

CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2018

**CITY OF WAUCHULA, FLORIDA
OFFICIALS
SEPTEMBER 30, 2018**

**City of Wauchula, Florida
Principal City Officials**

September 30, 2018

CITY COMMISSION

Richard Nadaskay, Jr., Mayor
Neda Cobb, Mayor Pro-Tem
Kenneth Lambert, Commissioner
Gary Smith, Commissioner
Russell Graylin Smith, Commissioner

CITY MANAGER

Terry Atchley

FINANCE DIRECTOR

Sandee Braxton

ASSISTANT CITY MANAGER

Olivia Minsheu

POLICE CHIEF

John M. Eason

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	18
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	19
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	20 - 21
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS	22
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS	23
NOTES TO FINANCIAL STATEMENTS	24 - 60
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND	61
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - SPECIAL REVENUE FUND	62

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FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2018**

TABLE OF CONTENTS – CONTINUED

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	63
SCHEDULE OF CONTRIBUTIONS	64
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	65
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS	66
SCHEDULE OF CHANGES IN THE CITY’S NET OPEB LIABILITY AND RELATED RATOS	67
SCHEDULE OF CONTRIBUTIONS – OPEB	68
SCHEDULE OF INVESTMENT RETURNS – OPEB	69
OTHER SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	70
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	71
DETAIL SCHEDULE OF REVENUE AND EXPENSES– ELECTRIC, WATER AND SEWER SYSTEM	72
SCHEDULE OF INSURANCE COVERAGE	73
OTHER REPORTS	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	74 – 75
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	76 – 77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78 – 79
MANAGEMENT LETTER	80 – 81
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	82



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wauchula, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,131,779 (net position).
- The government's total net position increased by \$1,402,966 during the year.
- The net post-employment benefit plan liability recognized under GASB Statement No. 75, *Financial Reporting and Accounting for Post-employment Benefit Plans Other Than Pensions* continues to impact the City as it did under GASB Statement No. 45 reporting. In the initial year of recognition under GASB No. 75, the related liability at year end is \$3,667,297, which is \$1,036,940 less than the amount recognized under the same criteria as of October 1, 2017. The liability is based on an actuarially calculated amount. During 2016, the City established an Other Post-employment Benefit (OPEB) Trust Fund to reduce the related liability over time. At September 30, 2018, the trust fund balance was \$435,347.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$1,667,004, a decrease of \$7,151 in comparison with the prior year. Of this amount, unassigned fund balance represents \$1,091,818.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, police department, highways and streets and culture/recreation. The business-type activities of the City include the electric, water, sewer, and sanitation services, as well as the airport operations.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds used by the City are the general fund and a special revenue fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements, including reconciliations, can be found on pages 14 through 17 of this report.

Proprietary funds: The City utilizes enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise funds consist of the electric, water and sewer fund, airport fund, and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

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. The notes should be read in conjunction with the financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund and special revenue fund budgetary comparisons, as well as pension and other post-employment benefits information. Required supplementary information is listed in the table of contents.

Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2018 with comparative totals as of September 30, 2017.

	Net position					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,687,930	\$ 3,520,013	\$ 9,889,596	\$ 8,251,679	\$ 13,577,526	\$ 11,771,692
Capital assets (net of depreciation)	<u>6,874,231</u>	<u>7,095,971</u>	<u>22,662,690</u>	<u>22,394,205</u>	<u>29,536,921</u>	<u>29,490,176</u>
Total assets	10,562,161	10,615,984	32,552,286	30,645,884	43,114,447	41,261,868
Deferred outflows of resources	<u>1,530,925</u>	<u>1,867,571</u>	<u>1,610,974</u>	<u>1,890,568</u>	<u>3,141,899</u>	<u>3,758,139</u>
Long-term liabilities outstanding						
Debt	235,257	401,601	4,459,073	4,530,654	4,694,330	4,932,255
Compensated absences	253,181	257,596	179,259	185,453	432,440	443,049
OPEB liability	<u>1,847,984</u>	<u>5,061,000</u>	<u>1,819,313</u>	<u>-0-</u>	<u>3,667,297</u>	<u>5,061,000</u>
	2,336,422	5,720,197	6,457,645	4,716,107	8,794,067	10,436,304
Other liabilities	<u>330,900</u>	<u>302,685</u>	<u>2,184,295</u>	<u>1,951,974</u>	<u>2,515,195</u>	<u>2,254,659</u>
Total liabilities	2,667,322	6,022,882	8,641,940	6,668,081	11,309,262	12,690,963
Deferred inflows of resources	2,426,476	2,024,253	2,388,829	1,925,419	4,815,305	3,949,672
Net position:						
Net investment in capital assets	6,638,974	6,694,370	17,738,301	17,863,551	24,377,275	24,557,921
Restricted	546,126	661,076	1,947,385	1,995,984	2,493,511	2,657,060
Unrestricted	<u>(185,812)</u>	<u>(2,919,026)</u>	<u>3,446,805</u>	<u>4,083,417</u>	<u>3,260,993</u>	<u>1,164,391</u>
Total net position	<u>\$ 6,999,288</u>	<u>\$ 4,436,420</u>	<u>\$ 23,132,491</u>	<u>\$ 23,942,952</u>	<u>\$ 30,131,779</u>	<u>\$ 28,379,372</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,131,779 at the close of September 30, 2018.

The City's net position include net investment in capital assets of \$24,377,275, which reflect its capital assets (e.g., land, buildings and improvements in infrastructure, machinery, and equipment), net of depreciation, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in 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.

An additional portion of the City's net position, \$2,493,511, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* is \$3,260,993.

The following is a summary of the changes in net position for the year ended September 30, 2018, with comparative totals for the year ended September 30, 2017.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 190,479	\$ 189,447	\$ 10,653,302	\$ 10,520,760	\$ 10,843,781	\$ 10,710,207
Operating grants and contributions	232,565	79,319	403,649	-0-	636,214	79,319
Capital grants and contributions	131,753	1,173,821	1,959,701	1,606,345	2,091,454	2,780,166
General revenues:						
Taxes	1,944,381	1,853,341	-0-	-0-	1,944,381	1,853,341
Transfers	1,510,739	1,549,983	(1,510,739)	(1,549,983)	-0-	-0-
Other	<u>453,047</u>	<u>417,638</u>	<u>44,675</u>	<u>42,284</u>	<u>497,722</u>	<u>459,922</u>
Total revenues	<u>4,462,964</u>	<u>5,263,549</u>	<u>11,550,588</u>	<u>10,619,406</u>	<u>16,013,552</u>	<u>15,882,955</u>
Expenses:						
General government	2,153,548	1,855,921	-0-	-0-	2,153,548	1,855,921
Police department	1,594,738	1,374,057	-0-	-0-	1,594,738	1,374,057
Highways and streets	387,109	329,496	-0-	-0-	387,109	329,496
Culture and recreation	445,741	476,679	-0-	-0-	445,741	476,679
Interest on long-term debt	5,764	13,997	-0-	-0-	5,764	13,997
Water	-0-	-0-	1,272,935	1,416,375	1,272,935	1,416,375
Sewer	-0-	-0-	1,461,951	1,734,523	1,461,951	1,734,523
Electric	-0-	-0-	6,040,067	6,188,902	6,040,067	6,188,902
Airport	-0-	-0-	396,742	495,214	396,742	495,214
Sanitation	-0-	-0-	851,991	848,320	851,991	848,320
Total expenses	<u>4,586,900</u>	<u>4,050,150</u>	<u>10,023,686</u>	<u>10,683,334</u>	<u>14,610,586</u>	<u>14,733,484</u>
Change in net position	(123,936)	1,213,399	1,526,902	(63,928)	1,402,966	1,149,471
Net position - Beginning	4,436,420	3,223,021	23,942,952	24,006,880	28,379,372	27,229,901
Prior Period Adjustment	<u>2,686,804</u>	<u>-0-</u>	<u>(2,337,363)</u>	<u>-0-</u>	<u>349,441</u>	<u>0-</u>
Net Position - Beginning, Restated	<u>7,123,224</u>	<u>3,223,021</u>	<u>21,605,589</u>	<u>24,006,880</u>	<u>28,728,813</u>	<u>27,229,901</u>
Net position - Ending	<u>\$ 6,999,288</u>	<u>\$ 4,436,420</u>	<u>\$ 23,132,491</u>	<u>\$ 23,942,952</u>	<u>\$ 30,131,779</u>	<u>\$ 28,379,372</u>

Governmental activities: Governmental activities decreased the City's net position by \$123,936, primarily due to decreases in capital grants and contributions offset by increases in expenses within the general government and police department.

The City's governmental activities had \$554,797 of program revenue. In addition, other key components of revenue were \$1,944,381 of tax revenue classified as general revenues, as well as \$1,510,739 of transfers in. Expenses consisted of \$2,153,548 of general government, \$1,594,738 of police-public safety, highways and streets of \$387,109, culture and recreation of \$445,741, and interest on long-term debt of \$5,764.

Ad valorem taxes and State shared revenues remained relatively stable from the prior year. Grant revenues decreased by approximately \$889,000, while charges for services increased approximately \$91,000.

Business-type activities. Business-type activities increased the City's net position by \$1,526,902. Revenues increased by \$931,182 largely due to increased grant revenues of \$757,005. Expenses decreased \$659,648 from the prior year, which were largely due to expenses recognized in 2017 related to Hurricane Irma.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$1,146,102, an increase of \$77,533 in comparison with the prior year. \$1,091,818 of this total amount constitutes unassigned fund balance. The remainder of fund balance is either non-spendable for inventory or restricted to indicate that it is not available for new spending because it has already been restricted for the police department, culture/recreation, and storm disaster.

Activity during the current fiscal year included the following key components:

- Total general fund revenues decreased by \$961,474 as a result of a decrease in grants of \$1,015,410, offset by an increase in taxes of \$41,191 and intergovernmental revenues of \$44,370.
- The general fund expenditures decreased by \$1,188,680 due mainly to a decrease in capital outlay largely related to grants of \$1,442,863.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported an ending fund balance of \$520,902, a decrease of \$84,684 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues increased \$296,959 as a result of an increase in taxes of \$42,502 and an increase in grants of \$183,052. Expenditures increased \$438,570 due to increased general government expenditures and capital outlay.

Proprietary funds. The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. See the discussions above for the business-type activities.

Fiduciary funds. The City's pension trust include defined benefit pension plans and the OPEB trust fund. At year end, assets totaled \$22,378,535, which is an increase from the prior year of \$1,185,129. This was mainly due to contributions and market results exceeding benefit payments and expenses. For more information on these plans see Note 4 and 5.

Governmental Fund Budgetary Highlights

General Fund

The original budgeted revenues, including other financing sources, were \$3,763,125, which were amended to \$3,906,713. The original budgeted expenditures including other financing uses were \$3,763,125 which were amended to \$3,906,713.

Actual revenues exceeded budgeted revenues by \$49,931. Actual expenditures were less than budget by \$113,423 due to general government expenditures being less than anticipated. Net other financing sources were \$85,821 less than budget.

Special Revenue Fund

The original budgeted revenues, including transfers in, were \$2,121,355 and were not amended during the year. Original budgeted expenditures were \$2,121,355 and were also not amended during the year. Actual revenues were under budget by \$522,852 due to grant revenues that were not realized in the current year. Actual expenditures were less than budgeted by \$1,134,360 due mainly to decreased general government expenditures. Transfers in/out were less than the original and final budget by \$696,192.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental-type and business-type activities as of September 30, 2018, amounted to \$29,536,921 (net of accumulated depreciation). Capital assets includes land, buildings and improvements, electrical distribution system, sewer system improvements, water system improvements, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Drainage improvements.
- Airport improvements.
- Vehicle purchases.
- Water system improvements.
- Donated property from the IDA.
- Crews Park improvements.

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 793,086	\$ 781,449	\$ 1,184,493	\$ 1,184,493	\$ 1,977,579	\$ 1,965,942
Building and improvements	4,968,279	5,351,215	2,182,610	2,423,337	7,150,889	7,774,552
Electrical distribution system	-0-	-0-	993,633	1,152,084	993,633	1,152,084
Water system improvements	-0-	-0-	14,707,051	15,055,811	14,707,051	15,055,811
Machinery and equipment	326,440	395,707	2,459,982	2,302,120	2,786,422	2,697,827
Construction in progress	<u>786,426</u>	<u>567,600</u>	<u>1,134,921</u>	<u>276,360</u>	<u>1,921,347</u>	<u>843,960</u>
Total	<u>\$ 6,874,231</u>	<u>\$ 7,095,971</u>	<u>\$ 22,662,690</u>	<u>\$ 22,394,205</u>	<u>\$ 29,536,921</u>	<u>\$ 29,490,176</u>

As of September 30, 2018, the City had construction commitments which are expected to be reimbursed with future grant proceeds totaling approximately \$4,118,000. Additional information on the City's capital assets can be found in note 3.

