

CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2019

**CITY OF WACHULA, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

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**CITY OF WACHULA, FLORIDA
OFFICIALS**

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

September 30, 2019

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 Minshe

POLICE CHIEF

John M. Eason



INDEPENDENT AUDITOR'S REPORT

**To the Honorable City Commission
City of Wauchula, Florida**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida (City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; supplemental schedules of changes in net pension liability and related ratios, contributions, notes to required supplementary information, annual money-weighted rate of return on investments; supplemental schedules of changes in the City's net other post-employment benefit liability and related ratios, contributions, and investment returns; included on pages 3-9, 57-58, 59-62, and 63-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

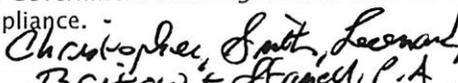
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wauchula, Florida's basic financial statements. The other supplemental information on pages 68-69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance on pages 66-67 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The other supplemental information and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, on our consideration of the City of Wauchula, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 15, 2020
Bradenton, Florida



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, 2019. 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 \$32,078,665 (net position).
- The government's total net position increased by \$1,946,886 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. The net OPEB liability at year end is \$4,620,913, which increased \$953,616 over prior year. 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, 2019, the trust fund balance was \$506,647.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$1,869,325, an increase of \$202,321 in comparison with the prior year. Of this amount, unassigned fund balance represents \$1,338,829.

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 10 and 11 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 12 through 15 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 16 through 19 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 20 and 21 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, 2019 with comparative totals as of September 30, 2018.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 3,593,872	\$ 3,687,930	\$ 9,535,634	\$ 9,889,596	\$ 13,129,506	\$ 13,577,526
Capital assets (net of depreciation)	<u>8,301,336</u>	<u>6,874,231</u>	<u>22,798,750</u>	<u>22,662,690</u>	<u>31,100,086</u>	<u>29,536,921</u>
Total assets	11,895,208	10,562,161	32,334,384	35,552,286	44,229,592	43,114,447
Deferred outflows of resources	<u>1,805,003</u>	<u>1,530,925</u>	<u>1,806,310</u>	<u>1,610,974</u>	<u>3,611,313</u>	<u>3,141,899</u>
Long-term liabilities outstanding						
Debt	281,035	235,257	4,216,933	4,459,073	4,497,968	4,694,330
Compensated absences	296,309	253,181	170,475	179,259	466,784	432,440
OPEB liability	<u>2,326,700</u>	<u>1,847,984</u>	<u>2,294,213</u>	<u>1,819,313</u>	<u>4,620,913</u>	<u>3,667,297</u>
	2,904,044	2,336,422	6,681,621	6,457,645	9,585,665	8,794,067
Other liabilities	<u>386,271</u>	<u>330,900</u>	<u>1,610,802</u>	<u>2,184,295</u>	<u>1,997,073</u>	<u>2,515,195</u>
Total liabilities	3,290,315	2,667,322	8,292,423	8,641,940	11,582,738	11,309,262
Deferred inflows of resources	2,144,417	2,426,476	2,035,085	2,388,829	4,179,502	4,815,305
Net position:						
Net investment in capital assets	8,020,301	6,638,974	18,675,237	17,738,301	26,695,538	24,377,275
Restricted	511,024	546,126	1,990,283	1,947,385	2,501,307	2,493,511
Unrestricted	<u>(265,846)</u>	<u>(185,812)</u>	<u>3,147,666</u>	<u>3,446,805</u>	<u>2,881,820</u>	<u>3,260,993</u>
Total net position	<u>\$ 8,265,479</u>	<u>\$ 6,999,288</u>	<u>\$ 23,813,186</u>	<u>\$ 23,132,491</u>	<u>\$ 32,078,665</u>	<u>\$ 30,131,779</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 \$32,078,665 at the close of September 30, 2019.

The City's net position include net investment in capital assets of \$26,695,538, 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, \$2,501,307, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* is \$2,881,820.

The following is a summary of the changes in net position for the year ended September 30, 2019, with comparative totals for the year ended September 30, 2018.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 225,356	\$ 190,479	\$ 10,970,637	\$ 10,653,302	\$ 11,195,993	\$ 10,843,781
Operating grants and contributions	50,468	232,565	10,000	403,649	60,468	636,214
Capital grants and contributions	1,425,354	131,753	2,066,609	1,959,701	3,491,963	2,091,454
General revenues:						
Taxes	2,405,980	2,318,992	-0-	-0-	2,405,980	2,318,992
Transfers	1,480,160	1,510,739	(1,480,160)	(1,510,739)	-0-	-0-
Other	<u>114,782</u>	<u>78,436</u>	<u>61,394</u>	<u>44,675</u>	<u>176,176</u>	<u>123,111</u>
Total revenues	5,702,100	4,462,964	11,628,480	11,550,588	17,330,580	16,013,552
Expenses:						
General government	1,768,803	2,153,548	-0-	-0-	1,768,803	2,153,548
Police department	1,687,251	1,594,738	-0-	-0-	1,687,251	1,594,738
Highways and streets	482,474	387,109	-0-	-0-	482,474	387,109
Culture and recreation	489,574	445,741	-0-	-0-	489,574	445,741
Interest on long-term debt	7,807	5,764	-0-	-0-	7,807	5,764
Water	-0-	-0-	1,471,758	1,272,935	1,471,758	1,272,935
Sewer	-0-	-0-	1,821,787	1,461,951	1,821,787	1,461,951
Electric	-0-	-0-	6,310,170	6,040,067	6,310,170	6,040,067
Airport	-0-	-0-	457,663	396,742	457,663	396,742
Sanitation	-0-	-0-	<u>886,407</u>	<u>851,991</u>	<u>886,407</u>	<u>851,991</u>
Total expenses	<u>4,435,909</u>	<u>4,586,900</u>	<u>10,947,785</u>	<u>10,023,686</u>	<u>15,383,694</u>	<u>14,610,586</u>
Change in Net Position	1,266,191	(123,396)	680,695	1,526,902	1,946,886	1,402,966
Net Position - Beginning	6,999,288	4,436,420	23,132,491	23,942,952	30,131,779	28,379,372
Prior Period Adjustment	-0-	<u>2,686,804</u>	-0-	<u>(2,337,363)</u>	-0-	<u>349,441</u>
Net Position - Beginning, Restated	<u>6,999,288</u>	<u>7,123,224</u>	<u>23,132,491</u>	<u>21,605,589</u>	<u>30,131,779</u>	<u>28,728,813</u>
Net Position - Ending	<u>\$ 8,265,479</u>	<u>\$ 6,999,288</u>	<u>\$ 23,813,186</u>	<u>\$ 23,132,491</u>	<u>\$ 32,078,665</u>	<u>\$ 30,131,779</u>

Governmental activities: Governmental activities increased the City's net position by \$1,266,191, primarily due to increases in capital grants and contributions which increased by \$1,293,601.

The City's governmental activities had \$1,701,178 of program revenue. In addition, other key components of revenue were \$2,405,980 of tax revenue classified as general revenues, as well as \$1,480,160 of transfers in. Expenses consisted of \$1,768,803 of general government, \$1,687,251 of police-public safety, highways and streets of \$482,474, culture and recreation of \$489,574, and interest on long-term debt of \$7,807.

Ad valorem taxes, State shared revenues, and other tax revenues remained relatively stable from the prior year. Grant revenues increased by approximately \$1,293,000 and charges for services decreased approximately \$35,000. Overall expenses decreased approximately \$151,000.

Business-type activities. Business-type activities increased the City's net position by \$680,695. Revenues increased by \$77,892 and expenses increased \$924,099 from the prior year. The increases in expenses were due to changes in pension and OPEB related expenses, as well as additional repairs and maintenance required during the year.

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 \$1,405,975, an increase of \$259,873 in comparison with the prior year. \$1,338,829 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 increased by \$1,308,522 as a result of an increase in grants of \$1,205,370 and increases in taxes of \$39,436 and charges for services of \$30,777.
- The general fund expenditures increased by \$1,225,367 due mainly to an increase in capital outlay largely related to grants of \$1,270,953.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported an ending fund balance of \$463,550, a decrease of \$57,552 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues decreased \$73,522 as a result of a decrease in grants of \$95,000. Expenditures decreased \$85,481 due to decreased 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 \$23,159,200, which is an increase from the prior year of \$780,665. 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 were \$2,269,087, which were amended to \$3,600,598. The original budgeted expenditures were \$3,720,452, which were amended to \$5,051,963. Total other financing sources (uses) were budgeted at \$1,451,365 and were not amended.

Actual revenues exceeded budgeted revenues by \$58,829. Actual expenditures were less than budget by \$269,575 due to general government expenditures being less than anticipated. Actual other financing sources were \$68,531 less than budgeted.

