	1,599,819
Cash and cash equivalents, end of year	\$ 1,442,682
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (214,600)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	247,851
Changes in assets and liabilities:	
Accounts receivable	33,385
Due to other governments	(18,290)
Accounts payable and accrued liabilities	268,529
Deposits	106
Compensated absences	227
Net cash provided by (used in) operating activities	\$ 317,208
Cash and cash equivalents classified as:	
Unrestricted	\$ 1,189,274
Restricted	253,408
Total cash and cash equivalents	\$ 1,442,682

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

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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, 2023

(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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. 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. Actual expenditures exceeded the approved amounts by \$291,705.

(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.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(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.

(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, 2023

(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, 2023

(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, 2023

(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	\$	1,998,107
Certificates of deposit		166,906
Restricted cash		500,847
Total deposits and certificates of deposit	<u>\$</u>	<u>2,665,860</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 Activity:

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, 2023, are comprised of the following:

	<u>Due From Other Funds</u>		<u>Due to Other Funds</u>
Governmental Activities:			
General Fund:			
Utility Fund:	\$ 20,607	\$	-
Business-Type Activities:			
Utility Fund:			
General Fund	-		20,607
Totals – All Funds	<u>\$ 20,607</u>	<u>\$</u>	<u>20,607</u>

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) Accounts Receivable:

The Town's receivables consist of the following at September 30, 2023:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 11,517	\$ -	\$ 11,517
Totals – Governmental Type Activities	11,517	-	11,517
Business-Type Activities:			
Utility Fund			
Accounts receivable	67,463	(5,000)	62,463
Totals – Business-Type Activities	67,463	(5,000)	62,463
Totals	\$ 78,980	\$ (5,000)	\$ 73,980

(7) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,258	\$ -	\$ -	\$ 19,258
Total assets not being depreciated	19,258	-	-	19,258
Capital assets being depreciated:				
Buildings	332,398	-	-	332,398
Improvements other than buildings	417,990	-	-	417,990
Equipment	186,045	330,410	-	516,455
Infrastructure	826,536	-	-	826,536
Total assets being depreciated	1,762,969	330,410	-	2,093,379
Less accumulated depreciation for:				
Buildings	(210,520)	(5,044)	-	(215,564)
Improvements other than buildings	(316,745)	(4,365)	-	(321,110)
Equipment	(25,920)	(31,942)	-	(57,862)
Infrastructure	(394,812)	(31,738)	-	(426,550)
Total accumulated depreciation	(947,997)	(73,089)	-	(1,021,086)
Total capital assets being depreciated, net	814,972	257,321	-	1,072,293
Governmental activities capital assets, net	\$ 834,230	\$ 257,321	\$ -	\$ 1,091,551

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 102,260	\$ -	\$ -	\$ 102,260
Construction in progress	-	421,670	-	421,670
Total assets not being depreciated	<u>102,260</u>	<u>421,670</u>	<u>-</u>	<u>523,930</u>
Capital assets being depreciated:				
Plant assets and equipment	9,254,635	95,445	-	9,350,080
Total assets being depreciated	<u>9,254,635</u>	<u>95,445</u>	<u>-</u>	<u>9,350,080</u>
Less accumulated depreciation for:				
Plant assets and equipment	(4,817,740)	(247,851)	-	(5,065,591)
Total accumulated depreciation	<u>(4,817,740)</u>	<u>(247,851)</u>	<u>-</u>	<u>(5,065,591)</u>
Total capital assets being depreciated, net	<u>4,436,895</u>	<u>(152,406)</u>	<u>-</u>	<u>4,284,489</u>
Business-type activities capital assets, net	<u>\$ 4,539,155</u>	<u>\$ 269,264</u>	<u>\$ -</u>	<u>\$ 4,808,419</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 284
Public Safety	24,188
Transportation	33,226
Human Services	5,044
Culture and Recreation	10,347
Total Depreciation Expense - Governmental Activities	<u>\$ 73,089</u>
Business-type Activities	
Water and Sewer Utilities	<u>\$ 247,851</u>