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,694,330. The City's debt represents bonds and revenue notes secured solely by specified revenue sources, as well as notes payable and capital lease obligations.

Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds payable (net of deferred charges)	\$ -0-	\$ -0-	\$ 2,530,000	\$ 2,732,000	\$ 2,530,000	\$ 2,732,000
Notes payable	235,257	401,601	1,654,291	1,472,352	1,889,548	1,873,953
Capital leases	-0-	-0-	<u>274,782</u>	<u>326,302</u>	<u>274,782</u>	<u>326,302</u>
Total	<u>\$ 235,257</u>	<u>\$ 401,601</u>	<u>\$ 4,459,073</u>	<u>\$ 4,530,654</u>	<u>\$ 4,694,330</u>	<u>\$ 4,932,255</u>

During the year, the City obtained a note to purchase a side-arm garbage truck.

Additional information on the City's long-term debt can be found in note 3.

Economic Factors and Next Year's Budgets and Rates

Budgeted revenue and expenditures for the fiscal year ended September 30, 2019 are \$16,935,167. The total budget for the previous fiscal year end September 30, 2018 was \$19,040,523. The \$2,105,356 decrease was due to the airport runway rehabilitation project. The transfer amount to the general fund decreased by an additional \$30,579 for the budget year 2018-19. There are no discernible or detectable deficiencies reported in level of services provided to the City of Wauchula customers while maintaining a reduction in this traditionally significant transfer.

The individual September 30, 2019 fund budgets are \$3,999,247 for the General Fund, \$2,143,312 for the Community Redevelopment Agency, \$201,836 for the Airport, \$9,490,072 for the Utility Fund and \$1,100,700 for the Sanitation Fund.

Taxable property values in the City of Wauchula increased from fiscal year September 30, 2018 at \$114,833,456 by \$3,727,237 to \$118,560,693 in fiscal year ended September 30, 2019. During the budgeting process, the initial certification of taxable value increased property values to \$123,068,177. This value was required to be used to budget ad valorem revenues. The City Commission made no change in the millage rate of 5.6485. However, when the final taxable value was received, property values were \$4.5 million less than initial certification. Commission chose to leave the millage rate as initially adopted. Therefore, the budgeted ad valorem tax revenue reflects a 7% increase as a result of the initial increase in property tax value. However, actual ad valorem tax revenue will likely reflect only a 3% increase. Still the City of Wauchula is restricted in assessing ad valorem tax on only 52% of total property values. Due to government, educational, hospital and other tax exempt entity property owners, 48% of the properties included in the City limits are not assessed property taxes. Ad valorem tax revenues collected and spent in the General Fund provide only 18% of the monies needed to operate the police department, maintain roads, streets, parks, code enforcement, community redevelopment needs, and other administrative expenses budgeted in the general fund.

State shared revenues estimates remained consistent with last year's estimate. The 2018 Bureau of Economic and Business Research (BEBR) population estimates record the City's population at 5,133. State revenue sharing allocations are based on population size for jurisdictions. Communications Service Tax continues to experience legislative challenges through the efforts of the communication lobbyists.

Improvements and Grant Expenditures

Infrastructure improvements are in great need throughout the City and in the 2017-2018 fiscal year construction was able to begin or continue for six projects thanks to local, state, and federal grants. Infrastructure projects seen throughout the City include improvements to the water and sewer systems, at the airport, in city parks and public spaces, and to the storm drain system.

Improvements at the City's municipal airport included design of runway rehabilitation. This construction is scheduled to complete in the 2018-2019 fiscal year. This project will be fully funded by two grants. One through the Federal Aviation Administration (FAA) and the other through the Florida Department of Transportation (FDOT).

Storm drain system improvements began in the 2017-2018 fiscal year and include the Townsend Street project and the Green Street project. Townsend Street will be funded by the SCOP (Small County Outreach Program) grant and Green Street will be funded through state legislative appropriations. These projects will continue into the 2018-2019 fiscal year.

Through a partnership with USDA the City was able to transition to an automated garbage collection system during fiscal year 2017-2018. This was made possible through a grant/loan agreement that allowed the City to purchase a side-arm automated garbage truck and the collection receptacles required for each customer. We have had much positive feedback on the new system and will undergo a rate study in the 2018-2019 fiscal year to determine the impact the new system has had.

Economic Factors and Next Year's Budgets and Rates – Continued

Pension and OPEB (Other Post-Employment Benefits)

Both General Employee and Police Pension Funds experienced an increase in portfolio balances at fiscal year-end September 30, 2018. Contributions to the General Fund Employee Pension Fund are from employees and the City (employer) as well as the profits from investment strategies in the fund's portfolio. The contributions to the Police Pension Fund are from the Casualty Loss Premium Tax payment from the state and profitable investment strategies in the pension fund's portfolio.

Although there is currently no requirement to fund the OPEB liability, the City has decided to divert funds budgeted but not needed in this pension fund year to begin to reduce the unfunded liability. The only contributions to the OPEB trust at this time are employer contributions from the City. The City contributed \$87,550 to the OPEB trust in fiscal year 2017-2018. Including gains and the prior year balance, the OPEB trust has a funded balance of \$429,340.

In order to maintain the funding status of the General Employee Pension Plan at 96%, the annual required contribution computed by Southern Actuarial Services will be 4.35% for FYE 2019. The Commission approved the 2018-2019 budget which maintained a 10% employer contribution expense for all regular employees. The remaining 5.65% of the 10% budgeted for retirement expense will be deposited into the OPEB trust fund to cover future OPEB costs.

Debt Service

On October 3, 2016, the Utility Refunding Revenue Bond was refinanced with a fixed interest rate of 2.02%. The balance at September 30, 2018 was \$2,530,000. The principal balance will be paid in full fiscal year 2028-2029.

The SRF loans DW250200 and DW250201 provided the funds used to upgrade the Water Treatment Plant and finance the drilling of the Fifth Well at Third Avenue in 2009-2010. DW250200 was initiated on December 15, 2010. Semi-annual payments of principal and interest of \$13,647 were made on December 15, 2017 and then on June 15, 2018. The balance at September 30, 2018 was \$287,253. Final payment is currently scheduled for December 15, 2030. DW250201 was dispensed through three amendments resulting in three different interest rates. Semi-annual payments of principal and interest equaling \$33,188 were made on December 15, 2017 and then on June 15, 2018. Final payment is currently scheduled for December 15, 2030.

Loan	DW250201 Loan Balances at September 30, 2018	
	Unpaid Balance	Annual Interest Rate
Original Loan	\$ 295,123	2.61%
Amendment #1	447,279	2.57%
Amendment #2	<u>63,176</u>	1.86%
	<u>\$ 808,578</u>	

State Revolving Fund Loan #62419P funds originating on January 15, 2009 were used to pay for engineering services for Waste Water Treatment Plant expansion. At September 30, 2018, SRF Loan #62419P has a balance of \$278,960. Final payment is currently scheduled for January 15, 2029. This loan carries an annual interest rate of 1.42%.

Requests for Information

This financial report is designed to provide a general overview of the City of Wauchula, Florida finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Wauchula, 126 South 7th Avenue, Wauchula, Florida 33873.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total Activities
ASSETS			
Cash and cash equivalents	\$ 1,284,990	\$ 2,217,619	\$ 3,502,609
Receivables, net	52,443	1,512,011	1,564,454
Due from other governments	176,048	1,140,262	1,316,310
Internal balances	(104,000)	104,000	-
Inventory	29,060	348,532	377,592
Restricted assets:			
Cash	575,602	2,919,353	3,494,955
Net pension asset	1,673,787	1,647,819	3,321,606
Capital assets (net of accumulated depreciation)			
Land	793,086	1,184,493	1,977,579
Buildings and improvements	4,968,279	2,182,610	7,150,889
Electrical distribution system	-	993,633	993,633
Water system improvements	-	14,707,051	14,707,051
Machinery and equipment	326,440	2,459,982	2,786,422
Construction in progress	786,426	1,134,921	1,921,347
TOTAL ASSETS	10,562,161	32,552,286	43,114,447
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	1,529,833	1,506,098	3,035,931
Deferred outflows related to OPEB	1,092	1,076	2,168
Deferred charge on refunding of debt	-	103,800	103,800
	1,530,925	1,610,974	3,141,899
LIABILITIES			
Accounts payable and other current liabilities	330,900	1,177,632	1,508,532
Accrued interest	-	34,695	34,695
Rate stabilization funds	-	353,564	353,564
Liabilities payable from restricted assets	-	618,404	618,404
Noncurrent liabilities:			
Due within one year	167,518	431,533	599,051
Due in more than one year	2,168,904	6,026,112	8,195,016
Total Liabilities	2,667,322	8,641,940	11,309,262
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	1,875,007	1,845,915	3,720,922
Deferred inflows related to OPEB	551,469	542,914	1,094,383
	2,426,476	2,388,829	4,815,305
NET POSITION			
Net investment in capital assets	6,638,974	17,738,301	24,377,275
Restricted	546,126	1,947,385	2,493,511
Unrestricted	(185,812)	3,446,805	3,260,993
TOTAL NET POSITION	\$ 6,999,288	\$ 23,132,491	\$ 30,131,779

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,153,548	\$ 49,510	\$ 200,000	\$ 47,853
Police department	1,594,738	44,534	32,565	12,491
Highways and streets	387,109	96,435	-	71,409
Culture and recreation	445,741	-	-	-
Interest on long-term debt	5,764	-	-	-
Total Governmental activities	<u>4,586,900</u>	<u>190,479</u>	<u>232,565</u>	<u>131,753</u>
Business-type activities:				
Electric	6,040,067	6,313,552	403,649	-
Water	1,272,935	1,012,629	-	1,027,371
Sewer	1,461,951	2,010,455	-	-
Airport	396,742	206,949	-	882,530
Sanitation	851,991	1,109,717	-	49,800
Total Business-type activities	<u>10,023,686</u>	<u>10,653,302</u>	<u>403,649</u>	<u>1,959,701</u>
Total government	<u>\$ 14,610,586</u>	<u>\$ 10,843,781</u>	<u>\$ 636,214</u>	<u>\$ 2,091,454</u>

General revenues:

Property taxes
Franchise taxes
Local option gas tax
One cent sales tax
Sales tax
Other state revenue sharing
Hardee County TIF
Unrestricted investment earnings
Other revenues (expense)
Total general revenues
Transfers
Total general revenues and transfers
Change in net position

Net Position – beginning
Prior period adjustment–See Note 1
Net Position – beginning, as restated
Net Position – ending

**Net (expense) Revenue and
changes in Net Position**

Governmental Activities	Business -type Activities	Total
\$ (1,856,185)	\$ -	\$ (1,856,185)
(1,505,148)	-	(1,505,148)
(219,265)	-	(219,265)
(445,741)	-	(445,741)
(5,764)	-	(5,764)
<u>(4,032,103)</u>	<u>-</u>	<u>(4,032,103)</u>
-	677,134	677,134
-	767,065	767,065
-	548,504	548,504
-	692,737	692,737
-	307,526	307,526
-	2,992,966	2,992,966
<u>(4,032,103)</u>	<u>2,992,966</u>	<u>(1,039,137)</u>
633,285	-	633,285
469,128	-	469,128
110,511	-	110,511
349,379	-	349,379
159,542	-	159,542
222,536	-	222,536
374,611	-	374,611
3,040	10,885	13,925
75,396	33,790	109,186
2,397,428	44,675	2,442,103
1,510,739	(1,510,739)	-
3,908,167	(1,466,064)	2,442,103
(123,936)	1,526,902	1,402,966
4,436,420	23,942,952	28,379,372
2,686,804	(2,337,363)	349,441
7,123,224	21,605,589	28,728,813
<u>\$ 6,999,288</u>	<u>\$ 23,132,491</u>	<u>\$ 30,131,779</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	1,284,990	\$ -	\$ 1,284,990
Accounts receivables (net of allowance)	34,073	-	34,073
Other receivables	18,370	-	18,370
Due from other governmental units	176,048	-	176,048
Inventory	29,060	-	29,060
Restricted Assets:			
Cash and cash equivalents	25,224	550,378	575,602
Total assets	<u>\$ 1,567,765</u>	<u>\$ 550,378</u>	<u>\$ 2,118,143</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 127,528	\$ 27,435	\$ 154,963
Accrued expenses	173,896	2,041	175,937
Due to other funds	104,000	-	104,000
Total liabilities	<u>405,424</u>	<u>29,476</u>	<u>434,900</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>16,239</u>	<u>-</u>	<u>16,239</u>
FUND BALANCES:			
Nonspendable	29,060	-	29,060
Spendable:			
Restricted	25,224	520,902	546,126
Unassigned	1,091,818	-	1,091,818
Total fund balances	<u>1,146,102</u>	<u>520,902</u>	<u>1,667,004</u>
Total liabilities and fund balances	<u>\$ 1,567,765</u>	<u>\$ 550,378</u>	<u>\$ 2,118,143</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because:

Fund Balance – Governmental Fund	\$ 1,667,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,874,231
Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be deferred charges until available in the fund statements.	16,239
Long-term liabilities, including notes payable, compensated absences, and other post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.	(2,336,422)
Long term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. This amount represents net pension assets.	1,673,787
Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds.	1,529,833
Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds.	(1,875,007)
Deferred outflows of resources related to the OPEB plan do not utilize current financial resources and, therefore are not reported in the funds.	1,092
Deferred inflows of resources related to the OPEB plan are not available current financial resources and, therefore are not reported in the funds.	(551,469)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,999,288</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,212,924	\$ 374,611	\$ 1,587,535
Charges for services	97,964	-	97,964
Fines and forfeitures	47,437	-	47,437
Intergovernmental revenue	731,458	-	731,458
Interest	1,901	1,139	3,040
Licenses and permits	12,792	-	12,792
Grant revenue	181,691	200,000	381,691
Miscellaneous revenues	64,738	88,785	153,523
Total Revenues	<u>2,350,905</u>	<u>664,535</u>	<u>3,015,440</u>
Expenditures:			
Current:			
General government	1,247,230	744,257	1,991,487
Police department	1,441,691	-	1,441,691
Highways and streets	183,224	-	183,224
Culture/recreation	321,539	-	321,539
Capital outlay	221,335	212,632	433,967
Debt service:			
Principal retirement	136,798	29,546	166,344
Interest	5,204	560	5,764
Total Expenditures	<u>3,557,021</u>	<u>986,995</u>	<u>4,544,016</u>
Excess (deficiency) of Revenues (Under) Over Expenditures	(1,206,116)	(322,460)	(1,528,576)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	10,686	-	10,686
Transfers In	1,510,739	237,776	1,748,515
Transfers Out	(237,776)	-	(237,776)
Total Other Financing Sources (Uses)	<u>1,283,649</u>	<u>237,776</u>	<u>1,521,425</u>
Net Change in Fund Balances	77,533	(84,684)	(7,151)
FUND BALANCE - Beginning	<u>1,068,569</u>	<u>605,586</u>	<u>1,674,155</u>
FUND BALANCE - Ending	<u><u>\$ 1,146,102</u></u>	<u><u>\$ 520,902</u></u>	<u><u>\$ 1,667,004</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, 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, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance – total governmental fund	\$	(7,151)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year additions to capital assets are exceeded by depreciation and loss on disposal.		(221,740)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.		166,344
Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in unavailable revenue.		(17,372)
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 governmental funds. This amount represents the change in other post-employment benefits.		(24,165)
The effects of long term accounts and pension resources do not provide current financial resources and as such are not recorded in the governmental funds.		(24,267)
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 governmental funds. This amount represents the change in compensated absences.		4,415
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(123,936)

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,632,053	\$ 18,827	\$ 566,739	\$ 2,217,619
Receivables (net of allowance)	1,355,814	380	155,817	1,512,011
Due from other governments	422,738	717,524	-	1,140,262
Due from other funds	890,253	-	-	890,253
Inventory	333,526	6,757	8,249	348,532
Total current assets	<u>4,634,384</u>	<u>743,488</u>	<u>730,805</u>	<u>6,108,677</u>
Noncurrent Assets:				
Restricted:				
Cash and cash equivalents	2,916,051	-	3,302	2,919,353
Total restricted assets	<u>2,916,051</u>	<u>-</u>	<u>3,302</u>	<u>2,919,353</u>
Net Pension Asset	1,333,967	-	313,852	1,647,819
Capital Assets				
Land	230,084	954,409	-	1,184,493
Buildings and improvements	1,003,648	7,381,152	-	8,384,800
Electrical distribution system improvements	5,731,988	-	-	5,731,988
Water & sewer system Improvements	32,030,891	-	-	32,030,891
Machinery and equipment	5,166,080	510,278	1,025,728	6,702,086
Construction in progress	105,803	1,029,118	-	1,134,921
Less accumulated depreciation	(26,149,784)	(5,717,727)	(638,978)	(32,506,489)
Total capital assets (net)	<u>18,118,710</u>	<u>4,157,230</u>	<u>386,750</u>	<u>22,662,690</u>
Total noncurrent assets	<u>22,368,728</u>	<u>4,157,230</u>	<u>703,904</u>	<u>27,229,862</u>
TOTAL ASSETS	<u>27,003,112</u>	<u>4,900,718</u>	<u>1,434,709</u>	<u>33,338,539</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of pension resources	1,219,239	-	286,859	1,506,098
Deferred outflows related to OPEB	871	-	205	1,076
Deferred charge on refunding of debt	103,800	-	-	103,800
	<u>1,323,910</u>	<u>-</u>	<u>287,064</u>	<u>1,610,974</u>
LIABILITIES				
Current liabilities:				
Accounts payable	497,221	572,048	29,935	1,099,204
Accrued expense	59,035	12,023	7,370	78,428
Compensated absences	39,445	-	5,370	44,815
Due to other funds	-	762,409	23,844	786,253
Rate stabilization funds	353,564	-	-	353,564
Total current liabilities	<u>949,265</u>	<u>1,346,480</u>	<u>66,519</u>	<u>2,362,264</u>
Current liabilities payable from restricted assets:				
Accrued interest payable	34,695	-	-	34,695
Customer deposits	618,404	-	-	618,404
Long-term debt payable – current	362,718	-	24,000	386,718
Total current liabilities payable from restricted assets	<u>1,015,817</u>	<u>-</u>	<u>24,000</u>	<u>1,039,817</u>
Noncurrent liabilities:				
Compensated absences	118,336	-	16,108	134,444
Net other post-employment benefits liability	1,472,798	-	346,515	1,819,313
Long-term debt payable	3,816,855	-	255,500	4,072,355
Total noncurrent liabilities	<u>5,407,989</u>	<u>-</u>	<u>618,123</u>	<u>6,026,112</u>
TOTAL LIABILITIES	<u>7,373,071</u>	<u>1,346,480</u>	<u>708,642</u>	<u>9,428,193</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of pension earnings	1,494,333	-	351,582	1,845,915
Deferred inflows related to OPEB	439,508	-	103,406	542,914
	<u>1,933,841</u>	<u>-</u>	<u>454,988</u>	<u>2,388,829</u>
NET POSITION				
Net investment in capital assets	14,042,937	3,588,114	107,250	17,738,301
Restricted	1,944,083	-	3,302	1,947,385
Unrestricted	3,033,090	(33,876)	447,591	3,446,805
TOTAL NET POSITION	<u>\$ 19,020,110</u>	<u>\$ 3,554,238</u>	<u>\$ 558,143</u>	<u>\$ 23,132,491</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
Operating Revenues:				
Charges for services and fees				
Electric sales	\$ 6,313,552	\$ -	\$ -	\$ 6,313,552
Water sales	1,012,629	-	-	1,012,629
Sewer sales	2,010,455	-	-	2,010,455
Airport fuel	-	102,148	-	102,148
Hanger rental	-	104,801	-	104,801
Sanitation	-	-	1,109,717	1,109,717
Total Operating Revenues	9,336,636	206,949	1,109,717	10,653,302
Operating Expenses:				
Cost of sales and services				
Personal services	2,001,063	-	335,997	2,337,060
Other operating expenses	1,137,236	150,715	477,641	1,765,592
Purchased power	3,752,438	-	-	3,752,438
Depreciation	1,775,533	246,027	37,439	2,058,999
Total Operating Expenses	8,666,270	396,742	851,077	9,914,089
Operating Income (Loss)	670,366	(189,793)	258,640	739,213
Non-Operating Revenues (Expenses)				
Capital grants and contributions	1,431,020	882,530	49,800	2,363,350
Interest income	10,150	165	570	10,885
Interest expense	(108,683)	-	(914)	(109,597)
Other income (expense)	32,388	-	1,402	33,790
Total Non-Operating Items	1,364,875	882,695	50,858	2,298,428
Income (Loss) Before Transfers	2,035,241	692,902	309,498	3,037,641
Transfers				
Transfers in	-	-	-	-
Transfers out	(1,271,250)	(22,000)	(217,489)	(1,510,739)
Net Transfers	(1,271,250)	(22,000)	(217,489)	(1,510,739)
Change in Net Position	763,991	670,902	92,009	1,526,902
Net Position – Beginning, as originally stated	20,148,296	2,883,336	911,320	23,942,952
Prior Period Adjustment	(1,892,177)	-	(445,186)	(2,337,363)
Net Position – Beginning, as restated	18,256,119	2,883,336	466,134	21,605,589
Net Position – Ending	\$ 19,020,110	\$ 3,554,238	\$ 558,143	\$ 23,132,491

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 9,035,267	\$ 207,340	\$ 1,107,651	\$ 10,350,258
Payments to suppliers	(5,337,500)	(157,833)	(489,998)	(5,985,331)
Payments to employees	(2,010,425)	-	(320,591)	(2,331,016)
Net cash provided (used) by operating activities	1,687,342	49,507	297,062	2,033,911
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances (to) from other funds	(63,765)	-	(40,235)	(104,000)
Transfers in (out)	(1,271,250)	(22,000)	(217,489)	(1,510,739)
Net cash provided (used) by noncapital financing activities	(1,335,015)	(22,000)	(257,724)	(1,614,739)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment of interest	(94,337)	-	(914)	(95,251)
Payment of debt principal	(351,081)	-	-	(351,081)
Debt proceeds	-	-	279,500	279,500
Capital grants proceeds received	1,462,010	195,313	49,800	1,707,123
Proceeds from sales of capital assets	(97,592)	-	-	(97,592)
Capital expenditures	(1,212,582)	(313,413)	(131,981)	(1,657,976)
Net cash provided (used) by capital and related financing activities	(293,582)	(118,100)	196,405	(215,277)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	10,150	165	570	10,885
Net cash provided (used) by investing activities	10,150	165	570	10,885
Net increase (decrease) in cash and cash equivalents	68,895	(90,428)	236,313	214,780
Cash and cash equivalents at beginning of year	4,479,209	109,255	333,728	4,922,192
Cash and cash equivalents at end of year	\$ 4,548,104	\$ 18,827	570,041	\$ 5,136,972
Cash and cash equivalents	\$ 1,632,053	\$ 18,827	\$ 566,739	\$ 2,217,619
Restricted:				
Cash and cash equivalents	2,916,051	-	3,302	2,919,353
	\$ 4,548,104	\$ 18,827	570,041	\$ 5,136,972

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ 670,366	\$ (189,793)	\$ 258,640	\$ 739,213
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,775,533	246,027	37,439	2,058,999
Non cash pension expense	(27,890)	-	6,715	(21,175)
Non cash OPEB expense	19,258	-	4,530	23,788
(Increase) decrease in assets:				
Accounts receivable	(328,134)	391	(2,066)	(329,809)
Inventory	(87,915)	1,116	(3,351)	(90,150)
Increase (decrease) in liabilities:				
Accounts payable	(359,911)	(8,234)	(9,006)	(377,151)
Accrued expenses	7,150	-	2,475	9,625
Customer deposits	26,765	-	-	26,765
Compensated absences	(7,880)	-	1,686	(6,194)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,687,342</u>	<u>\$ 49,507</u>	<u>\$ 297,062</u>	<u>\$ 2,033,911</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 72
Investments	22,314,851
Employer receivables	52,923
Employee receivables	<u>10,689</u>
TOTAL ASSETS	<u>22,378,535</u>
NET POSITION	
Held in trust for pension benefits	21,943,188
Restricted for post-employment benefits other than pension	<u>435,347</u>
	<u>\$ 22,378,535</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 289,900
Plan members	280,081
Other income	42,234
Total Contributions	<u>612,215</u>
Investment earnings:	
Net increase in the fair value of investments	1,572,851
Total Investment Earnings	<u>1,572,851</u>
Total Additions	2,185,066
 DEDUCTIONS	
Benefits paid	937,496
Administrative expenses	62,441
Total Deductions	<u>999,937</u>
 Change in Net Position	 1,185,129
 Net Position – Beginning	 <u>21,193,406</u>
 Net Position – Ending	 <u><u>\$ 22,378,535</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Wauchula (the City) was incorporated May 22, 1907, by the laws of Florida 1907, Chapter 5864. The City operates under a City Manager form of government and provides the following services as authorized by its charter: public safety (police), highway and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, electric and water systems, and general administrative services.