Special Revenue Fund

The original budgeted revenues, including transfers in, were \$2,143,312 and were not amended during the year. Original budgeted expenditures were also \$2,143,312 and were also not amended during the year. Actual revenues were under budget by \$676,395 due to grant revenues

that were not realized in the current year. Actual expenditures were less than budgeted by \$1,241,798 due mainly to less general government and capital outlay expenditures than expected. Transfers in/out were less than the original and final budget by \$622,955.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental-type and business-type activities as of September 30, 2019, amounted to \$31,100,086 (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 hangar improvements.
- Vehicle purchases.
- Water system improvements.
- Green Street improvements.

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 793,086	\$ 793,086	\$ 1,184,493	\$ 1,184,493	\$ 1,977,579	\$ 1,977,579
Building and improvements	4,535,207	4,968,279	4,252,903	2,182,610	8,788,110	7,150,889
Electrical distribution system	-0-	-0-	830,298	993,633	830,298	993,633
Water system improvements	-0-	-0-	13,362,748	14,707,051	13,362,748	14,707,051
Machinery and equipment	335,985	326,440	2,537,317	2,459,982	2,873,302	2,786,422
Construction in progress	<u>2,637,058</u>	<u>786,426</u>	<u>630,991</u>	<u>1,134,921</u>	<u>3,268,049</u>	<u>1,921,347</u>
Total	<u>\$ 8,301,336</u>	<u>\$ 6,874,231</u>	<u>\$ 22,798,750</u>	<u>\$ 22,662,690</u>	<u>\$ 31,100,086</u>	<u>\$ 29,536,921</u>

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 \$4,497,968. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds payable (net of deferred charges)	\$ -0-	\$ -0-	\$ 2,322,000	\$ 2,530,000	\$ 2,322,000	\$ 2,530,000
Notes payable	281,035	235,257	1,499,361	1,654,291	1,780,396	1,889,548
Capital leases	-0-	-0-	<u>395,572</u>	<u>274,782</u>	<u>395,572</u>	<u>274,782</u>
Total	<u>\$ 281,035</u>	<u>\$ 235,257</u>	<u>\$ 4,216,933</u>	<u>\$ 4,459,073</u>	<u>\$ 4,497,968</u>	<u>\$ 4,694,330</u>

During the year, the City obtained a note to purchase police trucks and a capital lease for a line crew 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

The following factors were considered in preparing the City of Wauchula's budget for the 2020 fiscal year:

- The City of Wauchula experienced an increase in taxable assessed values of 5.0%. This increase in property values is estimated to generate \$48,000 in additional revenue.
- The property tax millage rate will remain the same at 5.6354 mills in 2020.
- Annual indexing of rates for water, sewer and solid waste services.
- 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.

With the previous factors considered, the City of Wauchula's budgeted revenue and expenditures for the fiscal year ended September 30, 2020 are \$17,051,577. The total budget for the previous fiscal year end September 30, 2019 was \$16,935,167. The transfer amount to the general fund increased by \$60,263 for the budget year 2019-20. There are no discernible or detectable deficiencies reported in level of services provided to the City of Wauchula customers while maintaining the level of this traditionally significant transfer.

Taxable property values in the City of Wauchula increased from fiscal year September 30, 2019 at \$118,560,693 by \$6,026,935 to \$124,587,628 in fiscal year ended September 30, 2020.

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, 2019. 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 \$171,387 to the OPEB trust in fiscal year 2018-2019. Including gains and the prior year balance, the OPEB trust has a funded balance of \$506,647.

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 2019-2020 budget which allowed for the advanced employer contribution to fund the required contribution for this upcoming fiscal year. The remaining 5.65% of the 10% the City allots for retirement expense will be deposited into the OPEB trust fund to cover future OPEB costs.

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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
ASSETS			
Cash and cash equivalents	\$ 1,256,176	\$ 2,794,600	\$ 4,050,776
Receivables, net	53,401	1,495,621	1,549,022
Due from other governments	447,239	524,823	972,062
Internal balances	(83,241)	83,241	-
Inventory	19,472	426,065	445,537
Restricted assets:			
Cash	562,549	2,956,507	3,519,056
Net pension assets	1,338,276	1,254,777	2,593,053
Capital assets (net of accumulated depreciation)			
Land	793,086	1,184,493	1,977,579
Buildings and improvements	4,535,207	4,252,903	8,788,110
Electrical distribution system	-	830,298	830,298
Water system improvements	-	13,366,564	13,366,564
Machinery and equipment	335,985	2,533,501	2,869,486
Construction in progress	2,637,058	630,991	3,268,049
Total Assets	<u>11,895,208</u>	<u>32,334,384</u>	<u>44,229,592</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	1,381,587	1,295,386	2,676,973
Deferred outflows related to OPEB	423,416	417,504	840,920
Deferred charge on refunding of debt	-	93,420	93,420
Total Deferred Outflows of Resources	<u>1,805,003</u>	<u>1,806,310</u>	<u>3,611,313</u>
LIABILITIES			
Accounts payable and other current liabilities	386,271	610,561	996,832
Accrued interest	-	34,017	34,017
Rate stabilization funds	-	353,564	353,564
Liabilities payable from restricted assets	-	612,660	612,660
Noncurrent liabilities:			
Due within one year	332,801	560,278	893,079
Due in more than one year	2,571,243	6,121,343	8,692,586
Total Liabilities	<u>3,290,315</u>	<u>8,292,423</u>	<u>11,582,738</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	1,639,249	1,536,971	3,176,220
Deferred inflows related to OPEB	505,168	498,114	1,003,282
Total Deferred Inflows of Resources	<u>2,144,417</u>	<u>2,035,085</u>	<u>4,179,502</u>
NET POSITION			
Net investment in capital assets	8,020,301	18,675,237	26,695,538
Restricted	511,024	1,990,283	2,501,307
Unrestricted	(265,846)	3,147,666	2,881,820
Total Net Position	<u>\$ 8,265,479</u>	<u>\$ 23,813,186</u>	<u>\$ 32,078,665</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<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	\$ 1,768,803	\$ 56,830	\$ -	\$ -
Police department	1,687,251	66,142	50,468	2,796
Highways and streets	482,474	102,384	-	1,317,558
Culture and recreation	489,574	-	-	105,000
Interest on long-term debt	7,807	-	-	-
Total Governmental activities	<u>4,435,909</u>	<u>225,356</u>	<u>50,468</u>	<u>1,425,354</u>
Business-type activities:				
Electric	6,310,170	6,477,183	-	-
Water	1,471,758	1,016,473	10,000	762,709
Sewer	1,821,787	2,086,823	-	-
Airport	457,663	256,330	-	1,303,900
Sanitation	886,407	1,133,828	-	-
Total Business-type activities	<u>10,947,785</u>	<u>10,970,637</u>	<u>10,000</u>	<u>2,066,609</u>
Total government	<u>\$ 15,383,694</u>	<u>\$ 11,195,993</u>	<u>\$ 60,468</u>	<u>\$ 3,491,963</u>

General revenues:

- Property taxes
- Franchise taxes
- Local option gas tax
- Hardee County TIF
- One cent sales tax
- Sales tax
- Other state revenue sharing

- Unrestricted investment earnings
- Other revenues (expense)
- Total general revenues
- Transfers
- Total general revenues and transfers
- Change in net position

Net Position – beginning

Net Position – ending

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

<u>Governmental Activities</u>	<u>Business –type Activities</u>	<u>Total</u>
\$ (1,711,973)	\$ –	\$ (1,711,973)
(1,567,845)	–	(1,567,845)
937,468	–	937,468
(384,574)	–	(384,574)
(7,807)	–	(7,807)
<u>(2,734,731)</u>	<u>–</u>	<u>(2,734,731)</u>
–	167,013	167,013
–	317,424	317,424
–	265,036	265,036
–	1,102,567	1,102,567
–	247,421	247,421
–	<u>2,099,461</u>	<u>2,099,461</u>
<u>(2,734,731)</u>	<u>2,099,461</u>	<u>(635,270)</u>
656,587	–	656,587
485,569	–	485,569
110,204	–	110,204
399,444	–	399,444
355,209	–	355,209
166,427	–	166,427
232,540	–	232,540
3,008	17,596	20,604
111,774	<u>43,798</u>	<u>155,572</u>
2,520,762	61,394	2,582,156
1,480,160	(1,480,160)	–
<u>4,000,922</u>	<u>(1,418,766)</u>	<u>2,582,156</u>
1,266,191	680,695	1,946,886
6,999,288	23,132,491	30,131,779
<u>\$ 8,265,479</u>	<u>\$ 23,813,186</u>	<u>\$ 32,078,665</u>

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

CITY OF WAUCHULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,256,176	\$ -	\$ 1,256,176
Accounts receivables (net of allowance)	32,967	-	32,967
Other receivables	20,434	-	20,434
Due from other governmental units	376,417	70,822	447,239
Inventory	19,472	-	19,472
Restricted Assets:			
Cash and cash equivalents	47,674	514,875	562,549
Total assets	<u>\$ 1,753,140</u>	<u>\$ 585,697</u>	<u>\$ 2,338,837</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 211,421	\$ 120,149	\$ 331,570
Accrued expenses	52,503	2,198	54,701
Due to other funds	83,241	-	83,241
Total liabilities	<u>347,165</u>	<u>122,347</u>	<u>469,512</u>
FUND BALANCES:			
Nonspendable	19,472	-	19,472
Spendable:			
Restricted	47,674	463,350	511,024
Unassigned	1,338,829	-	1,338,829
Total fund balances	<u>1,405,975</u>	<u>463,350</u>	<u>1,869,325</u>
Total liabilities and fund balances	<u>\$ 1,753,140</u>	<u>\$ 585,697</u>	<u>\$ 2,338,837</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, 2019**