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) Long-Term Obligations:

Notes payable in the Town's governmental activities at September 30, 2023, are comprised of the following obligations:

	Amount
<u>Business-type Activities</u>	
<u>Note Payable 1:</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.	\$ 51,696
<u>Note Payable 2:</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.	142,304
<u>Note Payable 3:</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.	316,590
Total Long-Term Obligations, Business-Type Activities	\$ 510,590

Aggregate maturities of notes payable are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2024	\$ 88,497	\$ 15,555
2025	91,495	12,557
2026	94,603	9,449
2027	126,920	6,228
2028	8,665	1,817
2029– 2033	45,595	6,815
2034– 2038	49,622	2,788
2039– 2039	5,193	48
	\$ 510,590	\$ 55,257

Pledged Revenues

The Town has pledged a portion of the net revenues generated by its water and sewer operations to secure repayment of two of the three outstanding notes payable. Each note payable agreement requires the Town to set rates and charges at levels that will produce pledged revenues sufficient to meet a specified debt-service coverage ratio:

Note payable 1: pledged revenues must be at least 1.15 times the total semiannual payments due each fiscal year.

Note payable 2: pledged revenues must be at least 1.20 times the total semiannual payments due each fiscal year

In addition, the Town must continue to meet the coverage requirements applicable to all senior and parity debt obligations of the water and sewer systems.

TOWN OF WELAKA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

As of September 30, 2023, the outstanding balance of loans secured by pledged revenues totaled \$194,000. During the fiscal year, the Town recognized pledged revenues of \$33,632 and made principal and interest payments totaling \$23,924. The Town satisfied all required debt service coverage ratios and sinking fund requirements for the year.

A summary of the debt transactions for the Town for the fiscal year ended September 30, 2023, is as follows:

	Governmental Activities				
	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Due Within One Year
Compensated Absences	\$ 4,401	\$ 12,771	\$ (12,156)	\$ 5,016	\$ 3,010
	Business-Type Activities				
	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Due Within One Year
Notes Payable	\$ 595,505	\$ -	\$ (84,915)	\$ 510,590	\$ 88,497
Compensated Absences	2,116	9,644	(9,417)	2,343	1,406
Long-Term Liabilities	\$ 597,621	\$ 9,644	\$ (94,332)	\$ 512,933	\$ 89,903

(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, 2023 was \$24,918. 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, 2023

(12) **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. 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.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.
- (c) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- (d) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WELAKA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 661,557	\$ 661,557	\$ 615,551	\$ (46,006)
Licenses and permits	17,200	17,200	88,891	71,691
Intergovernmental	272,201	272,201	293,067	20,866
Charges for services	27,391	27,391	28,824	1,433
Fines and forfeitures	508	508	1,337	829
Miscellaneous	8,070	8,070	20,716	12,646
Total revenues	<u>986,927</u>	<u>986,927</u>	<u>1,048,386</u>	<u>61,459</u>
Expenditures				
Current:				
General government	283,150	283,150	465,773	(182,623)
Public safety	209,746	209,746	229,865	(20,119)
Transportation	135,660	135,660	159,876	(24,216)
Human services	1,600	1,600	-	1,600
Culture and recreation	112,215	112,215	92,708	19,507
Reserve for contingencies	15,000	15,000	-	15,000
Capital outlay	229,556	229,556	330,410	(100,854)
Total expenditures	<u>986,927</u>	<u>986,927</u>	<u>1,278,632</u>	<u>(291,705)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(230,246)</u>	<u>(230,246)</u>
Fund balances, beginning of year	1,203,349	1,203,349	1,203,349	-
Fund balances, end of year	<u>\$ 1,203,349</u>	<u>\$ 1,203,349</u>	<u>\$ 973,103</u>	<u>\$ (230,246)</u>

See accompanying notes to required supplementary information.