The accounting policies of the City of Wauchula conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Wauchula. The Wauchula Municipal Airport Authority is considered a part of the primary government, as the City retains the corporate powers of the Authority. The operations of the Airport Authority are included in an enterprise fund. The City has established a Community Redevelopment Agency (CRA). The City Commission is the governing board of the CRA. As such, the CRA is considered part of the primary government. It is included in these financial statements as a special revenue fund. The CRA is responsible for carrying out the rehabilitation, conservation, and redevelopment of the Community Redevelopment Program. Unspent balances at year-end are included in restricted fund balance. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Wauchula.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

No other potential component units exist.

B. GOVERNMENT-WIDE AND FUND 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 City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements include a statement of net position and a statement of activities. The statement of net position reports all financial and capital resources of the City's governmental and business-type activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds. All governmental and enterprise funds are considered major funds and are presented as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 60 days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due.

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

The City reports the following fund types:

Governmental Funds

General Fund

The general fund is the City's general operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the budgeted capital improvement and debt service costs not paid through other funds.

Special Revenue Fund

The special revenue fund is used to account for the revenues and expenditures of the CRA, which are restricted for rehabilitation, conservation, and redevelopment of the Community Redevelopment Program.

Proprietary Funds

The proprietary funds are used to account for the operation of the City's electric, water, sewer, sanitation and airport operations. Proprietary Funds are used for activities a) that are financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity, b) if laws and regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues, or c) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Utility Fund

The utility fund accounts for the operation of the City's electric, water, and sewer system.

Sanitation Fund

The sanitation fund accounts for the activities of the City's garbage operations.

Airport Fund

The airport fund accounts for the activities of the City's airport authority.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

Fiduciary Funds

Trust and Agency Funds

Trust and Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include expendable trusts, pension trusts, and agency funds. Pension trust funds are accounted for essentially the same as a proprietary fund since capital maintenance is critical. Expendable trusts are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City uses Fiduciary Funds for the City of Wauchula – Employee Pension Plan, the City of Wauchula Police Pension Trust Fund and the OPEB Trust Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's business-type activities and governmental activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility fund, sanitation fund and airport fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. CASH AND INVESTMENTS

The City invests in certificates of deposit and short-term investments such as money market accounts. All cash and investment accounts are with financial institutions qualified under laws and regulations of the State of Florida. Deposits whose values exceeded the limits of Federal depository insurance were entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes. The City does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2018, the City had only time deposits, demand deposits and short-term money market accounts.

State statutes section 218.415 authorizes the City to invest its surplus public funds in the following:

- Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.
- S.E.C. registered money market funds with the highest credit equality rating from a nationally recognized rating company.
- Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02 Florida Statutes.
- Direct Obligations of the U.S. Treasury.

E. FAIR VALUE

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. FAIR VALUE – CONTINUED

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

F. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows all checking, savings, money market investments and cash with fiscal agent are considered to be cash and cash equivalents. The City's policy is to consider all certificates of deposit to be investments.

G. INVENTORIES

Inventories are stated on a basis, which approximates cost determined by the first-in, first-out method. A physical count is completed annually. Inventory in the general fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are requisitioned by the operating department.

H. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. RECEIVABLES AND PAYABLES - CONTINUED

All trade receivables are shown net of allowance for doubtful accounts. At September 30, 2018 the reserve for bad debts in the general fund was \$4,030, the utility fund was \$135,649, the airport fund was \$3,848 and the sanitation fund was \$19,237.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated life of greater than one year. If purchased or constructed, assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to report general infrastructure assets on a prospective basis only.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Machinery and equipment	5 - 15
Electrical distribution system	20 - 50
Sewer/Water system improvements	20 - 50

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position/balance sheet includes a separate section for deferred outflows of resources. This 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.

Three items qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide and proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, a deferred outflow of pension resources and OPEB resources are reflected in the government-wide and proprietary fund statement of net position.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – CONTINUED

inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category. On the governmental funds balance sheet, unavailable revenue is classified as a deferred inflow of resources. This represents funds which did not meet the availability criteria under the modified accrual basis of accounting and therefore are considered to be deferred charges until available. In addition, a deferred inflow of pension earnings and OPEB resources are reported in the government-wide and proprietary fund statement of net position.

K. COMPENSATED ABSENCES

The City personnel policy provides for the payment of accrued vacation, sick and comp time pay upon separation of its employees. A liability for this amount is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded in the governmental fund only if they have matured. Liquidation of these liabilities is made through either the general fund or the utility fund.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance cost, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. NET POSITION

The elements of net position are reported in three parts as applicable: net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

N. FUND BALANCE

The City follows Governmental Accounting Standards Board (GASB) Statement 54. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are nonspendable and spendable. Spendable is then further classified as restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance.

The City classified governmental fund balance as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the City Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the City Commissioners through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. FUND BALANCE - CONTINUED

The City uses restricted amounts first when both restricted and unrestricted fund balance are available, unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

	General Fund	CRA Fund	TOTALS
Nonspendable	\$ 29,060	\$ -0-	\$ 29,060
Spendable:			
Restricted:			
Storm disaster	7,431	-0-	7,431
Law enforcement education	985	-0-	985
Police Department	16,808	-0-	16,808
Community Redevelopment activities	-0-	<u>520,902</u>	<u>520,902</u>
Total Restricted	<u>25,224</u>	<u>520,902</u>	<u>546,126</u>
Committed	-0-	-0-	-0-
Assigned	-0-	-0-	-0-
Unassigned	<u>1,091,818</u>	-0-	<u>1,091,818</u>
Total Fund Balance	<u>\$ 1,146,102</u>	<u>\$ 520,902</u>	<u>\$ 1,667,004</u>

O. PROPERTY TAXES

Property taxes are levied on November 1 of each year and are due and payable upon receipt of the notice of levy. The Hardee County, Florida Tax Collector's Office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2018 was 5.6485 per \$1,000 of assessed taxable property value.

Property tax revenues are recognized currently in the fiscal year for which the taxes are levied. On May 1 of each year, unpaid taxes become a lien on the property. The past due tax certificates are sold at public auction and the proceeds thus collected are remitted to the City.

No accrual for the property tax levy becoming due in November 2018 is included in the accompanying financial statements since taxes do not meet the necessary criteria.

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. PROPERTY TAXES – CONTINUED

The property tax calendar is as follows:

July 1	Assessment roll validated
September 30	Millage resolution approved
October 1	Beginning of fiscal year for which tax is to be levied.
November 1	Tax bills rendered and due
November 1 – March 31	Property taxes due with various discount rates
April 1	Taxes delinquent
May 31	Tax certificates sold by County

P. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental funds. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the City Commission.

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

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department must be approved by the City Commission. Appropriations lapse at the end of the fiscal year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, CRA Fund, Electric, Water and Sewer System, and Airport Fund.
6. Budgets for the General Fund, CRA Fund and Enterprise Funds are adopted on the accrual basis.

The legal level of budgetary control is at the fund level.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties including participation in various risk sharing pools. All significant accrued losses have been funded.

R. ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles required management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. CHANGE IN ACCOUNTING PRINCIPLE

During 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This statement improves the usefulness of information about post-employment benefits other than pensions used for making decisions and assessing accountability. The implementation of this standard increased the beginning net position at October 1, 2017 as reported in the statement of activities by \$349,441, a net increase for the governmental activities of \$2,686,804 and net decrease for the business-type activities and proprietary funds of \$2,337,363. The change represents a change in actuarial methods under the new statement, as well as the recognition of deferred outflows and inflows related to pensions. Additionally, for the year ended September 30, 2018, the impact of the other post-employment benefits were allocated between the governmental activities and business-type activities, similar to pension.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance in the governmental fund and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes payable, compensated absences, and other post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference is shown below:

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

Notes payable and capital lease	\$	235,257
Compensated absences		253,181
Other post-employment benefits		<u>1,847,984</u>
		<u>\$ 2,336,422</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this difference are as follows:

Capital additions recorded as expenditures in the general fund	\$	453,238
Loss on disposal		(56,529)
Depreciation expense		<u>(618,449)</u>
		<u>\$ (221,740)</u>

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At year-end, the City’s carrying amount of deposits was \$6,997,564 and the bank balance was \$7,214,337. All deposits were in State Certified Qualified Public Depositories.

RESTRICTED ASSETS

General Fund

Restricted cash, (all of which are held in Qualified Public Depositories), as provided for by resolutions adopted by the City for the issuance of Revenue Bonds and as designated by the Commission or imposed by source of proceeds are reflected as follows:

<u>RESTRICTED CASH:</u>	<u>CASH</u>
General fund:	
Storm disaster contributions	\$ 7,431
Law enforcement trust	985
Wauchula police	<u>16,808</u>
TOTAL GENERAL FUND	<u>\$ 25,224</u>
Special Revenue Fund:	
Restricted:	
CRA	<u>\$ 550,378</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Proprietary Fund Types

RESTRICTED CASH AND CASH EQUIVALENTS:

ELECTRIC, WATER, AND SEWER SYSTEM

Impact fees	\$ 516,801
Debt service	211,302
Capital improvement	1,215,980
Rate stabilization	353,564
Utility deposits	<u>618,404</u>
TOTAL ELECTRIC, WATER AND SEWER SYSTEM	<u>\$ 2,916,051</u>

SANITATION

Debt Service	<u>\$ 3,302</u>
TOTAL SANITATION	<u>\$ 3,302</u>

B. Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 781,449	\$ 29,219	\$ (17,582)	\$ -0-	\$ 793,086
Construction in progress	<u>567,600</u>	<u>263,833</u>	<u>(38,947)</u>	<u>(6,060)</u>	<u>786,426</u>
Total capital assets, not being depreciated	<u>1,349,049</u>	<u>293,052</u>	<u>(56,529)</u>	<u>(6,060)</u>	<u>1,579,512</u>
Capital assets, being depreciated:					
Buildings and improvements	10,938,095	69,961	-0-	-0-	11,008,056
Machinery and equipment	<u>1,880,889</u>	<u>90,225</u>	<u>-0-</u>	<u>6,060</u>	<u>1,977,174</u>
Total capital assets being depreciated	12,818,984	160,186	-0-	6,060	12,985,230
Less accumulated depreciation for:					
Buildings and improvements	(5,586,880)	(451,257)	-0-	(1,640)	(6,039,777)
Machinery and equipment	<u>(1,485,182)</u>	<u>(167,192)</u>	<u>-0-</u>	<u>1,640</u>	<u>(1,650,734)</u>
Total accumulated depreciation	<u>(7,072,062)</u>	<u>(618,449)</u>	<u>-0-</u>	<u>-0-</u>	<u>(7,690,511)</u>
Total capital assets, being depreciated, net	<u>5,746,922</u>	<u>(458,263)</u>	<u>-0-</u>	<u>6,060</u>	<u>5,294,719</u>
Governmental activities capital assets, net	<u>\$ 7,095,971</u>	<u>\$ (165,211)</u>	<u>\$ (56,529)</u>	<u>\$ -0-</u>	<u>\$ 6,874,231</u>

Depreciation expense was charged to the City's governmental activities as follows:

General government	\$ 155,892
Police department	137,197
Highways and streets	202,319
Culture and recreation	<u>123,041</u>
	<u>\$ 618,449</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,184,493	\$ -0-	\$ -0-	\$ -0-	\$ 1,184,493
Construction in progress	276,360	866,574	(7,278)	(735)	1,134,921
Total capital assets, not being depreciated	<u>1,460,853</u>	<u>866,574</u>	<u>(7,278)</u>	<u>(735)</u>	<u>2,319,414</u>
Capital assets, being depreciated:					
Buildings and improvements	8,369,492	15,308	-0-	-0-	8,384,800
Electrical distribution system	5,708,992	22,996	-0-	-0-	5,731,988
Water system improvements	31,007,991	1,016,830	-0-	6,070	32,030,891
Machinery and equipment	<u>6,301,379</u>	<u>406,042</u>	<u>-0-</u>	<u>(5,335)</u>	<u>6,702,086</u>
Total capital assets being depreciated	51,387,854	1,461,176	-0-	735	52,849,765
Less accumulated depreciation for:					
Buildings and improvements	(5,946,155)	(255,834)	-0-	(201)	(6,202,190)
Electrical distribution system	(4,556,908)	(181,595)	-0-	148	(4,738,355)
Water system improvements	(15,952,180)	(1,370,707)	-0-	(953)	(17,323,840)
Machinery and equipment	<u>(3,999,259)</u>	<u>(250,863)</u>	<u>7,012</u>	<u>1,006</u>	<u>(4,242,104)</u>
Total accumulated depreciation	<u>(30,454,502)</u>	<u>(2,058,999)</u>	<u>7,012</u>	<u>-0-</u>	<u>(32,506,489)</u>
Total capital assets, being depreciated, net	<u>20,933,352</u>	<u>(597,823)</u>	<u>7,012</u>	<u>735</u>	<u>20,343,276</u>
Business-type activities capital assets, net	<u>\$ 22,394,205</u>	<u>\$ 268,751</u>	<u>\$ (266)</u>	<u>\$ -0-</u>	<u>\$ 22,662,690</u>

Depreciation expense was charged to the City's business-type activities as follows:

Business-Type Activities	
Utility Fund	\$ 1,775,533
Sanitation	37,439
Airport	246,027
	<u>\$ 2,058,999</u>

C. Interfund receivables, payables, and transfers

Due to and from accounts represent amounts paid for by one fund on behalf of another. Significant reasons are due to all purchases being paid for out of the general fund, which are then reimbursed by the appropriate funds. In addition, the Airport Fund has borrowed monies from the Utility Fund in previous periods for capital improvements. Interfund transfers represent payments in lieu of taxes and insurance proceeds received in the general fund, which were then transferred to the appropriate fund.