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

Fund Balance – Governmental Fund	\$	1,869,325
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,301,336
Long-term liabilities, including notes payable, compensated absences, and other postemployment benefits are not due and payable in the current period and therefore are not reported in the funds.		(2,904,044)
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.		1,338,276
Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds.		1,381,587
Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds.		(1,639,249)
Deferred outflows of resources related to the OPEB plan do not utilize current financial resources and, therefore are not reported in the funds.		423,416
Deferred inflows of resources related to the OPEB plan are not available current financial resources and, therefore are not reported in the funds.		(505,168)
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 8,265,479</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, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,252,360	\$ 399,444	\$ 1,651,804
Charges for services	128,741	-	128,741
Fines and forfeitures	46,442	-	46,442
Intergovernmental revenue	754,176	-	754,176
Interest	1,661	1,347	3,008
Licenses and permits	13,675	-	13,675
Grant revenue	1,387,061	105,000	1,492,061
Miscellaneous revenues	75,311	85,222	160,533
Total Revenues	<u>3,659,427</u>	<u>591,013</u>	<u>4,250,440</u>
Expenditures:			
Current:			
General government	1,161,843	340,272	1,502,115
Police department	1,408,260	-	1,408,260
Highways and streets	263,922	-	263,922
Culture/recreation	344,046	-	344,046
Capital outlay	1,492,288	561,242	2,053,530
Debt service:			
Principal retirement	104,222	-	104,222
Interest	7,807	-	7,807
Total Expenditures	<u>4,782,388</u>	<u>901,514</u>	<u>5,683,902</u>
Excess (deficiency) of Revenues (Under) Over Expenditures	(1,122,961)	(310,501)	(1,433,462)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	5,623	-	5,623
Loan proceeds	150,000	-	150,000
Transfers In	1,480,160	252,949	1,733,109
Transfers Out	(252,949)	-	(252,949)
Total Other Financing Sources (Uses)	<u>1,382,834</u>	<u>252,949</u>	<u>1,635,783</u>
Net Change in Fund Balances	259,873	(57,552)	202,321
FUND BALANCE – Beginning	<u>1,146,102</u>	<u>520,902</u>	<u>1,667,004</u>
FUND BALANCE – Ending	<u><u>\$ 1,405,975</u></u>	<u><u>\$ 463,350</u></u>	<u><u>\$ 1,869,325</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, 2019**

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

Net changes in fund balance – total governmental fund	\$	202,321
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 exceed depreciation and loss on disposal.		1,427,105
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.		104,222
Debt proceeds from the issuance of new debt are recorded in the general fund as an other financing source. However, the transaction has no effect on net position.		(150,000)
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.		(16,239)
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 postemployment benefits.		(10,091)
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.		(247,999)
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.		<u>(43,128)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,266,191</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,984,532	\$ 188,785	\$ 621,283	\$ 2,794,600
Receivables (net of allowance)	1,337,861	909	156,851	1,495,621
Due from other governments	524,823	-	-	524,823
Due from other funds	833,241	-	-	833,241
Inventory	402,411	15,154	8,500	426,065
Total current assets	<u>5,082,868</u>	<u>204,848</u>	<u>786,634</u>	<u>6,074,350</u>
Noncurrent Assets:				
Restricted:				
Cash and cash equivalents	2,923,307	-	33,200	2,956,507
Total restricted assets	<u>2,923,307</u>	<u>-</u>	<u>33,200</u>	<u>2,956,507</u>
Net Pension Asset	1,021,259	-	233,518	1,254,777
Capital Assets				
Land	230,084	954,409	-	1,184,493
Buildings and improvements	1,003,648	9,699,323	-	10,702,971
Electrical distribution system improvements	5,751,523	-	-	5,751,523
Water and sewer system Improvements	32,056,928	-	-	32,056,928
Machinery and equipment	5,523,670	510,278	826,860	6,860,808
Construction in progress	619,291	11,700	-	630,991
Less accumulated depreciation	(27,921,483)	(5,972,266)	(495,215)	(34,388,964)
Total capital assets (net)	<u>17,263,661</u>	<u>5,203,444</u>	<u>331,645</u>	<u>22,798,750</u>
Total noncurrent assets	<u>21,208,227</u>	<u>5,203,444</u>	<u>598,363</u>	<u>27,010,034</u>
TOTAL ASSETS	<u>26,291,095</u>	<u>5,408,292</u>	<u>1,384,997</u>	<u>33,084,384</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of pension resources	1,054,311	-	241,075	1,295,386
Deferred outflows related to OPEB	335,850	-	81,654	417,504
Deferred charge on refunding of debt	93,420	-	-	93,420
	<u>1,483,581</u>	<u>-</u>	<u>322,729</u>	<u>1,806,310</u>
LIABILITIES				
Current liabilities:				
Accounts payable	484,099	8,219	28,635	520,953
Accrued expense	66,991	15,077	7,540	89,608
Compensated absences	115,880	-	16,744	132,624
Due to other funds	-	750,000	-	750,000
Rate stabilization funds	353,564	-	-	353,564
Total current liabilities	<u>1,020,534</u>	<u>773,296</u>	<u>52,919</u>	<u>1,846,749</u>
Current liabilities payable from restricted assets:				
Accrued interest payable	34,017	-	-	34,017
Customer deposits	612,660	-	-	612,660
Long-term debt payable – current	402,746	-	24,908	427,654
Total current liabilities payable from restricted assets	<u>1,049,423</u>	<u>-</u>	<u>24,908</u>	<u>1,074,331</u>
Noncurrent liabilities:				
Compensated absences	33,072	-	4,779	37,851
Net other post-employment benefits liability	1,845,520	-	448,693	2,294,213
Long-term debt payable	3,586,792	-	202,487	3,789,279
Total noncurrent liabilities	<u>5,465,384</u>	<u>-</u>	<u>655,959</u>	<u>6,121,343</u>
TOTAL LIABILITIES	<u>7,535,341</u>	<u>773,296</u>	<u>733,786</u>	<u>9,042,423</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of pension earnings	1,250,936	-	286,035	1,536,971
Deferred inflows related to OPEB	400,695	-	97,419	498,114
	<u>1,651,631</u>	<u>-</u>	<u>383,454</u>	<u>2,035,085</u>
NET POSITION				
Net investment in capital assets	13,367,543	5,203,444	104,250	18,675,237
Restricted	1,957,083	-	33,200	1,990,283
Unrestricted	3,263,078	(568,448)	453,036	3,147,666
TOTAL NET POSITION	<u>\$ 18,587,704</u>	<u>\$ 4,634,996</u>	<u>\$ 590,486</u>	<u>\$ 23,813,186</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, 2019

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
Operating Revenues:				
Charges for services and fees				
Electric sales	\$ 6,477,183	\$ -	\$ -	\$ 6,477,183
Water sales	1,016,473	-	-	1,016,473
Sewer sales	2,086,823	-	-	2,086,823
Airport fuel	-	148,845	-	148,845
Hanger rental	-	107,485	-	107,485
Sanitation	-	-	1,133,828	1,133,828
Total Operating Revenues	9,580,479	256,330	1,133,828	10,970,637
Operating Expenses:				
Cost of sales and services				
Personal services	2,171,674	-	393,748	2,565,422
Other operating expenses	1,803,717	203,123	428,590	2,435,430
Purchased power	3,740,633	-	-	3,740,633
Depreciation	1,791,169	254,540	55,105	2,100,814
Total Operating Expenses	9,507,193	457,663	877,443	10,842,299
Operating Income (Loss)	73,286	(201,333)	256,385	128,338
Non-Operating Revenues (Expenses)				
Capital grants and contributions	772,709	1,303,900	-	2,076,609
Interest income	16,401	191	1,004	17,596
Interest expense	(96,522)	-	(8,964)	(105,486)
Other income (expense)	43,798	-	-	43,798
Total Non-Operating Items	736,386	1,304,091	(7,960)	2,032,517
Income (Loss) Before Transfers	809,672	1,102,758	248,425	2,160,855
Transfers				
Transfers out	(1,242,078)	(22,000)	(216,082)	(1,480,160)
Net Transfers	(1,242,078)	(22,000)	(216,082)	(1,480,160)
Change in Net Position	(432,406)	1,080,758	32,343	680,695
Net Position – Beginning	19,020,110	3,554,238	558,143	23,132,491
Net Position – Ending	\$ 18,587,704	\$ 4,634,996	\$ 590,486	\$ 23,813,186