TOWN OF WELAKA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

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. Actual expenditures exceeded the approved amounts by \$291,705.
- ❖ 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 30, 2025.

Report on 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 our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

2023-001 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.

2023-002 Segregation of duties (Repeat Comment)

We noted there is currently no formal review of ACH payments initiated by the Town Clerk. This issue raises 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 ACH payments, 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.

2022-003 Bank reconciliation (Repeat Comment)

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.

2023-004 Utility rates and support (Repeat Comment)

During our audit, we selected a sample of 25 utility billing transactions to evaluate internal controls over the accuracy and support of utility revenue recognition. For 2 of the 25 items selected, the Town was unable to provide adequate supporting documentation to substantiate the amounts billed. The exceptions related to the Town's inability to access data from a previously used billing system and the lack of documentation supporting manual adjustments made to customer accounts. We recommend that the Town implement procedures to ensure all utility billing data, including historical records and manual adjustments, are retained and accessible for audit and internal review purposes. This may include maintaining backup access to legacy billing systems or exporting complete billing histories prior to decommissioning. Additionally, we recommend establishing formal documentation protocols for all manual adjustments to customer accounts, including approvals and rationale, to support transparency and accountability in the billing process.

2023-006 Timeliness of year-end close and financial reporting

Timely financial reporting is essential for effective public fund management and oversight. The state of Florida mandates that financial audits be completed within nine months after the fiscal year-end to ensure stakeholders receive accurate and timely information. The current audit was completed well after the statutory deadline. The late receipt of key audit documentation, challenges related to the organization and staff turnover, and condition of the accounting records contributed to various delays in year-end closing procedures and adversely impacted the Town's ability to produce timely financial reports. This substantial delay hampers the Town's ability to provide timely and reliable financial information for accounting and budget purposes. It also increases the risk of undetected errors and/or fraud. The Town should review and improve its financial reporting processes to ensure timely completion. This includes optimizing internal procedures and a consideration of the need to increase staffing and resources dedicated to the accounting function.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

2023-007 Reconciliation of account balances and audit adjustments

Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues. All balances should be reconciled to supporting documentation and reconciled with the general ledger.

For the year ended September 30, 2023, accounts payable and accounts receivable were not reconciled on a timely basis and certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We recommend reconciliations be performed on a timely and regular basis and include procedures related to the proper cutoff of significant revenue and expense activities.

2023-008 IT general controls

During our audit, we noted several IT control weaknesses on one or more systems used by the Town. Account lockout control was not enabled, meaning user accounts are not automatically locked after a series of failed login attempts. Password policies were found to be insecure, with password age exceeding 90 days and no enforcement of complexity requirements or minimum length. Additionally, the Town failed to apply system patches or updates in a timely manner. Specifically, security updates had not been installed within a 15-day window, which may leave known vulnerabilities unpatched. Best practices for IT general controls, such as those recommended by NIST SP 800-53, CIS Controls, and the Center for Internet Security benchmarks, as well as commonly accepted internal control frameworks like COSO and COBIT, require the enforcement of account lockout policies to deter unauthorized access. They also call for reasonable password expiration and complexity standards, along with timely installation of critical security updates and patches to mitigate vulnerabilities. The deficiencies appear to result from a lack of regular system monitoring and oversight over IT security configuration and maintenance schedules. These control weaknesses increase the risk of unauthorized system access, data breaches, and exploitation of unpatched software vulnerabilities. They also impair the Town's ability to safeguard sensitive financial and operational data. We recommend the Town enable account lockout policies after a reasonable number of failed login attempts. Stronger password controls should be implemented, including expiration policies not exceeding 90 days and enforcement of complexity requirements. The Town should adopt and document a patch management policy to ensure critical updates are applied within a defined timeframe, such as 7 to 15 days. Regular monitoring and logging of update compliance should also be performed to reduce exposure to cyber threats.