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables, and transfers - Continued

The composition of interfund balances as of September 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility	Airport	\$ 762,409
Utility	Sanitation	23,844
Utility	General	104,000
		<u>\$ 890,253</u>

Interfund transfers:

	<u>Transfers in:</u>	
	<u>General</u>	<u>Special Revenue</u>
Transfers out:		
General Fund	\$ -0-	\$ 237,776
Utility	\$ 1,271,250	\$ -0-
Airport	\$ 22,000	\$ -0-
Sanitation	\$ 217,489	\$ -0-

D. Leases

The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$379,780 with accumulated depreciation of \$134,506 at September 30, 2018. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2018.

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2019	\$ 58,568
2020	58,568
2021	58,568
2022	58,568
2023	58,568
Minimum lease payments for all capital leases	292,840
Less: Amount representing interest	(18,058)
Present value of minimum lease payments	<u>\$ 274,782</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt

Governmental Activities

On June 11, 2003, the City borrowed \$915,000 from Wachovia Bank, N.A. to finance the construction, renovation and conversion of a building for the City's municipal complex. The note bears interest at 3.81% per annum and is due in monthly payments of \$6,680 including interest. The note matures in June of 2018 and is secured by non-ad valorem revenues budgeted and appropriated by the City for the payment of the note. At September 30, 2018, the note was paid in full.

Notes Payable

On November 7, 2014, the City borrowed \$88,689 from First National Bank of Wauchula to finance the purchase of two vehicles. The note bears interest at 3.99% per annum. The note is payable on demand. If no demand is made, the note is payable in five annual payments of \$19,918 beginning November 7, 2015. At September 30, 2018, no demand had been made, and the principal balance outstanding was \$37,562. The note matures November 7, 2019 and is collateralized by the vehicles.

On July 22, 2015, the City borrowed \$132,500 from Wauchula State Bank to finance police vehicles. The note bears interest at the rate of 3.50% per annum. The note is payable in five payments of \$29,390 beginning July 24, 2016. The note matures July 22, 2020 and is secured by vehicles. At September 30, 2018, the principal balance outstanding was \$55,788.

On February 28, 2014, the City borrowed \$120,000 from First National Bank of Wauchula to finance the purchase of vehicles for the City's police department. The note bears interest at 3.39% per annum and is due in annual payments of \$26,509, which includes interest. The note matures in February 2019 and is secured by the vehicles. At September 30, 2018, the principal balance outstanding was \$25,619.

On April 4, 2014, the City borrowed \$30,000 from First National Bank of Wauchula to finance the purchase of an animal control vehicle. The note bears interest at 3.39% per annum and is due in annual payments of \$6,632, which includes interest. The note matures in April 2019 and is secured by the vehicle. At September 30, 2018, the principal balance outstanding was \$6,410.

On January 3, 2017, the City borrowed \$135,500 from Wauchula State Bank to finance the purchase of three police vehicles. The note bears interest at 2.80% per annum and is due in annual payments of \$29,447, which includes interest. The note matures in January 2022 and is secured by the vehicles. At September 30, 2018, the principal balance outstanding was \$109,878.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Business Type Activities – Continued

Future maturities of all governmental long-term debt payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 104,223	\$ 7,672	\$ 111,895
2020	74,565	4,129	78,694
2021	27,846	1,602	29,448
2023	<u>28,623</u>	<u>822</u>	<u>29,445</u>
Total	<u>\$ 235,257</u>	<u>\$ 14,225</u>	<u>\$ 249,482</u>

Business Type Activities

Utility Refunding Revenue Bond, Series 2016

On October 3, 2016, the City issued Series 2016 Utility Refunding Revenue Note for \$2,732,000. The purpose of the note was to refund the Utility Refunding Revenue Bond, Series 2011 which refunded Utility Revenue Bonds, Series 2001A and Series 2001B. The bond and the interest thereon are payable from and secured by a prior lien and pledge of the net revenues derived by the City from the operation of its combined water, sewer and electric system. Interest on the bond is payable semi-annually at 2.02%. Maturities vary from \$202,000 to \$254,000 from October 1, 2017 to October 1, 2028. The reacquisition price exceeded the net carrying amount of the old debt by \$124,560, which was reported as a deferred outflow of resources and amortized over the life of the new debt. The refunding resulted in a reduction of \$166,674 in future debt service costs and an economic gain of \$145,519 in net present value savings between the Utility Refunding Revenue Bond, series 2011 and the Series 2016 Utility Refunding Revenue Note.

Future maturities of the revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 208,000	\$ 51,106	\$ 259,106
2020	212,000	46,904	258,904
2021	216,000	42,622	258,622
2022	220,000	38,259	258,259
2023	225,000	33,815	258,815
2024 – 2028	1,195,000	99,081	1,294,081
2029	<u>254,000</u>	<u>5,131</u>	<u>259,131</u>
Total	<u>\$ 2,530,000</u>	<u>\$ 316,918</u>	<u>\$ 2,846,918</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

State of Florida Department of Environmental Protection Loan WW62419P

In September 2005, the City Commission passed resolution 2005-41, authorizing the City to obtain financing from the Florida Department of Environmental Protection (FDEP), which is available through the Clean Water State Revolving Fund. The purpose of the financing is the improvement and expansion of the City's wastewater facilities.

During 2006 and 2007, the City borrowed \$509,883 in accordance with the loan agreement. Payments began in July of 2009 and are due in semi-annual amounts of \$21,906 including interest of 0.71% per annum. The total amount outstanding, including capitalized interest, at September 30, 2018 is \$278,960.

State of Florida Department of Environmental Protection Loan WW250201

Pursuant to Resolution 2009-20, the City entered into a construction loan agreement with the Florida Department of Environmental Protection to finance or refinance the construction of public water systems, specifically for:

1. Water System Improvements - Well Number 5
2. Water System Improvements - Wellhead and Water Treatment Plant

The loan was also to assist the City in paying down the Series 2008 Water System Revenue Bond (Bridge Loan).

On February 9, 2010, the original agreement was amended to increase project funding to \$3,652,106. Of this amount, \$2,550,000 is "Principal Forgiveness" by the state and federal governments.

The City drew funds under the agreement in 2011, 2012, and 2013. The semi-annual loan payments of \$37,966, include interest at 2.82%, 2.57%, and 1.86% for each draw. Payments started on June 15, 2011 and continue until all amounts have been fully paid. The outstanding balance at September 30, 2018 is \$808,578. The City has pledged the revenues of the system for the repayment of the loan.

State of Florida Department of Environmental Protection Loan WW250200

On October 29, 2010 the City entered into a financing agreement with the Florida Department of Environmental Protection for the completion of the improvements noted above (companion loan). Semi-annual payments of \$13,647 (including interest at 2.61%) started on June 15, 2011, and will continue until the loan is fully repaid in 2031. The outstanding balance at September 30, 2018 is \$287,253. The City has pledged the revenues of the system for the repayment of the loan.

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

USDA Side-Arm Garbage Truck

On August 29, 2018, the City borrowed \$279,500 from the United States Department of Agriculture (USDA) to finance the purchase of a side-arm garbage truck. The note bears interest at 3.25% per annum and is due in annual payments of \$33,188, which includes interest. The note matures August 28, 2028 and is secured by revenues of the sanitation fund. At September 30, 2018, the principal balance outstanding was \$279,500.

Future maturities of all notes payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 126,085	\$ 38,854	\$ 164,939
2020	129,252	35,901	165,153
2021	132,477	32,862	165,339
2022	135,756	29,735	165,491
2023	139,093	26,518	165,611
2024 - 2028	743,559	81,453	825,012
2029 - 2031	248,069	9,375	257,444
Total	<u>\$ 1,654,291</u>	<u>\$ 254,698</u>	<u>\$ 1,908,989</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Restatement</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Series 2003 Capital						
Improvement Revenue Note	\$ 65,529	\$ -0-	\$ (65,529)	\$ -0-	\$ -0-	\$ -0-
2015 Dodge Chargers	55,276	-0-	(17,714)	-0-	37,562	18,419
2015 Patrol Cars	82,261	-0-	(26,473)	-0-	55,788	27,444
Police Cars	50,419	-0-	(24,800)	-0-	25,619	25,619
Animal Control Truck	12,616	-0-	(6,206)	-0-	6,410	6,410
2017 Dodge Chargers	135,500	-0-	(25,622)	-0-	109,878	26,331
Compensated absences	257,596	150,593	(155,008)	-0-	253,181	63,295
Other post-employment benefits	<u>5,061,000</u>	<u>135,232</u>	<u>(657,755)</u>	<u>(2,690,493)</u>	<u>1,847,984</u>	<u>-0-</u>
Governmental activity						
Long-term liabilities	<u>\$ 5,720,197</u>	<u>\$ 285,825</u>	<u>\$ (979,107)</u>	<u>\$(2,690,493)</u>	<u>\$2,336,422</u>	<u>\$ 167,518</u>
Business Type activities:						
2006 Clean Water State						
SRF Revolving Loan 2010	\$ 303,429	\$ -0-	\$ (24,469)	\$ -0-	\$ 278,960	\$ 26,876

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED
Changes in Long-Term Liabilities – Continued

Business Type activities (Continued):

SRF Revolving Loan–							
Original 2011	862,463	–0–	(53,885)	–0–	808,578	55,163	
SRF Revolving Loan–							
Companion 2011	306,460	–0–	(19,207)	–0–	287,253	20,046	
USDA Side-Arm Garbage Truck	–0–	279,500	–0–	–0–	279,500	24,000	
Capital leases	<u>326,302</u>	<u>–0–</u>	<u>(51,520)</u>	<u>–0–</u>	<u>274,782</u>	<u>52,633</u>	
	<u>1,798,654</u>	<u>279,500</u>	<u>(149,081)</u>	<u>–0–</u>	<u>1,929,073</u>	<u>178,718</u>	
Bonds Payable:							
Utility Revenue Bond							
Refunding Series 2016	2,732,000	–0–	(202,000)	–0–	2,530,000	208,000	
Compensated absences	185,453	78,677	(84,871)	–0–	179,259	44,815	
Other post-employment benefits	<u>–0–</u>	<u>133,133</u>	<u>(647,550)</u>	<u>2,333,730</u>	<u>1,819,313</u>	<u>–0–</u>	
Business-Type Activity							
Long-Term Liabilities	<u>\$ 4,716,107</u>	<u>\$ 491,310</u>	<u>\$(1,083,502)</u>	<u>\$ 2,333,730</u>	<u>\$ 6,457,645</u>	<u>\$ 431,533</u>	

NOTE 4 – RETIREMENT PLANS

The City has two defined benefit pension plans.

- The City of Wauchula Employee Pension Plan (WEPP)
- The City of Wauchula Police Pension Trust Fund (WPPP)

Plan Description and Summary of Significant Accounting Policies

WEPP – The Plan is a single employer, defined benefit public employee retirement system. Participation is mandatory for full time employees and employees are eligible on the date of hire. Benefit provisions and employer and employee contributions are authorized by the City Commission and trustees. The Plan was amended and restated pursuant to Ordinance 2014-3.

The Plan is accounted for in the accompanying financial statements as a pension trust fund. A separate financial statement is not issued for the Plan. Plan administrative costs are paid by the Plan. The Advisory Committee administers the Plan with final authority residing in the City Commission with powers to amend or extend the provisions of the Plan.