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, 2019

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 9,490,603	\$ 973,325	\$ 1,132,794	\$ 11,596,722
Payments to suppliers	(5,626,357)	(775,349)	(430,141)	(6,831,847)
Payments to employees	(1,939,378)	3,054	(318,220)	(2,254,544)
Net cash provided (used) by operating activities	1,924,868	201,030	384,433	2,510,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances (to) from other funds	57,012	(12,409)	(23,844)	20,759
Transfers in (out)	(1,242,078)	(22,000)	(216,082)	(1,480,160)
Net cash provided (used) by noncapital financing activities	(1,185,066)	(34,409)	(239,926)	(1,459,401)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment of interest	(86,820)	-	(8,964)	(95,784)
Payment of debt principal	(363,458)	-	(52,105)	(415,563)
Capital grants proceeds received	816,507	1,303,900	-	2,120,407
Proceeds from sales of capital assets	12,808	-	-	12,808
Capital expenditures	(775,505)	(1,300,754)	-	(2,076,259)
Net cash provided (used) by capital and related financing activities	(396,468)	3,146	(61,069)	(454,391)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	16,401	191	1,004	17,596
Net cash provided (used) by investing activities	16,401	191	1,004	17,596
Net increase (decrease) in cash and cash equivalents	359,735	169,958	84,442	614,135
Cash and cash equivalents at beginning of year	4,548,104	18,827	570,041	5,136,972
Cash and cash equivalents at end of year	\$ 4,907,839	\$ 188,785	654,483	\$ 5,751,107
Cash and cash equivalents	\$ 1,984,532	\$ 188,785	\$ 621,283	\$ 2,794,600
Restricted:				
Cash and cash equivalents	2,923,307	-	33,200	2,956,507
	\$ 4,907,839	\$ 188,785	654,483	\$ 5,751,107

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, 2019

	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)	\$ 73,286	\$ (201,333)	\$ 256,385	\$ 128,338
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,791,169	254,540	55,105	2,100,814
Non cash pension expense	234,239	-	60,571	294,810
Non cash OPEB expense	(1,070)	-	14,742	13,672
(Increase) decrease in assets:				
Accounts receivable	(84,132)	716,995	(1,034)	631,829
Inventory	(68,885)	(8,397)	(251)	(77,533)
Increase (decrease) in liabilities:				
Accounts payable	(13,122)	(563,829)	(1,300)	(578,251)
Accrued expenses	7,956	3,054	170	11,180
Customer deposits	(5,744)	-	-	(5,744)
Compensated absences	(8,829)	-	45	(8,784)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,924,868</u>	<u>\$ 201,030</u>	<u>\$ 384,433</u>	<u>\$ 2,510,331</u>
NONCASH CAPITAL AND FINANCING ACTIVITIES:				
Acquisition of capital lease assets through issuance of new capital leases	<u>\$ 173,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,423</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, 2019

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 72
Investments	23,137,289
Employer receivables	10,920
Employee receivables	<u>10,919</u>
TOTAL ASSETS	<u>23,159,200</u>
NET POSITION	
Held in trust for pension benefits	22,652,553
Restricted for post-employment benefits other than pension	<u>506,647</u>
	<u>\$ 23,159,200</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, 2019

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 313,182
Plan members	319,831
Other income	42,589
Total Contributions	<u>675,602</u>
 Investment earnings:	
Net increase in the fair value of investments	1,178,213
Total Investment Earnings	<u>1,178,213</u>
Total Additions	1,853,815
 DEDUCTIONS	
Pension benefits paid	903,232
OPEB refunds	112,364
Administrative expenses	57,554
Total Deductions	<u>1,073,150</u>
Change in Net Position	780,665
Net Position – Beginning	<u>22,378,535</u>
Net Position – Ending	<u><u>\$ 23,159,200</u></u>

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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

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 non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 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)

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

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.

As a general rule the effect of inter-fund 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.

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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. The City reports the following proprietary funds:

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 WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fiduciary Funds

Trust Funds

Trust 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 pension trust funds. Pension trust funds are accounted for essentially the same as a proprietary fund since capital maintenance is critical. 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.

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 Inter-local 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

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. FAIR VALUE – CONTINUED

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.

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 any cash held with a 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 arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. RECEIVABLES AND PAYABLES – CONTINUED

activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of allowance for doubtful accounts. At September 30, 2019 the reserve for bad debts in the general fund was \$4,676, the utility fund was \$116,714, the airport fund was \$4,233 and the sanitation fund was \$19,113.

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
Water system improvements	20 – 50

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position 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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – CONTINUED

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category. 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 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 debt 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.

N. 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.

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. 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 balances are 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.

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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. FUND BALANCE – CONTINUED

	General Fund	CRA Fund	TOTALS
Nonspendable	\$ 19,472	\$ -0-	\$ 19,472
Spendable:			
Restricted:			
Storm disaster	7,465	-0-	7,465
Law enforcement education	14,050	-0-	14,050
Police Department	26,159	-0-	26,159
Community Redevelopment activities	-0-	463,350	463,350
Total Restricted	47,674	463,350	511,024
Committed	-0-	-0-	-0-
Assigned	-0-	-0-	-0-
Unassigned	1,338,829	-0-	1,338,829
Total Fund Balance	\$ 1,405,975	\$ 463,350	\$ 1,869,325

P. 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, 2019 was 5.6354 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 2019 is included in the accompanying financial statements since taxes do not meet the necessary criteria.

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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. 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 yearend. 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.

R. 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.

S. 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.

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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:

Notes payable	\$ 281,035
Compensated absences	296,309
Other postemployment benefits	<u>2,326,700</u>
	<u>\$ 2,904,044</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	\$ 2,054,031
Loss on disposal	(17,880)
Depreciation expense	<u>(609,046)</u>
	<u>\$ 1,427,105</u>

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At year-end, the City’s carrying amount of deposits was \$7,569,832 and the bank balance was \$7,760,447. All deposits were in State Certified Qualified Public Depositories.

B. RESTRICTED ASSETS

Restricted assets are cash and cash equivalents (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 the source of proceeds. Restricted assets held at September 30, 2019 included the following:

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. RESTRICTED ASSETS – CONTINUED

General Fund:	
Storm disaster contributions	\$ 7,465
Law enforcement trust	14,050
Wauchula police	<u>26,159</u>
Total General Fund	<u>\$ 47,674</u>

Special Revenue Fund:	
Community redevelopment	\$ 514,875
Total Special Revenue Fund	<u>\$ 514,875</u>

Utility Fund:	
Impact fees	\$ 522,668
Debt service	212,000
Capital improvement	1,222,415
Rate stabilization	353,564
Utility deposits	<u>612,660</u>
Total Utility Fund	<u>\$ 2,923,307</u>

Sanitation Fund:	
Debt Service	\$ 33,200
Total Sanitation Fund	<u>\$ 33,200</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 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	\$ 793,086	\$ -0-	\$ -0-	\$ -0-	\$ 793,086
Construction in progress	<u>786,426</u>	<u>1,850,632</u>	<u>-0-</u>	<u>-0-</u>	<u>2,637,058</u>
Total capital assets, not being depreciated	<u>1,579,512</u>	<u>1,850,632</u>	<u>-0-</u>	<u>-0-</u>	<u>3,430,144</u>
Capital assets, being depreciated:					
Buildings and improvements	11,008,056	33,062	(20,896)	-0-	11,020,222
Machinery and equipment	<u>1,977,174</u>	<u>170,337</u>	<u>(55,101)</u>	<u>-0-</u>	<u>2,092,410</u>
Total capital assets being depreciated	<u>12,985,230</u>	<u>203,399</u>	<u>(75,997)</u>	<u>-0-</u>	<u>13,112,632</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,039,777)	(448,254)	3,016	-0-	(6,485,015)
Machinery and equipment	<u>(1,650,734)</u>	<u>(160,792)</u>	<u>55,101</u>	<u>-0-</u>	<u>(1,756,425)</u>
Total accumulated depreciation	<u>(7,690,511)</u>	<u>(609,046)</u>	<u>58,117</u>	<u>-0-</u>	<u>(8,241,440)</u>
Total capital assets being depreciated, net	<u>5,294,719</u>	<u>(405,647)</u>	<u>(17,880)</u>	<u>-0-</u>	<u>4,871,192</u>
Governmental activities capital assets, net	<u>\$ 6,874,231</u>	<u>\$ 1,444,985</u>	<u>\$ (17,880)</u>	<u>\$ -0-</u>	<u>\$ 8,301,336</u>

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. CAPITAL ASSETS – CONTINUED