2023-009 Missing contract documentation

We noted that the Town made periodic payments to a consulting firm. While evidence of approval for individual payments was available, no underlying contract was located or provided by Town management to support the terms, scope of services, or overall authorization of the arrangement. Strong internal controls over procurement and contracting require that all services paid for by the Town be supported by a written agreement or contract that has been appropriately reviewed and authorized in accordance with procurement policies. Contracts should be retained and made available for oversight and audit purposes. Payment approvals alone are not a substitute for evidence of an executed and approved contract. The Town does not appear to have sufficient controls in place to ensure that all vendor relationships are supported by executed agreements retained in the Town's records. Alternatively, the agreement may have been executed but was not properly maintained or tracked by responsible personnel. Payments were made to a consultant without supporting contract documentation, increasing the risk of unauthorized or imprudent commitments, payment for services not clearly defined or delivered, and lack of enforceability of terms if disputes arise. This undermines accountability and transparency in procurement and may expose the Town to reputational or legal risks. We recommend that the Town ensure all professional services contracts are reviewed and formally approved prior to commencement of services. The Town should implement a centralized contract repository and tracking mechanism to ensure documents are retained and accessible. Personnel responsible for procurement and disbursement processes should be trained on the requirement to verify contract existence prior to payment.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

2023-005 Budgetary Noncompliance

During our testing over the General Fund budget, we noted actual expenditures exceeded the approved amounts in the Town's budget by \$291,705. As a result, the Town was not in budgetary compliance. We recommend that the Town analyze budget vs. actual results subsequent to year-end as the fiscal year is being closed out and determine the need for additional budget amendments to ensure budgetary compliance, as amendments may be approved by the Town Council up to 60 days after fiscal year-end.

Town of Welaka, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described previously. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
June 30, 2025



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE
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, 2023, and have issued our report thereon dated June 30, 2025.

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 Auditors' 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 June 30, 2025, 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. Three uncorrected findings exist from the second preceding audit. The following summarizes the status of prior year findings and recommendations:

2022-001, 2021-001, 2020-001, and 2019-001, *Preparation of financial statements*: Corrective action not taken. See current year comment 2023-001.

2022-002, 2021-002, *Segregation of duties*: Corrective action not taken. See current year comment 2023-002.

2022-003, 2021-003 *Bank reconciliation*: Corrective action not taken. See current year comment 2023-003.

2022-004 *Utility rates and support*: Corrective action not taken. See current year comment 2023-004.

2022-005, *Budgetary noncompliance*: 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.

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.

Our assessment procedures disclosed that the Town is in a state of deteriorating financial condition as defined by Rule 10.556(8), Rules of the Auditor General. Specifically, the City's General Fund reported a net decrease in fund balance of \$230,246 during the fiscal year. Although this deficit was primarily the result of planned capital outlays, and the General Fund would have reported a net increase of \$100,164 if such capital outlays were excluded, the overall financial condition assessment remains unfavorable. Of the 19 applicable indicators evaluated, 13 (68%) were rated as unfavorable, including three of the four designated critical indicators.

We recommend that the City evaluate opportunities to enhance recurring revenues, reduce expenditures where feasible, and monitor financial indicators to improve its overall financial condition.

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 had no such recommendations.

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

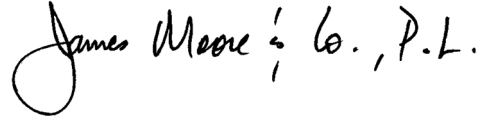
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants 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 Auditors' 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.

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" and a period after "Co.". The text is positioned to the right of the main body of text.