Plan Membership

At the October 1, 2017 valuation date membership consisted of:

Active	68
Retirees	41
Terminated with deferred vested pensions	<u>13</u>
Total	<u>122</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

Wauchula Police Pension Trust Fund – (WPPP)

The Plan is a single employer, defined benefit public employee retirement system plan. The City has established a special pension trust fund into which shall be paid all monies received by the City under the provisions of Chapter 185, Florida Statutes. Total contributions to the WPPP in 2018 were \$42,234, all of which are from the State. All police employed by the City who have completed one year of continuous service, are qualified as participants in the Police Pension Trust Fund. Participants are entitled to one share in the fund for each full year of service. Participants vest after ten years of service.

The total monies received, including interest earned, any gifts and the credits forfeited by the participants (all of which constitute income to the fund during each fiscal year), shall be allocated and the value of the respective participants' shares shall be determined as follows:

- (a) The Board of Trustees shall pay all costs and expenses of management and operation for the fiscal year.
- (b) The Board of Trustees shall set aside as much income as it considers advisable as a reserve for expenses for the then current fiscal year.
- (c) After deducting the monies called for by Subsection (a) and (b), the remaining monies shall be allocated and credited to the share accounts of the respective participants.

The number of shares to which each and every participant is entitled as of the close of each fiscal year shall be added together and the total number of shares thus determined shall be divided into the net amount of money available to be allocated and credited to the respective share accounts. The amount to be credited to the account of each participant will then be obtained by multiplying the value determined for one share by the total number of shares to which each participant is entitled.

An individual account shall be established for each participant, and the amount to which each participant is entitled shall be credited to his account as of the end of each fiscal year.

Basis of Accounting – The Pension Plans use the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Asset Valuation – Investments are reported at market value based on quoted prices (Note 1). Investment income is recognized when earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

Benefit Provisions–WEPP

Retirement – Effective May 17, 2010, normal retirement is age 60 with 6 years of service, or any age with 30 years of service. The pension benefit is 2.50% of average earnings for each year of service up to 40 years.

Benefits are available for early retirement at age 50 with at least 6 years of service. The pension benefit is reduced by 1% for each year down to age 55 and further reduced by 2% for each year down to age 50.

Death and disability benefits are also available under the Plan. In service disability benefits are calculated at the larger of the basic pension formula or 50% of average earnings. Non-service disability is calculated as the larger of the basic pension formula or 25% of average earnings. Pre-retirement death benefits are calculated at 50% of the basic pension formula beginning at the earliest retirement age, and payable to the spouse of a vested participant for life. In addition, the beneficiary of any participant or retiree receives \$25,000, reduced by 10% for each year of service less than 10 years.

Participants who retire at age 50 or later with at least 6 years of service receive a \$100 monthly supplemental life annuity.

Vesting occurs after 6 years of service for general employees and 10 years for police officers.

Contribution Information

WEPP

WEPP members are required to contribute 10% of their annual covered salary. The City is required to contribute the greater of an actuarially determined rate or 10%. Since the Plan was overfunded, the City elected to allocate most of the current year contributions to the OPEB Trust Fund, as well as reduce the net pension asset. Vesting occurs over a six year period. Total employer contributions were \$202,350 and combined with the OPEB Trust Fund contribution exceeded required contributions for the year ended September 30, 2018, on covered payroll of \$2,685,252.

Plan Investments

Plan assets are held with the Florida Municipal Pension Trust Fund (FMPTF) an agent multiple employer pension plan administered by the FMPTF Board of Trustees. The FMPTF issues a publicly available report that includes the combined financial statements of all plan members which can be obtained from their website. Separate accounts are maintained for each employer group.

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

Plan Investments

The plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The City has selected to participate in the FMPTF 60/40 Target Fund. The maximum target asset allocation for equities is 60%. The following was the adopted asset allocation policy as of September 30, 2018:

<u>Asset Class</u>	<u>Total Allocation</u>
Equities	60%
Large Cap	39%
Small Cap	11%
International	10%
Fixed Income	40%
Core Bonds	16%
Core Plus	24%

All employee pension plan assets with the FMPTF are included in the trust’s master Trust Fund. Employee pension plan assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating employers, participating employees and beneficiaries. The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool. The plans have a beneficial interest in shares in the FMIvT portfolios listed below. The plan’s investment is the beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio.

As of September 30, 2018, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	WPPP	WEPP
	<u>60/40</u>	
Cash and Money Market	0.4%	
FMIvT Broad Market High Quality Bond	14.5%	
FMIvT Diversified Large Cap	32.7%	
FMIvT Diversified Small to Mid Cap Equity	12.0%	
FMIvT Core Real Estate	9.0%	
FMIvT International Equity	14.2%	
FMIvT Core Plus Fixed Income	<u>17.2%</u>	
	<u>100.0%</u>	

Credit Risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations.

The FMIvT Broad Market High Quality Bond Fund has a Fitch Rating of AAf/S4. The FMIvT Core Plus Fixed Income Fund and the equities portfolios are not rated.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

Interest Rate Risk – Interest rate exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value.

The FMIvT Broad Market High Quality Bond Fund has a weighted average maturity of 6.40 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 7.00 years.

Foreign Currency Risk – Participating employer’s investments in the FMIvT are not subject to foreign currency risk.

Rate of Return – For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 7.53% for the WEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability–WEPP

The components of the net pension liability (asset) of the City at September 30, 2018 were as follows:

Total Pension Liability	\$ 15,688,827
Less Fiduciary Net Position	<u>(19,010,433)</u>
Net Pension Liability	<u>\$ (3,321,606)</u>
Plan Fiduciary Net Position as a Percentage Of Total Pension Liability	121.17%

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balance as of September 30, 2017	\$ 15,081,976	\$ (18,027,396)	\$ (2,945,420)
Change due to:			
Service cost	685,722	-0-	685,722
Expected interest growth	1,074,934	(1,249,473)	(174,539)
Unexpected investment income	-0-	(95,238)	(95,238)
Demographic experience	(339,093)	-0-	(339,093)
Employer contributions	-0-	(208,949)	(208,949)
Employee contributions	-0-	(293,056)	(293,056)
Benefit payments & refunds	(814,712)	814,712	-0-
Administrative expenses	-0-	48,967	48,967
Changes in benefit terms	-0-	-0-	-0-
Assumption changes	-0-	-0-	-0-
Balance as of September 30, 2018	<u>\$15,688,827</u>	<u>\$(19,010,433)</u>	<u>\$ (3,321,606)</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

The Sponsor's net pension liability (asset) was measured as of September 30, 2018.

Actuarial Assumptions–WEPP

The total pension liability, net pension liability (asset), and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2018. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return (2.92% for inflation)	7.00%
Projected salary increases	5.00% per annum
COLA	None Assumed

For eligible police officers, 20% are assumed to retire at each of ages 55 through 57, 30% are assumed to retire each of ages 58 and 59, and 100% are assumed to retire at age 60. For all other eligible participants, 10% are assumed to retire at each of ages 55 through 59 and 100% are assumed to retire at age 60. Regardless of the foregoing, participants who have earned at least 30 years of service are assumed to retire immediately and deferred vested participants are assumed to commence benefits at their normal retirement age.

Sex-distinct rates set forth in the RP-2000 Combined Mortality Table were used with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	
Large Cap	6.08%
Small Cap	6.83%
International	6.83%
Fixed Income	
Core Bonds	0.58%
Multi-Sector	1.08%
Total or weighted arithmetic average	4.08%

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00%, as well 1% higher and 1% lower than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension Liability (Asset)	\$ (1,155,989)	\$ (3,321,606)		\$ (5,093,341)

Changes of Assumptions

There were no changes in assumptions since the prior measurements date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018 the Sponsor will recognize a pension expense of \$212,042. At September 30, 2018 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Balance as of September 30, 2017	\$ 3,643,959	\$ 3,949,672
Change due to:		
Amortization payments	(608,028)	(663,081)
Investment gain/loss	-0-	95,238
Demographic gain/loss	-0-	339,093
Assumption changes	-0-	-0-
Total change	<u>(608,028)</u>	<u>(228,750)</u>
Balance as of September 30, 2018	<u>\$ 3,035,931</u>	<u>\$ 3,720,922</u>

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 – RETIREMENT PLANS – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 608,027	\$ (645,262)
2020	\$ 318,473	\$ (645,263)
2021	\$ 318,473	\$ (606,166)
2022	\$ 318,473	\$ (398,534)
2023	\$ 318,473	\$ (379,488)
Thereafter	\$ 1,154,012	\$ (1,046,209)

The following financial statements present the combining statement of fiduciary net position by pension trust fund as of and for the year ended September 30, 2018.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ -0-	\$ 72	\$ -0-	\$ 72
Investments	18,990,792	2,894,719	429,340	22,314,851
Receivable – Employer	4,682	42,234	6,007	52,923
Receivable – Employee	10,689	-0-	-0-	10,689
Total Assets	<u>\$ 19,006,163</u>	<u>\$ 2,937,025</u>	<u>\$ 435,347</u>	<u>\$ 22,378,535</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 19,006,163</u>	<u>\$ 2,937,025</u>	<u>\$ 435,347</u>	<u>\$ 22,378,535</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 202,350	\$ -0-	\$ 87,550	\$ 289,900
Plan members	280,081	-0-	-0-	280,081
Other income	-0-	42,234	-0-	42,234
Total Contributions	<u>482,431</u>	<u>42,234</u>	<u>\$ 87,550</u>	<u>612,215</u>
Investment earnings:				
Net change in the fair value of investments	<u>1,344,713</u>	<u>206,877</u>	<u>21,261</u>	<u>1,572,851</u>
Total Investing Earnings	<u>1,344,713</u>	<u>206,877</u>	<u>21,261</u>	<u>1,572,851</u>
Total Additions	1,827,144	249,111	108,811	2,185,066

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RETIREMENT PLANS – CONTINUED

	Employee Pension Fund	Police Pension Fund	OPEB Trust Fund	Total
DEDUCTIONS				
Benefits	814,713	122,783	–0–	937,496
Administrative expenses	48,968	6,605	6,868	62,441
Total Deductions	<u>863,681</u>	<u>129,388</u>	<u>6,868</u>	<u>999,937</u>
Change in net position	<u>963,463</u>	<u>119,723</u>	<u>101,943</u>	<u>1,185,129</u>
Net Position – beginning	<u>18,042,700</u>	<u>2,817,302</u>	<u>333,404</u>	<u>21,193,406</u>
Net Position – ending	<u>\$ 19,006,163</u>	<u>\$ 2,937,025</u>	<u>\$ 435,347</u>	<u>\$ 22,378,535</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles which are measured on a recurring basis (Note 1). The pension plans have the following recurring fair value measurements as of September 30:

	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Mutual Funds and Short-Term Investments	\$ 87,971	\$ 87,971	\$ –0–	\$ –0–
FMIvT Broad Market High Quality Bond	3,257,550	–0–	3,257,550	–0–
FMIvT Core Plus Fixed Income	3,862,627	–0–	–0–	3,862,627
FMIvT Diversified Large Cap	7,276,348	–0–	7,276,348	–0–
FMIvT Diversified Small to Mid Cap	2,661,467	–0–	2,661,467	–0–
FMIvT International Equity	3,160,551	–0–	3,160,551	–0–
FMIvT Core Real Estate	<u>2,008,337</u>	<u>–0–</u>	<u>–0–</u>	<u>2,008,337</u>
Total Investments	<u>\$ 22,314,851</u>	<u>\$ 87,971</u>	<u>\$ 16,355,916</u>	<u>\$ 5,870,964</u>

Mutual funds and short-term investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments held with Florida Municipal Investment Trust (FMIvT) are held in a Local Government Investment Pool (LGIP) which are classified as either Level 2 or Level 3. Level 2 investments are invested in funds or portfolios in which the underlying asset values are based on quoted prices or market-corroborated inputs, however, the net asset value of the portfolio is not publicly quoted. FMIvT Core Plus Fixed Income is a fund classified as Level 3 since the shares of the funds are not publicly quoted and the underlying funds invest in a variety of financial instruments.

The City did not have any assets or liabilities included in the pension or OBEP plans that are not measured at fair value.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description

Plan Administration – The City of Wauchula administers a single employer defined benefit plan (Plan) that is used to provide post-employment benefits other than pensions (OPEB), through the City’s Personnel Rules and Regulations with the following provisions:

Employees hired prior to January 1, 1999:

- Entitled to participate in the City’s group medical insurance plan until becoming eligible for Medicare, and thereafter in the City approved Medicare Supplement, if the City has approved one, at their own expense unless prior to retirement of a particular employee, the City Commission decides otherwise.
- Retirees must pay a monthly premium as determined by the insurance carrier, less any explicit subsidies that are provided by the City. The premium varies depending on whether the retiree elects single, spousal, or family coverage.