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

General government	\$ 151,785
Police department	131,258
Highways and streets	201,136
Culture and recreation	<u>124,867</u>
	<u>\$ 609,046</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,184,493	\$ -0-	\$ -0-	\$ -0-	\$ 1,184,493
Construction in progress	<u>1,134,921</u>	<u>521,188</u>	<u>-0-</u>	<u>(1,025,118)</u>	<u>630,991</u>
Total capital assets, not being depreciated	<u>2,319,414</u>	<u>521,188</u>	<u>-0-</u>	<u>(1,025,118)</u>	<u>1,815,484</u>
Capital assets, being depreciated:					
Buildings and improvements	8,384,800	1,293,053	-0-	1,025,118	10,702,971
Electrical distribution system	5,731,988	19,535	-0-	-0-	5,751,523
Water system improvements	32,030,891	26,037	-0-	-0-	32,056,928
Machinery and equipment	<u>6,702,086</u>	<u>377,061</u>	<u>(218,339)</u>	<u>-0-</u>	<u>6,860,808</u>
Total capital assets being depreciated	<u>52,849,765</u>	<u>1,715,686</u>	<u>(218,339)</u>	<u>1,025,118</u>	<u>55,372,230</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,202,190)	(247,878)	-0-	-0-	(6,450,068)
Electrical distribution system	(4,738,355)	(184,092)	1,222	-0-	(4,921,225)
Water system improvements	(17,323,840)	(1,366,524)	-0-	-0-	(18,690,364)
Machinery and equipment	<u>(4,242,104)</u>	<u>(302,320)</u>	<u>217,117</u>	<u>-0-</u>	<u>(4,327,307)</u>
Total accumulated depreciation	<u>(32,506,489)</u>	<u>(2,100,814)</u>	<u>218,339</u>	<u>-0-</u>	<u>(34,388,964)</u>
Total capital assets being depreciated, net	<u>20,343,276</u>	<u>(385,128)</u>	<u>-0-</u>	<u>1,025,118</u>	<u>20,983,266</u>
Business-type activities capital assets, net	<u>\$ 22,662,690</u>	<u>\$ 136,060</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 22,798,750</u>

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

Business-Type Activities	
Utility Fund	\$ 1,791,169
Sanitation	55,105
Airport	<u>254,540</u>
	<u>\$ 2,100,814</u>

D. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to and from accounts represent amounts paid for by one fund on behalf of another. This is due to certain 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. Inter-fund 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 WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

The composition of inter-fund balances as of September 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility	Airport	\$ 750,000
Utility	General	83,241
		<u>\$ 833,241</u>

Inter-fund transfers:

	<u>Transfers in:</u>	
	<u>General</u>	<u>CRA</u>
Transfers out:		
General Fund	\$ -0-	\$ 252,949
Utility	\$ 1,242,078	\$ -0-
Airport	\$ 22,000	\$ -0-
Sanitation	\$ 216,082	

E. LEASES

The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$553,326 with accumulated depreciation of \$190,414 at September 30, 2019. 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, 2019.

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2020	\$ 96,339
2021	96,339
2022	96,339
2023	96,339
2024	37,770
Minimum lease payments for all capital leases	423,126
Less: Amount representing interest	(27,554)
Present value of minimum lease payments	<u>\$ 395,572</u>

F. LONG-TERM DEBT

Governmental Activities – Notes Payable from Direct Borrowings

2015 Dodge Chargers

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, 2019, no demand had been made, and the principal balance outstanding was \$19,118. The note matures November 7, 2019 and is collateralized by the vehicles.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Governmental Activities – Notes Payable from Direct Borrowings – Continued

2014 Patrol Cars

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. As of September 30, 2019, the note has been repaid.

Animal Control Truck

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. As of September 30, 2019, the note has been repaid.

2015 Patrol Cars

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, 2019, the principal balance outstanding was \$28,373.

2017 Dodge Chargers

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, 2019, the principal balance outstanding was \$83,544.

2019 Patrol Cars

On January 7, 2019, the City borrowed \$150,000 from First National Bank of Wauchula to finance the purchase of three police vehicles. The note bears interest at 3.99% per annum and is due in annual payments of \$33,700, which includes interest. The note matures in January 2024 and is secured by the vehicles. At September 30, 2019, the principal balance outstanding was \$150,000.

Future maturities of all governmental notes payable from direct borrowings are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 102,282	\$ 10,116	\$ 112,398
2021	56,664	6,484	63,148
2022	58,591	4,554	63,145
2023	31,164	2,536	33,700
2024	<u>32,334</u>	<u>1,292</u>	<u>33,626</u>
Total	<u>\$ 281,035</u>	<u>\$ 24,982</u>	<u>\$ 306,017</u>

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Governmental Activities – Notes Payable from Direct Borrowings – Continued

The City’s vehicle loans describe events of default as failure to make required payments. In event of default, creditors may declare the total balance outstanding due on demand. The creditor may also repossess the collateralized property and seek any other remedies as allowed by law.

Business-Type Activities – Bonds

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, 2018 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.

The bonds require the use of a sinking fund, of which is included in restricted cash.

Failure to make timely payments will result in default. In addition to any remedies available to the creditor by law, upon default the City is required to pay interest due on unpaid amounts plus an additional 2% per annum from and five days after the date due until such overdue amount is paid. The City is also required to pay all costs of collection.

Future maturities of the revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	229,000	29,270	258,270
2025 – 2029	<u>1,220,000</u>	<u>74,942</u>	<u>1,294,942</u>
Total	<u>\$ 2,322,000</u>	<u>\$ 265,812</u>	<u>\$ 2,587,812</u>

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Business-Type Activities – Notes Payable from Direct Borrowings

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, 2019 is \$254,142.

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, 2019 is \$750,282. 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, 2019 is \$267,542. The City has pledged the revenues of the system for the repayment of the loan.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Default Remedies on State of Florida Department of Environmental Protection Loans

Loans by the State of Florida Department Environmental Protection (SRF Revolving Loans) define events of default as failure to make any monthly loan deposits or semi-annual loan payments for a period of 30 days; failure to comply with the loan agreement; bankruptcy or insolvency; or failure to give immediate written notice of default when a default has continued for 30 days.

State Revolving Fund loans provide for a number of remedies providing finance-related consequences in an event of default. The Florida Department of Environmental Protection may:

- Establish rates and collect fees and charges for the use of the City’s Utility System.
- Intercept the delinquent amount plus six percent, as expressed as an annual interest rate from any unobligated funds due to the City under any revenue or tax sharing fund established by the State. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.
- Notify financial market credit ratings agencies and potential creditors.
- Sue for payment of amounts due, as well as interest on overdue payments and associated costs.
- Accelerate the repayment schedule or increase the interest rate on the unpaid principal to as much as 1.667 times the original rate.

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, 2019, the principal balance outstanding was \$227,395. The loan requires the use of a reserve account, of which is included in restricted cash. In the event of default by not making timely payments, the creditor may repossess the collateralized property and seek any other remedies as allowed by law.

Future maturities of all notes payable from direct borrowings are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 129,260	\$ 35,901	\$ 165,161
2021	132,477	32,862	165,339
2022	135,756	29,735	165,491
2023	139,093	26,518	165,611
2024	141,488	23,213	164,701
2025 - 2029	734,990	64,613	799,603
2030 - 2034	86,297	3,001	89,298
Total	<u>\$ 1,499,361</u>	<u>\$ 215,843</u>	<u>\$ 1,715,204</u>

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes Payable from Direct Borrowings					
2015 Dodge Chargers	\$ 37,562	\$ -0-	\$ (18,444)	\$ 19,118	\$ 19,118
2015 Patrol Cars	55,788	-0-	(27,415)	28,373	28,373
2014 Patrol Cars	25,619	-0-	(25,619)	-0-	-0-
Animal Control Truck	6,410	-0-	(6,410)	-0-	-0-
2017 Dodge Chargers	109,878	-0-	(26,334)	83,544	27,078
2019 Patrol Cars	<u>-0-</u>	<u>150,000</u>	<u>-0-</u>	<u>150,000</u>	<u>27,713</u>
Total	235,257	150,000	(104,222)	281,035	102,282
Compensated absences	253,181	229,749	(186,621)	296,309	230,519
Other postemployment benefits	<u>1,847,984</u>	<u>589,974</u>	<u>(111,258)</u>	<u>2,326,700</u>	<u>-0-</u>
Governmental activity					
Long-term liabilities	<u>\$2,336,422</u>	<u>\$969,723</u>	<u>\$(402,101)</u>	<u>\$2,904,044</u>	<u>\$ 332,801</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type activities:					
Notes Payable from Direct Borrowings					
2006 Clean Water State SRF Revolving Loan 2010	\$ 278,960	\$ -0-	\$ (24,818)	\$ 254,142	\$ 27,064
SRF Revolving Loan – Original 2011	808,578	-0-	(58,296)	750,282	56,616
SRF Revolving Loan – Companion 2011	287,253	-0-	(19,711)	267,542	20,572
USDA Side-Arm Garbage Truck	<u>279,500</u>	<u>-0-</u>	<u>(52,105)</u>	<u>227,395</u>	<u>24,908</u>
Total	1,654,291	-0-	(154,930)	1,499,361	129,160
Bonds Payable:					
Utility Revenue Bond Refunding Series 2016	2,530,000	-0-	(208,000)	2,322,000	212,000
Capital leases	274,782	173,423	(52,633)	395,572	86,494
Compensated Absences	179,259	249,058	(257,842)	170,475	132,624
Other postemployment benefits	<u>1,819,313</u>	<u>584,604</u>	<u>(109,704)</u>	<u>2,294,213</u>	<u>-0-</u>
Business type activity					
Long-term liabilities	<u>\$6,457,645</u>	<u>\$1,007,085</u>	<u>\$(783,109)</u>	<u>\$6,681,621</u>	<u>\$ 560,278</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)

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

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, 2018 valuation date membership consisted of:

Active	71
Retirees	42
Terminated with deferred vested pensions	<u>11</u>
Total	<u>124</u>

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 2019 were \$42,589, 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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

Wauchula Police Pension Trust Fund – (WPPP) – Continued

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.