Gainesville, Florida
June 30, 2025



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the Town of Welaka, Florida (the Town)'s compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2023. The Town's management is responsible for the Town's compliance with those statutory requirements. Our responsibility to obtain reasonable assurance by evaluating the Town's compliance with those requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance by evaluating whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2023, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the Town's compliance based on our examination for the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Town was not in compliance with those statutory requirements in all material respects, 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 of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Town complied, in all material respects, with the aforementioned statutory requirements for the year ended September 30, 2023.

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
June 30, 2025

MANAGEMENT'S RESPONSE TO FINDINGS

2023-001 – Preparation of financial statements (Repeat Comment)

The Town concurs with this finding and is willing to accept the risk. However, they have engaged with an external accounting firm to support internal finance operations, including preparation of financial statements.

2023-002 – Segregation of duties (Repeat Comment)

The Town concurs with this finding. Multiple finance staff have been engaged in all finance operations of the town, including processing ACH payments. Formal procedures are currently being implemented to require transaction reviews prior to payments being initiated. Also, multiple signatures are now required for checks.

2023-003 – Bank reconciliation (Repeat Comment)

The Town concurs with this finding. The engaged external accounting firm is actively working to bring all records and reconciliations current. Missing transactions have been identified and will be recorded and reconciled immediately. Processes will be implemented to ensure regular monthly close of the books, including review with management. Additionally, staff will be cross trained on finance procedures to ensure continuity of reconciliations and monthly closing.

2023-004 – Utility rates and support (Repeat Comment)

The Town concurs with this finding. New BS&A software was implemented in 2024 which resulted in some loss of historical data. Staff turnover also resulted in some challenges to maintaining consistent billing processing. Since this time, the Town has acquired formal training from BS&A to improve utilization of the software and increase consistency of record maintenance. The Finance Department will also implement regular periodic spot-checking of utility bills and supporting documentation.

2023-006 – Timeliness of year-end close and financial reporting

The Town concurs with this finding. Understanding the importance of timely financial reporting, the Town has engaged with an external accounting firm to support with catching up on all late reporting. The Town has emphasized the prioritization of becoming current on State audit deadlines and the engaged firm is actively making progress toward this end. Ongoing daily support, regular reviews of the financials, and staff training will serve to avoid future recurrence of this issue.

2023-007 – Reconciliation of account balances and audit adjustments

The Town concurs with this finding. The Town understands the importance of reconciling all significant account balances, especially accounts payable and accounts receivable. The engaged external accounting firm is actively bringing all reconciliations current to enable regular monthly review of closed financial statements. Processes are quickly being developed and implemented to improve accuracy and timeliness of all necessary accounting operations.

2023-008 – IT general controls

The Town concurs with this finding. IT controls are important to the Town and weaknesses will be addressed immediately. Many of the identified control weaknesses can be mitigated with simple improvements, which the Town is committed to making. Their external IT service provider has already agreed to help address these issues for the Town. Lockout controls, password policies, system updating processes, and maintenance schedules will each be reviewed and brought into compliance with regularly accepted NIST standards.

MANAGEMENT'S RESPONSE TO FINDINGS (Continued)

2023-009 – Missing contract documentation

The Town concurs with this finding. Staff turnover, lack of training, and underqualification has resulted in inconsistent record maintenance on vendor contracts and other documentation. The Town has learned by experience that poor record maintenance results in losses of efficiency and is determined to improve their internal processes. All new vendor contracts and agreements are being retained and filed. Written approvals from management will also be filed. As bandwidth allows, the contracts and records for all existing vendors will be reviewed, and copies requested from the vendors for any missing documentation. Staff training will be increased. Cross training and written procedures will also be developed to ensure continuity of adequate record maintenance.

2023-005 – Budgetary Noncompliance

The Town concurs with this finding. Budgetary noncompliance is a natural byproduct of late financial reporting. The Town has recently prioritized catching up on late financial reporting by engaging with an external accounting firm, which will result in the visibility needed to properly manage Town budgets. Monthly close will include budget-to-actual reporting and variance analysis. Training of department heads will empower them to improve their compliance with budget constraints.