Employees hired after January 1, 1999:

- Entitled to participate in any City plan upon retirement but at the employee’s own expense.

The Plan is vested and subject to change by approval of the City Commissioners. Separate financial statements of the Plan are not available.

The City and the Plan have adopted Governmental Accounting Standards Board (GASB No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial for Post-employment Benefits Other Than Pensions*.

Benefits Provided – For employees hired prior to January 1, 1999, the City provides an explicit health insurance subsidy equal to the premium for single coverage under the City’s health insurance plan, less \$100 per month which is provided under the City-sponsored pension plan. The subsidy is provided regardless of whether the retiree elects coverage under the City-sponsored health insurance plan, and the subsidy is provided for life. The City also provides a \$30 monthly utility subsidy. The utility subsidy is provided to the retiree for life and to the retiree’s spouse for life after the retiree’s death.

Plan Membership – At September 30, 2018, membership in the Plan consisted of the following:

Current Retirees	33
Active Employees	<u>68</u>
	<u>101</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Plan Description – Continued

Contributions – Through 2015, the City’s OPEB benefits were unfunded. Effective October 1, 2015, the City established an Other Post-Employment Benefit Trust (Trust) of which the assets are held with the Florida Municipal Pension Trust (FMPT). Annual contributions to the OPEB Trust are not required and are determined annually by the City Commissioners. During the year ended September 30, 2018, the City contributed \$87,550 to the OPEB Trust. For the year ended September 30, 2018, the City’s average contribution rate was 3.26 percent of covered-employee payroll. Plan members are not required to contribute to the Plan.

Investments

Investment Policy – Plan assets are held with the Florida Municipal Pension Trust Fund (FMPTF) an agent multiple employer pension plan administered by the FMPTF Board of Trustees. The Plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The ultimate subsidies that are not financed with assets in the trust, are financed directly by general assets of the City, which are invested in qualified public depositories. Payments for benefits or contributions to the OPEB Trust come from the City’s General Fund.

The City has selected to participate in the FMPTF OPEB 50/50 Fund. The following was the adopted asset allocation policy as of September 30, 2018:

<u>Asset Class</u>	<u>Total Allocation</u>
Equities	50%
Large Cap	34%
Small Cap	8%
International	8%
Fixed Income	50%
Core Bonds	20%
Core Plus	30%

As of September 30, 2018, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>OPEB</u> <u>50/50</u>
Cash and Money Market	0.1%
FMIvT Broad Market High Quality Bond	19.6%
FMIvT Core Plus Fixed Income	22.9%
FMIvT Diversified Large Cap	27.9%
FMIvT Diversified Small to Mid Cap Equity	8.2%
FMIvT International Equity	12.3%
FMIvT Core Real Estate	9.0%
	<u>100.0%</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Investments – Continued

There were no changes in the investment policy during the year ended September 30, 2018. For all other investment disclosures, including fair value and risk, see Note 4.

Concentrations – The Plan did not hold investments in any one organization that represents 5 percent of more of the Plan’s fiduciary net position.

Rate of Return – For the year ended September 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.59 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

As of September 30, 2018, the Plan did not have any receivables.

Allocated Insurance Contracts

As of September 30, 2018, the Plan did not have any allocated insurance contracts.

Reserves

As of September 30, 2018, the Plan did not have any reserves.

Net OPEB Liability

The components of the net OPEB liability of the City at September 30, 2018, were as follows:

Total OPEB liability	\$ 4,096,637
Plan fiduciary net position	<u>(429,340)</u>
City’s net OPEB liability	<u>\$ 3,667,297</u>

Plan fiduciary net position as a percentage of the total OPEB liability 10.48%

The City’s net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2017.

Actuarial Assumptions –The total OPEB liability was determined by an actuarial valuation as of October 1, 2017 in which the individual entry age normal cost method was used. The actuarial valuation’s determination of the OPEB liability, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- **Discount Rate**
3.78% per annum; this rate was used to discount all future benefit payments and is based on a blend of the expected long-term return on assets (for benefits payments during the first 8 years after the valuation date) and a yield on 20-year Grade AA/Aa or higher municipal bonds of 3.64% per annum (for benefit payments beyond the first 8 years after the valuation date); the expected long-term return on assets was determined by the Asset Consulting Group and the municipal bond yield is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
- **Expected Long-Term Return on Assets**
6.50% per annum (2.99% per annum is attributable to long-term inflation).
- **Salary Increases**
3.00% per annum.
- **Cost-of-Living Increases**
Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.
- **Healthcare Cost Trend Rates**
Increases in healthcare costs are assumed to be 7.50% for the 2017-18 fiscal year graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years.
- **Age-Related Morbidity**
Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
- **Mortality basis**
With respect to general employees, sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB; with respect to police officers, sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB.
- **Retirement**
10% of eligible general employees are assumed to retire at each of ages 55 through 59 and 100% of eligible general employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- **Disability**
Assumed disability uses age and gender based rates; general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55.
- **Employment Termination**
Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% at age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35, to 0.00% at age 45.
- **Coverage Election**
25% of eligible employees are assumed to elect medical coverage under the City's health insurance plan for life upon retirement or disability and 80% of those electing coverage are also assumed to elect coverage for their spouse.
- **Spouses and Dependents**
Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
- **COBRA**
Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
- **Changes in Assumptions**
Since the prior measurement date, the discount rate was increased from 3.22% to 3.78%. Additionally, the healthcare trend cost rate was decreased from 8.00% to 7.50%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	0.50% per annum
Multi-sector	1.00% per annum
U.S. large cap equity	6.00% per annum
U.S. small cap equity	6.75% per annum
Non-U.S. equity	6.75% per annum

Discount Rate – The discount rate used to measure the total OPEB liability was 3.78 percent (increased from 3.22% in the prior year). The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of September 30, 2017	\$ 5,035,077	\$ (330,840)	\$ 4,704,237
Changes due to:			
Service cost	91,285	-0-	91,285
Expected interest growth	191,473	(23,975)	167,498
Unexpected investment income	-0-	2,713	2,713
Demographic experience	(871,543)	-0-	(871,543)
Employer contributions	-0-	(84,107)	(84,107)
Employee contributions	-0-	-0-	-0-
Benefit payments & refunds	-0-	-0-	-0-
Administrative expenses	-0-	6,869	6,869
Changes in benefit terms	-0-	-0-	-0-
Assumption changes	<u>(349,655)</u>	<u>-0-</u>	<u>(349,655)</u>
Balance as of September 30, 2018	\$ 4,096,637	\$ (429,340)	\$ 3,667,297

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Changes in the Net OPEB Liability – Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.78 percent) or 1-percentage-point higher (4.78 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>2.78%</u>	<u>3.78%</u>	<u>3.78%</u>	<u>4.782%</u>
Net OPEB liability	\$ 4,324,441	\$ 3,667,297		\$ 3,139,670

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>7.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Net OPEB liability	\$ 3,123,203	\$ 3,667,297		\$ 4,339,910

The financial statements of the OPEB Trust Fund are included in Note 4.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$115,476. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Balance as of September 30, 2017	\$ -0-	\$ 7,322
Change due to:		
Amortization payments	(543)	(134,137)
Investment gain/loss	2,711	-0-
Demographic gain/loss	-0-	871,543
Assumption changes	-0-	349,655
Total change	<u>2,168</u>	<u>1,087,061</u>
Balance as of September 30, 2018	<u>\$ 2,168</u>	<u>\$ 1,094,383</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 543	\$ (134,137)
2020	\$ 543	\$ (134,137)
2021	\$ 542	\$ (134,139)
2022	\$ 540	\$ (132,307)
2023	\$ -0-	\$ (132,307)
Thereafter	\$ -0-	\$ (427,356)

Payable to the OPEB Plan

At September 30, 2018, the City did not have any amounts outstanding of contributions to the Plan required for the year ended September 30, 2018.

NOTE 6 – CONTINGENCIES

From time to time, the City is involved in litigation with various parties. The outcome of these matters and potential losses to the City cannot be determined. As a result, no liability has been recorded in these financial statements. However, it is at least reasonably possible that a liability could result in the near term.

NOTE 7 – COMMITMENTS

The City has entered into long term construction contracts for the completion of various projects. The total commitment at September 30, 2018 is approximately \$4,118,000 of which all is expected to be funded by grant awards the City has received.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,187,637	\$ 1,187,637	\$ 1,212,924	\$ 25,287
Charges for services	87,000	87,000	97,964	10,964
Fines and forfeitures	53,050	53,050	47,437	(5,613)
Intergovernmental revenue	723,800	723,800	731,458	7,658
Interest	1,430	1,430	1,901	471
Licenses and permits	12,000	12,000	12,792	792
Grant revenue	41,250	176,836	181,691	4,855
Miscellaneous revenues	51,219	59,221	64,738	5,517
Total Revenues	2,157,386	2,300,974	2,350,905	49,931
Expenditures				
General government	1,462,767	1,461,142	1,247,230	213,912
Police department	1,342,801	1,382,427	1,441,691	(59,264)
Highways and streets	192,083	192,083	183,224	8,859
Culture/recreation	332,000	333,006	321,539	11,467
Capital outlay	52,000	156,581	221,335	(64,754)
Debt service	145,205	145,205	142,002	3,203
Total expenditures	3,526,856	3,670,444	3,557,021	113,423
Excess of revenues over (under) expenditures	(1,369,470)	(1,369,470)	(1,206,116)	163,354
Other Financing Sources (Uses)				
Proceeds from sales of assets	-	-	10,686	-
Proceeds from issuance of debt	95,000	95,000	-	(84,314)
Transfers In	1,510,739	1,510,739	1,510,739	-
Transfers Out	(236,269)	(236,269)	(237,776)	(1,507)
Total Other Financing Sources (Uses)	1,369,470	1,369,470	1,283,649	(85,821)
Net Change in Fund Balances	-	-	77,533	77,533
Fund Balance – October 1, 2017	1,068,569	1,068,569	1,068,569	-
Fund Balance – September 30, 2018	\$ 1,068,569	\$ 1,068,569	\$ 1,146,102	\$ 77,533

Note 1 – Budgetary Basis

The general fund budget is adopted on a basis consistent with generally accepted accounting principles.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 372,237	\$ 372,237	\$ 374,611	\$ 2,374
Interest	750	750	1,139	389
Grant revenue	750,000	750,000	200,000	(550,000)
Miscellaneous revenues	64,400	64,400	88,785	24,385
Total Revenues	1,187,387	1,187,387	664,535	(522,852)
EXPENDITURES				
General government	1,503,051	1,503,051	744,257	758,794
Capital outlay	585,000	585,000	212,632	372,368
Debt service	33,304	33,304	30,106	3,198
Total Expenditures	2,121,355	2,121,355	986,995	1,134,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(933,968)	(933,968)	(322,460)	611,508
OTHER FINANCING SOURCES (USES)				
Transfers in	933,968	933,968	237,776	(696,192)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	933,968	933,968	237,776	(696,192)
Net change in Fund Balances	-	-	(84,684)	(84,684)
FUND BALANCE – October 1, 2017	605,586	605,586	605,586	-
FUND BALANCE – September 30, 2018	\$ 605,586	\$ 605,586	\$ 520,902	\$ (84,684)

Note 1 – Budgetary Basis

The special revenue fund budget is adopted on a basis consistent with generally accepted accounting principles.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
WEPP
AVAILABLE FISCAL YEARS *

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 430,765	\$ 397,481	\$ 632,364	\$ 644,200	\$ 685,722
Expected interest growth	1,006,348	1,189,323	823,513	1,024,605	1,074,934
Demographic gain/loss	-	(1,115,993)	(580,470)	(856,549)	(339,093)
Employee contributions	-	-	-	-	-
Benefit payments, including refunds	(710,097)	(846,093)	(929,139)	(849,400)	(814,712)
Administrative expenses	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Assumption changes	-	(1,180,305)	2,906,292	707,505	-
Net change in total pension liability	<u>727,016</u>	<u>(1,555,587)</u>	<u>2,852,560</u>	<u>670,361</u>	<u>606,851</u>
Total pension liability – Beginning	12,387,626	13,114,642	11,559,055	14,411,615	15,081,976
Total pension liability – Ending (a)	<u>\$ 13,114,642</u>	<u>\$ 11,559,055</u>	<u>\$ 14,411,615</u>	<u>\$ 15,081,976</u>	<u>\$ 15,688,827</u>
Plan fiduciary net position					
Contributions – Employer	256,383	262,201	13,515	277,978	208,949
Contributions – Employee	256,383	262,201	271,126	-	293,056
Investment Income	1,326,542	21,493	1,283,244	2,169,961	1,344,711
Benefit payments, including refunds of employee contributions	(816,267)	(1,108,162)	(929,139)	(849,400)	(814,712)
Administrative expense	(30,160)	(47,753)	(49,123)	(41,040)	(48,967)
Net change in plan fiduciary net position	<u>992,881</u>	<u>(610,020)</u>	<u>589,623</u>	<u>1,557,499</u>	<u>983,037</u>
Plan fiduciary net position – Beginning	15,497,413	16,490,294	15,880,274	16,469,897	18,027,396
Plan fiduciary net position – Ending (b)	<u>\$ 16,490,294</u>	<u>\$ 15,880,274</u>	<u>\$ 16,469,897</u>	<u>\$ 18,027,396</u>	<u>\$ 19,010,433</u>
Net pension liability (asset) – Ending (a) – (b)	<u>\$ (3,375,652)</u>	<u>\$ (4,321,219)</u>	<u>\$ (2,058,282)</u>	<u>\$ (2,945,420)</u>	<u>\$ (3,321,606)</u>
Plan fiduciary net position as a percentage of the total pension liability	125.74%	137.38%	114.28%	119.53%	121.17%
Covered employee payroll	\$ 2,232,223	\$ 2,483,561	\$ 2,590,078	\$ 2,537,297	\$ 2,685,252
Net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* Until a full 10-year trend is compiled, information will be presented for those years available.