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.

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RETIREMENT PLANS – CONTINUED

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%. Total employer contributions were \$141,795 and combined with the OPEB Trust Fund contribution exceeded required contributions for the year ended September 30, 2019, on covered payroll of \$2,817,015.

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.

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, 2019:

<u>Asset Class</u>	<u>Total Allocation</u>
Equities	60%
Large Cap	34%
Small Cap	11%
International	15%
Fixed Income	40%
Core Bonds	15%
Core Plus	15%
Core Real Estate	10%

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, 2019, the asset allocations for the various investment models were as follows:

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

<u>Asset Allocation and Model/Percentage</u>	<u>WEPP WPPP 60/40</u>
Cash and Money Market	0.9%
FMIvT Broad Market High Quality Bond	14.4%
FMIvT Diversified Large Cap	34.7%
FMIvT Diversified Small to Mid Cap Equity	11.5%
FMIvT Core Real Estate	9.7%
FMIvT International Equity	14.5%
FMIvT Core Plus Fixed Income	<u>14.3%</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.

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 6.43 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 5.16 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, 2019 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 5.34% 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, 2019 were as follows:

Total Pension Liability	\$ 16,910,598
Less Fiduciary Net Position	<u>(19,503,651)</u>
Net Pension Liability	<u>\$ (2,593,053)</u>
Plan Fiduciary Net Position as a Percentage Of Total Pension Liability	115.33%

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

Net Pension Liability–WEPP – Continued

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balance as of September 30, 2018	\$ 15,688,827	\$ (19,010,433)	\$ (3,321,606)
Change due to:			
Service cost	716,988	–0–	716,988
Expected interest growth	1,116,945	(1,313,228)	(196,283)
Unexpected investment income	–0–	311,337	311,337
Demographic experience	(115,371)	–0–	(115,371)
Employer contributions	–0–	(133,519)	(113,519)
Employee contributions	–0–	(304,838)	(304,838)
Benefit payments & refunds	(903,232)	903,232	–0–
Administrative expenses	–0–	43,798	43,798
Changes in benefit terms	406,441	–0–	406,441
Assumption changes	–0–	–0–	–0–
Balance as of September 30, 2019	<u>\$16,910,598</u>	<u>\$(19,503,651)</u>	<u>\$ (2,593,053)</u>

The Sponsor’s net pension liability (asset) was measured as of September 30, 2019.

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, 2018. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30, 2019. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return (2.77% 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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

Actuarial Assumptions–WEPP – Continued

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, 2019 are summarized in the following table:

Long-Term Expected Asset Class	Real Rate of Return
Equities	
Large Cap	4.60%
Small Cap	5.50%
International	6.70%
Fixed Income	
Core Bonds	1.60%
Core Plus	2.10%
Core Real Estate	5.00%
Total or weighted arithmetic average	4.23%

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 of the City, calculated using the discount rate of 7.00%, as well 1% higher and 1% lower than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	\$ (283,194)	\$ (2,593,053)	\$ (4,484,641)

Changes of Assumptions

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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

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

For the year ended September 30, 2019 the City recognized pension expense of \$676,328. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2018	\$ 3,035,931	\$ (3,720,922)
Change due to:		
Amortization payments	(670,294)	660,072
Investment gain/loss	311,336	-0-
Demographic gain/loss	-0-	(115,370)
Assumption changes	-0-	-0-
Total change	<u>(358,958)</u>	<u>544,701</u>
Balance as of September 30, 2019	<u>\$ 2,676,973</u>	<u>\$ (3,176,220)</u>

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>
2020	\$ 380,740	\$ (660,073)
2021	\$ 380,740	\$ (620,976)
2022	\$ 380,740	\$ (413,349)
2023	\$ 380,742	\$ (394,298)
2024	\$ 380,743	\$ (394,298)
Thereafter	\$ 835,538	\$ (693,232)

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, 2019.

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	19,503,651	3,133,128	500,510	23,137,289
Receivable – Employer	4,783	-0-	6,137	10,920
Receivable – Employee	10,919	-0-	-0-	10,919
Total Assets	<u>\$ 19,519,353</u>	<u>\$ 3,133,200</u>	<u>\$ 506,647</u>	<u>\$ 23,159,200</u>
NET POSITION				
Held in trust for pension benefits	\$ 19,519,353	\$ 3,133,200	\$ -0-	\$ 22,652,553
Restricted for OPEB Benefits	-0-	-0-	506,647	506,647
Total Net Position	<u>\$ 19,519,353</u>	<u>\$ 3,133,200</u>	<u>\$ 506,647</u>	<u>\$ 23,159,200</u>

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Employee Pension Fund	Police Pension Fund	OPEB Trust Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 141,795	\$ -0-	\$ 171,387	\$ 313,182
Plan members	316,535	-0-	3,296	319,831
Other income	-0-	42,589	-0-	42,589
Total Contributions	458,330	42,589	\$ 174,683	675,602
Investment earnings:				
Net change in the fair value of investments	1,001,890	160,393	15,930	1,178,213
Total Investing Earnings	1,001,890	160,393	15,930	1,178,213
Total Additions	1,460,220	202,982	190,613	1,853,815
DEDUCTIONS				
Pension benefits paid	903,232	-0-	-0-	903,232
OPEB refunds	-0-	-0-	112,364	112,364
Administrative expenses	43,798	6,807	6,949	57,554
Total Deductions	947,030	6,807	119,313	1,073,150
Change in net position	513,190	196,175	71,300	780,665
Net Position – beginning	19,006,163	2,937,025	435,347	22,378,535
Net Position – ending	\$ 19,519,353	\$ 3,133,200	\$ 506,647	\$ 23,159,200

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, 2019	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	\$ 204,731	\$ 204,731	\$ -0-	\$ -0-
FMIvT Broad Market High Quality Bond	3,357,796	-0-	3,357,796	-0-
FMIvT Core Plus Fixed Income	3,335,660	-0-	-0-	3,335,660
FMIvT Diversified Large Cap	8,004,616	-0-	8,004,616	-0-
FMIvT Diversified Small to Mid Cap	2,648,776	-0-	2,648,776	-0-
FMIvT International Equity	3,345,898	-0-	3,345,898	-0-
FMIvT Core Real Estate	2,239,812	-0-	-0-	2,239,812
Total Investments	\$ 23,137,289	\$ 204,731	\$ 17,357,086	\$ 5,575,472

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RETIREMENT PLANS – CONTINUED

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 and FMIVT Core Real Estate are funds 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.

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.

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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Plan Membership – At September 30, 2019, membership in the Plan consisted of the following:

Current Retirees	34
Active Employees	<u>71</u>
	<u>105</u>

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, 2019, the City contributed \$171,387 to the OPEB Trust. For the year ended September 30, 2019, the City’s average contribution rate was 5.46 percent of covered-employee payroll of \$3,136,162. 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, 2019:

<u>Asset Class</u>	<u>Total Allocation</u>
Equities	50%
Large Cap	29%
Small Cap	8%
International	13%
Fixed Income	50%
Core Bonds	20%
Core Plus	20%
Core Real Estate	10%

As of September 30, 2019, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>OPEB 50/50</u>
Cash and Money Market	0.2%
FMLvT Broad Market High Quality Bond	19.6%
FMLvT Core Plus Fixed Income	19.7%
FMLvT Diversified Large Cap	29.9%
FMLvT Diversified Small to Mid Cap Equity	9.1%
FMLvT International Equity	12.7%
FMLvT Core Real Estate	<u>8.8%</u>
	<u>100.0%</u>

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

There were no changes in the investment policy during the year ended September 30, 2019. 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 or more of the Plan’s fiduciary net position.

Rate of Return – For the year ended September 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.43 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, 2019, the Plan did not have any receivables.

Allocated Insurance Contracts

As of September 30, 2019, the Plan did not have any allocated insurance contracts.

Reserves

As of September 30, 2019, the Plan did not have any reserves.

Net OPEB Liability

The components of the net OPEB liability of the City at September 30, 2019, were as follows:

Total OPEB liability	\$ 5,121,423
Plan fiduciary net position	<u>(500,510)</u>
City’s net OPEB liability	<u>\$ 4,620,913</u>

Plan fiduciary net position as a percentage of the total OPEB liability 9.77%

The City’s net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2018.

Actuarial Assumptions –The total OPEB liability was determined by an actuarial valuation as of October 1, 2018 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:

- **Discount Rate**
3.86% 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 3.58% 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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- Expected Long-Term Return on Assets
6.50% per annum (2.62% 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 7.00% for the 2018-19 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 and public safety employees, sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) with full generational improvements in mortality using MP-2017.
- 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.
- 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.

CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- 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 3.78% to 3.86%, the implied monthly subsidy for the retiree for the 2018/19 fiscal year was decreased from \$403.12 to \$350.00, the implied monthly subsidy for the retiree's spouse for the 2018/19 fiscal year was decreased from \$483.75 to \$450.00, and the mortality basis was changed from the RP-2000 Mortality Table with generational improvements in mortality using Scale BB to the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2017.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Bonds	1.60% per annum
Core Real Estate	5.00% per annum
Core Plus	2.10% per annum
U.S. Large Cap Equities	4.60% per annum
U.S. Small Cap Equities	5.50% per annum
Non-U.S. Equities	6.70% per annum

Discount Rate – The discount rate used to measure the total OPEB liability was 3.86 percent (increased from 3.78% 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.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

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, 2018	\$ 4,096,637	\$ (429,340)	\$ 3,667,297
Changes due to:			
Service cost	76,135	-0-	76,135
Expected interest growth	157,853	(17,409)	140,444
Net investment income	-0-	(10,017)	(10,017)
Differences between expected and actual experience	951,050	-0-	951,050
Employer contributions	-0-	(171,258)	(171,258)
Employee contributions	-0-	-0-	-0-
Benefit payments & refunds	(120,565)	120,565	-0-
Administrative expenses	-0-	6,949	6,949
Changes in benefit terms	-0-	-0-	-0-
Assumption changes	<u>(39,687)</u>	<u>-0-</u>	<u>(39,687)</u>
Balance as of September 30, 2019	<u>\$ 5,121,423</u>	<u>\$ (500,510)</u>	<u>\$ 4,620,913</u>

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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

	1% Decrease <u>2.86%</u>	Current Discount Rate <u>3.86%</u>	1% Increase <u>4.86%</u>
Net OPEB liability	\$ 5,456,155	\$ 4,620,913	\$ 3,953,793

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 (6.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net OPEB liability	\$ 3,945,699	\$ 4,620,913	\$ 5,455,260

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

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$195,024. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2018	\$ 2,168	\$ (1,094,383)
Change due to:		
Amortization payments	(112,300)	140,805
Investment gain/loss	-0-	(10,017)
Demographic gain/loss	951,052	-0-
Assumption changes	<u>-0-</u>	<u>(39,687)</u>
Total change	<u>838,752</u>	<u>91,101</u>
Balance as of September 30, 2019	<u>\$ 840,920</u>	<u>\$ (1,003,282)</u>

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>
2020	\$ 112,300	\$ 140,804
2021	\$ 112,300	\$ 140,806
2022	\$ 112,298	\$ 138,974
2023	\$ 111,757	\$ 138,976
2024	\$ 111,757	\$ 136,971
Thereafter	\$ 280,508	\$ 306,752

Payable to the OPEB Plan

At September 30, 2019, the City did not have any amounts outstanding of contributions to the Plan required for the year ended September 30, 2019.

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, 2019 is approximately \$305,000 of which all is expected to be funded by grant awards the City has received.

**CITY OF WACHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – SUBSEQUENT EVENTS

As of the date through which the City has evaluated events occurring subsequent to the balance sheet date, May 15, 2020, management of the City is evaluating the risks associated with the COVID-19 pandemic. Management of the City is in the process of implementing risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the City's business transactions and human interaction within and outside of the City. However, the City cannot, at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,260,538	\$ 1,260,538	\$ 1,252,360	\$ (8,178)
Charges for services	107,100	107,100	128,741	21,641
Fines and forfeitures	54,550	54,550	46,442	(8,108)
Intergovernmental revenue	741,000	741,000	754,176	13,176
Interest	1,430	1,430	1,661	231
Licenses and permits	12,000	12,000	13,675	1,675
Grant revenue	41,250	1,358,808	1,387,061	28,253
Miscellaneous revenues	51,219	65,172	75,311	10,139
Total Revenues	<u>2,269,087</u>	<u>3,600,598</u>	<u>3,659,427</u>	<u>58,829</u>
Expenditures				
General government	1,494,318	1,444,712	1,161,843	282,869
Police department	1,326,298	1,357,622	1,408,260	(50,638)
Highways and streets	213,309	256,509	263,922	(7,413)
Culture/recreation	345,803	345,803	344,046	1,757
Capital outlay	203,000	1,509,593	1,492,288	17,305
Debt service	137,724	137,724	112,029	25,695
Total expenditures	<u>3,720,452</u>	<u>5,051,963</u>	<u>4,782,388</u>	<u>269,575</u>
Excess of revenues over (under) expenditures	(1,451,365)	(1,451,365)	(1,122,961)	328,404
Other Financing Sources (Uses)				
Proceeds from sales of assets	-	-	5,623	5,623
Proceeds from issuance of debt	150,000	150,000	150,000	-
Transfers In	1,580,160	1,580,160	1,480,160	(100,000)
Transfers Out	(278,795)	(278,795)	(252,949)	25,846
Total Other Financing Sources (Uses)	<u>1,451,365</u>	<u>1,451,365</u>	<u>1,382,834</u>	<u>(68,531)</u>
Net Change in Fund Balances	-	-	259,873	259,873
Fund Balance – October 1, 2018	<u>1,146,102</u>	<u>1,146,102</u>	<u>1,146,102</u>	<u>-</u>
Fund Balance – September 30, 2019	<u>\$ 1,146,102</u>	<u>\$ 1,146,102</u>	<u>\$ 1,405,975</u>	<u>\$ 259,873</u>

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 440,258	\$ 440,258	\$ 399,444	\$ (40,814)
Interest	750	750	1,347	597
Grant revenue	542,000	542,000	105,000	(437,000)
Miscellaneous revenues	284,400	284,400	85,222	(199,178)
Total Revenues	1,267,408	1,267,408	591,013	(676,395)
EXPENDITURES				
General government	1,224,312	1,224,312	340,272	884,040
Capital outlay	919,000	919,000	561,242	357,758
Total Expenditures	2,143,312	2,143,312	901,514	1,241,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	(875,904)	(875,904)	(310,501)	565,403
OTHER FINANCING SOURCES (USES)				
Transfers in	875,904	875,904	252,949	(622,955)
Total Other Financing Sources (Uses)	875,904	875,904	252,949	(622,955)
Net change in Fund Balances	-	-	(57,552)	(57,552)
FUND BALANCE – October 1, 2018	520,902	520,902	520,902	-
FUND BALANCE – September 30, 2019	\$ 520,902	\$ 520,902	\$ 463,350	\$ (57,552)

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>	<u>2019</u>
Total pension liability						
Service cost	\$ 430,765	\$ 397,481	\$ 632,364	\$ 644,200	\$ 685,722	\$ 716,988
Expected interest growth	1,006,348	1,189,323	823,513	1,024,605	1,074,934	1,116,945
Demographic gain/loss	-	(1,115,993)	(580,470)	(856,549)	(339,093)	(115,371)
Employee contributions	-	-	-	-	-	-
Benefit payments, including refunds	(710,097)	(846,093)	(929,139)	(849,400)	(814,712)	(903,232)
Administrative expenses	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	406,441
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>	<u>1,221,771</u>
Total pension liability - Beginning	12,387,626	13,114,642	11,559,055	14,411,615	15,081,976	15,688,827
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>	<u>\$ 16,910,598</u>
Plan fiduciary net position						
Contributions - Employer	256,383	262,201	13,515	277,978	208,949	133,519
Contributions - Employee	256,383	262,201	271,126	-	293,056	304,838
Investment Income	1,326,542	21,493	1,283,244	2,169,961	1,344,711	1,001,891
Benefit payments, including refunds of employee contributions	(816,267)	(1,108,162)	(929,139)	(849,400)	(814,712)	(903,232)
Administrative expense	(30,160)	(47,753)	(49,123)	(41,040)	(48,967)	(43,798)
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>	<u>493,218</u>
Plan fiduciary net position - Beginning	<u>15,497,413</u>	<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>
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>	<u>\$ 19,503,651</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>	<u>\$ (2,593,053)</u>
Plan fiduciary net position as a percentage of the total pension liability	125.74%	137.38%	114.28%	119.53%	121.17%	115.33%
Covered employee payroll	\$ 2,232,223	\$ 2,483,561	\$ 2,590,078	\$ 2,537,297	\$ 2,685,252	\$ 2,817,015
Net pension liability as a percentage of covered employee payroll	0.00%	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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 386,579	\$ 339,900	\$ 351,847	\$ 308,530	\$ 256,383	\$ 262,201	\$ 13,515	\$ -	\$ 208,949	\$ 133,519
Contributions in relation to the actuarially determined contributions	386,579	339,900	351,847	308,530	256,383	262,201	13,515	-	208,949	133,519
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	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	2,817,015
Contributions as a percentage of covered employee payroll	14.80%	12.80%	15.76%	13.82%	11.49%	10.56%	0.52%	0.00%	7.78%	4.74%