CITY OF WAUCHULA, FLORIDA
 SCHEDULE OF CONTRIBUTIONS
 WEPP
 LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 285,942	\$ 386,579	\$ 339,900	\$ 351,847	\$ 308,530	\$ 256,383	\$ 262,201	\$ 13,515	\$ -	\$ 208,949
Contributions in relation to the actuarially determined contributions	285,942	386,579	339,900	351,847	308,530	256,383	262,201	13,515	-	208,949
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	2,785,962	2,611,789	2,654,735	2,232,223	2,232,223	2,232,223	2,483,561	2,590,078	2,537,297	2,685,252
Contributions as a percentage of covered employee payroll	10.26%	14.80%	12.80%	15.76%	13.82%	11.49%	10.56%	0.52%	0.00%	7.78%

**CITY OF WAUCHULA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
WEPP**

Employers reporting date: 09/30/18
Measurement date: 09/30/18
Valuation Date: 10/01/17

Actuarially determined contribution rates are calculated as of October 1, prior to the end of the fiscal year in which contributions are reported.

Actuarial assumptions

Discount rate: 7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.

Salary increases: 5.00% per annum average pay is increased by 5.00% to reflect anticipated lump sum compensation payments upon termination.

Cost-of-living increases: None assumed

Mortality basis: Sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

Retirement: For eligible police officers, 20% are assumed to retire at each of ages 55 through 57, 30% are assumed to retire each of ages 58 and 59, and 100% are assumed to retire at age 60. For all other eligible participants, 10% are assumed to retire at each of ages 55 through 59 and 100% are assumed to retire at age 60. Regardless of the foregoing, participants who have earned at least 30 years of service are assumed to retire immediately and deferred vested participants are assumed to commence benefits at their normal retirement age.

Other decrements: Assumed employment termination is based on age; for police officers, termination rates range from 5.00% at age 25 to 0.00% at age 45; for all other participants, termination rates range from 7.10% at age 25 to 0.00% at age 60.

Assumed disability is based on gender and age; for police officers, disability rates range from 0.179% for males and 0.075% for females at age 25 to 1.03% for males and 0.04% for females at age 55, with 80% of disabilities assumed to be service-related; for all other participants, disability rates range from 0.075% for males and 0.035% for females at age 25 to 0.40% for males and 0.18% for females at age 55, with 20% of disabilities assumed to be service related.

Marriage assumption: 80% of non-retired participants are assumed to be married, with husbands three years older than wives.

Form of payment: Future married retirees are assumed to select the 50% joint and contingent annuity; future unmarried police retirees are assumed to select the 10-year certain and life annuity; all other future unmarried retirees are assumed to select the single life annuity.

Non-investment expenses: 1.75% of covered payroll

Future contributions: Contributions from the employer and employees are assumed to be made as legally required.

Changes: No assumptions were changed since the prior measurement date.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE
OF RETURN ON INVESTMENTS
WEPP

SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>DATE</u>	<u>PERCENTAGE</u>
09/30/18	7.53%
09/30/17	13.42%
09/30/16	8.26%
09/30/15	.13%
09/30/14	8.65%
09/30/13	12.02%
09/30/12	17.43%
09/30/11	1.24%
09/30/10	9.16%
09/30/09	2.19%

The annual money weighted return on investments is net of investment expense.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
AVAILABLE FISCAL YEARS *

	<u>2017</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 89,281	\$ 91,285
Interest	158,996	191,473
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(871,543)
Changes of assumptions	-	(349,655)
Benefit payments	(122,410)	-
Net change in total OPEB liability	<u>125,867</u>	<u>(938,440)</u>
Total OPEB liability – Beginning	4,909,210	5,035,077
Total OPEB liability – Ending	<u>\$ 5,035,077</u>	<u>\$ 4,096,637</u>
Plan fiduciary net position		
Contributions – Employer	\$ 155,734	\$ 84,107
Interest	15,006	23,975
Net investment income	9,152	(2,713)
Benefit payments	-	-
Administrative expense	(6,445)	(6,869)
Net change in plan fiduciary net position	<u>173,447</u>	<u>98,500</u>
Plan fiduciary net position – Beginning	157,393	330,840
Plan fiduciary net position – Ending	<u>\$ 330,840</u>	<u>\$ 429,340</u>
City's net OPEB liability	<u>\$ 4,704,237</u>	<u>\$ 3,667,297</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.57%	10.48%
Covered-employee payroll	\$ 2,537,297	\$ 2,685,252
City's net OPEB liability as a percentage of covered-employee payroll	185.40%	136.57%

* GASB No. 74 was adopted in fiscal year 2017 and GASB No. 75 was adopted in fiscal year 2018. Ultimately, this schedule will contain information for the last ten years.

Notes to Schedule:

Benefit changes: There were no changes in benefits since the prior measurement date.

Changes of assumptions: The discount rate for 2018 was raised to 3.78% from 3.22% in 2017. Additionally, the healthcare cost trend rate for 2018 was reduced to 7.50% from 8.00% in 2017.

**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF CONTRIBUTIONS – OPEB
AVAILABLE FISCAL YEARS ***

	2017	2018
Actuarially determined contribution	\$ 155,734	\$ 84,107
Contributions in relation to the actuarially determined contribution	156,129	87,550
Contribution deficiency (excess)	\$ (395)	\$ (3,443)
Covered-employee payroll	\$ 2,537,297	\$ 2,685,252
Contributions as a percentage of covered-employee payroll	6.15%	3.26%

* GASB No. 74 was adopted in fiscal year 2017 and GASB No. 75 was adopted in fiscal year 2018. Ultimately, this schedule will contain information for the last ten years.

Notes to Schedule:

Valuation Date: October 1, 2017

Measurement Date: September 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Discount rate	3.78% per annum
Expected long-term return on assets	6.50% per annum (2.99% attributable to long-term inflation)
Salary increases	3.00% per annum
Inflation	Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare trend rate
Healthcare cost trend rates	7.50% for the 2017/18 fiscal year, graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age
Mortality	With respect to general employees, sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB; with respect to police officers, sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB
Retirement	10% of eligible employees are assumed to retire at each ages of 55 through 59 and 100% of eligible employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately
Disability	Assumed disability uses age and gender based rates: general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55
Employment termination	Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% as age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35 to 0.00% at age 45
Changes in assumptions	The discount rate for 2018 was raised to 3.78% from 3.22% in 2017. The healthcare cost trend rate for 2018 was reduced to 7.50% from 8.00% in 2017.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF INVESTMENT RETURNS - OPEB
AVAILABLE FISCAL YEARS *

	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	9.90%	5.59%

* GASB No. 74 was adopted in fiscal year 2017 and GASB No. 75 was adopted in fiscal year 2018. Ultimately, this schedule will contain information for the last ten years.

OTHER SUPPLEMENTAL INFORMATION

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-Through Grantor/ Project	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
FEDERAL AWARDS				
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	2017-BVP	\$ -	\$ 1,148
Passed through the State of Florida, Office of Attorney General Crime Victim Assistance	16.575	VOCA-2017-Wauchula Police Department - 00027	-	49,077
Total U.S. Department of Justice			-	50,225
U.S. Department of Transportation				
Airport Improvement Program	20.106	3-12-0084-014-2017	-	790,677
Passed through the Florida Department of Transportation National Priority Safety Programs	20.616	G0Q01	-	18,688
National Priority Safety Programs	20.616	G0Q73	-	10,000
Total U.S. Department of Transportation			-	819,365
U.S. Department of Agriculture				
Rural Community Development Initiative	10.446	N/A	-	49,800
Rural Community Development Initiative	10.446	N/A	-	279,500
Total U.S. Department of Agriculture			-	329,300
Total Expenditures of State Financial Assistance			\$ -	\$ 1,198,890

The Independent Auditors' Report should be read in connection with this schedule.

CITY OF WAUCHULA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wauchula, Florida (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – CONTINGENCIES

Grant monies received and distributed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such allowances, if any, would have a material effect on the financial position of the City. As of May 10, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**CITY OF WAUCHULA, FLORIDA
 DETAIL SCHEDULE OF REVENUES AND EXPENSES
 ELECTRIC, WATER AND SEWER SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>ELECTRIC</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating Revenues:				
Charges for services and fees	\$ 6,313,552	\$ 1,012,629	\$ 2,010,455	\$ 9,336,636
Total Operating Revenues	<u>6,313,552</u>	<u>1,012,629</u>	<u>2,010,455</u>	<u>9,336,636</u>
Operating Expenses:				
Personal services	925,241	533,640	542,182	2,001,063
Other operating expenses	469,268	293,345	374,623	1,137,236
Purchased power	3,752,438	-	-	3,752,438
Depreciation	887,767	443,883	443,883	1,775,533
Total Operating Expenses	<u>6,034,714</u>	<u>1,270,868</u>	<u>1,360,688</u>	<u>8,666,270</u>
Operating Income (Loss)	278,838	(258,239)	649,767	670,366
Non-operating Revenues (Expenses):				
Capital grants and contributions	-	1,431,020	-	1,431,020
Interest income	-	-	10,150	10,150
Interest expense	(5,353)	(2,067)	(101,263)	(108,683)
Other income (expense)	699	350	31,339	32,388
Total Non-operating Revenue (Expenses)	<u>(4,654)</u>	<u>1,429,303</u>	<u>(59,774)</u>	<u>1,364,875</u>
Income (loss) before transfers	274,184	1,171,064	589,993	2,035,241
Transfers out	<u>(1,271,250)</u>	<u>-</u>	<u>-</u>	<u>(1,271,250)</u>
Change in Net Position	<u>\$ (997,066)</u>	<u>\$ 1,171,064</u>	<u>\$ 589,993</u>	<u>\$ 763,991</u>

The Independent Auditor's Report should be read in connection with this schedule.

**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF INSURANCE COVERAGE**

<u>INSURANCE COMPANY/GROUP</u> <u>DESCRIPTION OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u> Per occurrence:
<u>Southwest Florida Intergovernmental Risk Management Association</u>	
General liability	\$ 2,000,000/\$6,000,000 (member aggregate)
Public officials and errors and omissions Liability	\$ 2,000,000/\$6,000,000 (member aggregate)
Auto liability	\$ 2,000,000
Workers' compensation	\$ 3,000,000
Property	\$ 500,000 (plus excess coverage with a limit of \$31,862,874)
Employee Benefits Liability	\$ 2,000,000
Money and securities	\$ 500,000
Forgery/Alteration	\$ 500,000
Employee dishonesty	\$ 500,000
Pollution	\$ 1,000,000 and \$1,000,000 (member aggregate)
Airport liability	\$ 2,000,000
Sexual misconduct	\$ 2,000,000/\$ 3,000,000 (member aggregate)
Sexual harassment	\$ 2,000,000/\$ 6,000,000 (member aggregate)
Cyber Liability	\$ 1,000,000/\$ 5,000,000 (member aggregate)

Policy Period

For all coverage's listed above, the policy period is October 1, 2017 to October 1, 2018.

OTHER REPORTS

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER

**INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE**

**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Section II – Financial Statement Findings

No matters were reported.

PRIOR YEAR FINDINGS

There were no prior audit findings.

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

PRIOR YEAR FINDINGS

There were no prior audit findings related to federal awards.