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

Employers reporting date: September 30, 2019
Measurement date: September 30, 2019
Valuation Date: October 1, 2018

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 (2.77% 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>Year Ended</u>	<u>PERCENTAGE</u>
09/30/19	5.34%
09/30/18	7.53%
09/30/17	13.42%
09/30/16	8.26%
09/30/15	0.13%
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%

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>	<u>2019</u>
Total OPEB liability			
Service cost	\$ 89,281	\$ 91,285	\$ 76,135
Interest	158,996	191,473	157,853
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(871,543)	951,050
Changes of assumptions	-	(349,655)	(39,687)
Benefit payments	(122,410)	-	(120,565)
Net change in total OPEB liability	125,867	(938,440)	1,024,786
Total OPEB liability – Beginning	4,909,210	5,035,077	4,096,637
Total OPEB liability – Ending	<u>\$ 5,035,077</u>	<u>\$ 4,096,637</u>	<u>\$ 5,121,423</u>
Plan fiduciary net position			
Contributions – Employer	\$ 155,734	\$ 84,107	\$ 171,258
Interest	15,006	23,975	17,409
Net investment income	9,152	(2,713)	10,017
Benefit payments	-	-	(120,565)
Administrative expense	(6,445)	(6,869)	(6,949)
Net change in plan fiduciary net position	173,447	98,500	71,170
Plan fiduciary net position – Beginning	157,393	330,840	429,340
Plan fiduciary net position – Ending	<u>\$ 330,840</u>	<u>\$ 429,340</u>	<u>\$ 500,510</u>
City's net OPEB liability	<u>\$ 4,704,237</u>	<u>\$ 3,667,297</u>	<u>\$ 4,620,913</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.57%	10.48%	9.77%
Covered–employee payroll	\$ 2,537,297	\$ 2,685,252	\$ 3,136,162
City's net OPEB liability as a percentage of covered–employee payroll	185.40%	136.57%	147.34%

* 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:

Changes of assumptions: Since the prior measurement date, the discount rate was increased from 3.78% per annum to 3.86% per annum, the implied monthly subsidy for the retiree for the 2018/19 fiscal year was decreased from \$403.12 to \$350.00, the implied monthly subsidy for the retiree's spouse for the 2018/19 fiscal year was decreased from \$483.75 to \$450.00, and the mortality basis was changed from the RP–2000 Mortality Table with generational improvements in mortality using Scale BB to the PUB–2010 Mortality Table with generational improvements in mortality using Scale MP–2017.

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

	2017	2018	2019
Actuarially determined contribution	\$ 155,734	\$ 84,107	\$ 171,258
Contributions in relation to the actuarially determined contribution	156,129	87,550	171,387
Contribution deficiency (excess)	<u>\$ (395)</u>	<u>\$ (3,443)</u>	<u>\$ (129)</u>
Covered-employee payroll	\$ 2,537,297	\$ 2,685,252	\$ 3,136,162
Contributions as a percentage of covered-employee payroll	6.15%	3.26%	5.46%

* 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, 2018
Measurement Date: September 30, 2019

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	3.86% per annum
Expected long-term return on assets	6.50% per annum (2.62% 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	7.00% for the 2018/19 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 and public safety employees, sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) with full generational improvements in mortality using Scale MP-2017
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% 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
Changes in assumptions	Since the prior measurement date, the discount rate was increased from 3.78% per annum to 3.86% per annum, the implied monthly subsidy for the retiree for the 2018/2019 fiscal year was decreased from \$403.12 to \$350.00, the implied monthly subsidy for the retiree's spouse for the 2018/19 fiscal year was decreased from \$483.75 to \$450.00, and the mortality basis was changed from the RP-2000 Mortality Table with generational improvements in mortality using Scale BB to the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2017.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	9.90%	5.59%	4.43%

* 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 AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Grantor / Pass-Through Grantor / Federal Awards / State Project	CFDA / CSFA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
FEDERAL AWARDS				
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	2018-BVP	\$ -	\$ 1,101
Passed through the State of Florida, Office of Attorney General Crime Victim Assistance	16.575	VOCA-2018-Wauchula Police Department - 00152	-	50,368
Passed through the State of Florida, Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JAGD-HARD-1R1-033	-	1,000
Total U.S. Department of Justice			-	52,469
U.S. Department of Transportation				
Airport Improvement Program	20.106	3-12-0084-014-2017	-	1,163,748
Total U.S. Department of Transportation			-	1,163,748
U.S. Department of Homeland Security				
Passed through the State of Florida, Division of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0541	-	424,542
Total U.S. Department of Homeland Security			-	424,542
Total Expenditures of Federal Awards			\$ -	\$ 1,640,759
STATE PROJECTS				
Florida Department of Transportation				
Aviation Grants Program	55.004	GOE25	\$ -	\$ 129,305
Aviation Grants Program	55.004	AWOS	-	7,700
Total Aviation Grants Program			-	137,005
Small County Outreach Program (SCOP)	55.009	GOZ04	-	106,034
Total Florida Department of Transportation			-	243,039
Florida Department of Environmental Protection				
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP25012	-	1,204,082
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP25014	-	509,416
Total Statewide Surface Water Restoration and Wastewater Projects			-	1,713,498
Small Community Wastewater Facility Grant	37.075	SG022	-	202,381
Total Department of Environmental Protection			-	1,915,879
Florida Department of Economic Opportunity				
Growth Management Implementation	40.024	P0326	-	10,000
Total Florida Department of Economic Opportunity			-	10,000
Total Expenditures of State Financial Assistance			\$ -	\$ 2,168,918

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

CITY OF WAUCHULA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state 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*, and of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the City's operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.550 Rules of the Auditor General 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 15, 2020, 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, 2019**

	<u>ELECTRIC</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating Revenues:				
Charges for services and fees	\$ 6,477,183	\$ 1,016,473	\$ 2,086,823	\$ 9,580,479
Total Operating Revenues	<u>6,477,183</u>	<u>1,016,473</u>	<u>2,086,823</u>	<u>9,580,479</u>
Operating Expenses:				
Personal services	1,007,253	586,853	577,568	2,171,674
Other operating expenses	662,100	435,357	706,260	1,803,717
Purchased power	3,740,633	-	-	3,740,633
Depreciation	895,585	447,792	447,792	1,791,169
Total Operating Expenses	<u>6,305,571</u>	<u>1,470,002</u>	<u>1,731,620</u>	<u>9,507,193</u>
Operating Income (Loss)	171,612	(453,529)	355,203	73,286
Non-operating Revenues (Expenses):				
Capital grants and contributions	-	772,709	-	772,709
Interest income	-	-	16,401	16,401
Interest expense	(4,599)	(1,756)	(90,167)	(96,522)
Other income (expense)	6,404	3,202	34,192	43,798
Total Non-operating Revenue (Expenses)	<u>1,805</u>	<u>774,155</u>	<u>(39,574)</u>	<u>736,386</u>
Income (loss) before transfers	173,417	320,626	315,629	809,672
Transfers out	<u>(1,242,078)</u>	<u>-</u>	<u>-</u>	<u>(1,242,078)</u>
Change in Net Position	<u><u>\$ (1,068,661)</u></u>	<u><u>\$ 320,626</u></u>	<u><u>\$ 315,629</u></u>	<u><u>\$ (432,406)</u></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 \$33,074,116)
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, 2018 to October 1, 2019.

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 STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER

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

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

To the Honorable City Commission
City of Wauchula, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANEL, P.A.

May 15, 2020
Bradenton, Florida



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable City Commission
City of Wauchula, Florida

Report on Compliance for Each Major Program and State Project

We have audited the City of Wauchula, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2019. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 15, 2020
Bradenton, Florida

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	___ yes <u> x </u> no

Federal Awards and State Financial Assistance

Internal control over major Federal programs or State projects:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported

Type of auditor’s report issued on compliance for major Federal programs and State projects:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) or Chapter 10.550?	___ yes <u> x </u> no
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<u>Identification of Major Federal Programs:</u>	<u>CFDA Number</u>
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Airport Improvement Program	20.106
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<u>Identification of Major State Projects:</u>	<u>CSFA Number</u>
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Statewide Surface Water Restoration and Wastewater Projects	37.039
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Dollar threshold used to distinguish between Type A and Type B programs or projects:

Federal	<u>\$750,000</u>
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State	<u>\$650,676</u>
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Auditee qualified as low-risk auditee?	___ yes <u> x </u> no
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**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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.

Section IV – Findings and Questioned Costs for State Projects

No matters were reported.

PRIOR YEAR FINDINGS

No summary schedule of prior year findings is required because there were no prior audit findings related to federal awards or state projects.

MANAGEMENT LETTER

To the Honorable City Commission
City of Wauchula, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Wauchula, Florida (City) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 15, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 15, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 15, 2020
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

To the Honorable City Commission
City of Wauchula, Florida

We have examined the City of Wauchula, Florida's (City's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance within the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher Smith, Leonard,
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 15, 2020
Bradenton, Florida