



CITY OF UMATILLA, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2016



COVER NOTES

The construction phase of the new water plant started in 2016. Our current water plant has been in continuous service for 45 years. The total project cost is approximately \$1.6 million and is funded by legislative appropriations and water utility reserves. The new water plant is set to be operational in 2017.

Photo taken by a drone, courtesy of Scott Purvis, Utility Technicians

CITY OF UMATILLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

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INTRODUCTORY SECTION



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CITY OF UMATILLA

"NATURE'S HOMETOWN"

April 12, 2017

To the Honorable Mayor, and Members of the City Council
City of Umatilla, Florida

The Comprehensive Annual Financial Report for the City of Umatilla, Florida, for the fiscal year ended September 30, 2016 is hereby submitted pursuant to Florida Statutes Chapter 166.241(4) and Chapter 10.500 of the Rules of the Auditor General of the State of Florida. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data presented are accurate in all material aspects; the information is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds; and all disclosures necessary to enable the reader to gain a maximum understanding of the City's financial affairs are included.

Government Structure

The City of Umatilla is operated under Council-City Manager form of government.

The City Council is responsible, among other things, for enacting ordinances, and adopting the budget. In addition, the City Council has the duty of contracting with the City Attorney, and the City's Independent Auditor. The City Manager, who is an appointed official, is responsible for carrying out the policies of the Council and overseeing the day-to-day operations and appointing department heads.

The City

The City of Umatilla, incorporated in 1904, is located in central Florida. The City has a population of 3,908. The City's property tax millage rate is 7.298. The City is continuing a rebirth of its downtown core area with many infrastructure and redevelopment projects completed or underway. The population has remained relatively stable with a 3% increase over the prior year.

Discussion on Operations of the Enterprise Funds

Water and Sewer fund serves over 1,600 customers, providing water, sewer and irrigation. The City undertook a Rate Study for the Water and Wastewater Enterprise Fund in order to provide for future planning and funding necessary to properly maintain the System Infrastructure, improve the quality of the operation and provide for future needs. As a result of this study, a new rate system was adopted and implemented during the last quarter of fiscal year 2014 with an ordinance providing for rate increases effective October 1st of 2015, 2016, and 2017 with increases based upon CPI adjustments in years 2018 and forward. This was a major rate change in the way the City bills for utility services. Each unit attached to the water and sewer system is required to pay a base fee even when the unit is not utilizing

service. Part of the reason that people live in this community is our ability to provide water and sewer services. As such, every property owner is obligated to help absorb the fixed costs associated with this portion of the infrastructure, even when consumptive services are not being provided. Therefore, a "Service Availability Fee" was established. The balance of the charge is based on consumption and is considered a variable charge.

Also, the City was extremely fortunate to have received Legislative Appropriations for Water System Capital Improvements. Approximately \$4 million was appropriated by the State to replace aging cast iron/galvanized water mains. The project has started its construction phase during the 2016 fiscal year.

During this fiscal year, operating revenues increased by 13% or \$117,293 in fiscal year 2016. Water and Sewer fund operating expenditures decreased \$47,364 or 4.6%, exclusive of depreciation and debt service. The Sanitation Fund operating revenues increased by \$7,168 or 1.1%. Airport Fund operating revenues were up by \$6,646 or 4.6%. Stormwater operating revenues were up by \$2,903 or 2.9% over the previous year.

Local Economic Condition & Outlook

The City is experiencing recovery from the effects of the national economic slowdown, with several new major construction projects contributing to an improved outlook - the most significant of which was Lakeview Terrace which comprises of 60.15 acres. Lakeview Terrace is a gated community which offers both independent and assisted living for senior citizens and has undertaken a major renovation and construction project, increasing the population of the facilities significantly as well as adding value to the property tax base. Construction started during FY 2013, financed by a private (conduit) bond issue. Improvements and additions continued during FY 2016 and into FY 2017

Major Initiatives

The Community Redevelopment Agency (CRA) has continued participating in visible improvements and commercial redevelopment in the downtown core area of the City. These improvements were direct result of the CRA grant process functioning at its best. An increase in taxable values of these properties are anticipated to continue over the next few years. During 2016, the City acquired property behind City Hall to create more parking space for patrons. It was partially financed by CRA funds.

The One-Cent Discretionary Infrastructure Sales Tax has been in place since 2002 and has provided a funding source for infrastructure and capital projects. Among other projects, the City has utilized these revenues for street improvements, water and sewer system improvements, public safety equipment, and for parks and recreation improvements and equipment. The current term for the tax was set to expire in 2017 however; the voters of Lake County have extended the One-Cent Discretionary Infrastructure Sales Tax for another fifteen-year term. For FY 2016, the City used surtax revenue to purchase two police vehicles and two public works vehicles. Also, the City acquired property behind City Hall by funding half with surtax revenue. In addition, the City completed a Citywide street resurfacing project using surtax revenue this fiscal year.

During FY 2016, the Silver Beach water line project was completed. The project replaced or relined water lines thus improving performance and extending the life of the water infrastructure. In addition, the Orange Avenue Stormwater project was completed in FY 2016. The new drainage system will decrease runoff while extending the life of the City's stormwater infrastructure. Also, the City was awarded a St. Johns River Water Authority REDI grant of \$500,000 in FY 2016 to replace sewer lines, thus extending the life of the sewer infrastructure. Additionally, the construction phase of the water plant upgrade has started in FY 2016. Our current water plant has been in continuous services for 45 years. Legislative Appropriations and water utility reserves will fund the project. The anticipated completion date is 2017.

In FY 2016, the City approved a joint participation agreement with FDOT for the design of three box hangars at the Umatilla Municipal Airport, site work for clearing future hangar location, and roof rehabilitation of the existing bulk hangar. The project will be funded 90% by the FAA, 8% from FDOT, and 2% by the City. The project is currently in the design phase.

Long-term Financial Planning

As part of the annual budget process, the City prepares a comprehensive capital budget for the next fiscal year and Capital Improvement Program for the following five fiscal years. Included in that process is a determination of the impact on future operating costs and a determination as to the appropriate funding mechanism for needed capital.

Accounting and Administrative Controls

In designing the City's accounting system consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

1. The cost of the control should not exceed the benefits likely to be derived; and
2. The evaluation of costs and benefits requires estimates and judgments of management.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City of Umatilla maintains budgetary controls to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for activities of the General Fund, the Discretionary Surtax Fund, the Community Redevelopment Fund (CRA), the Water and Sewer Enterprise Fund, the Sanitation Enterprise Fund, the Stormwater Enterprise Fund and the Airport Enterprise Fund, as well as non-major funds. Budgets are controlled at the department level by the City Manager who is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the net City revenues, reserves, expenditures, or funds must be approved by a majority vote of the City Council. The City Manager may amend the budget administratively to provide for grants awarded and insurance recoveries which result in no net change in revenues and expenditures.

Cash Management

Cash is invested in either money-market accounts or in certificates of deposit which are insured by Federal Depository Insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool. The criteria used for placement of the City's funds include:

1. Minimize risk to the invested capital.
2. Maintain reasonable liquidity.

3. Maximize return.

Risk Management

The City of Umatilla participates in the Public Risk Management of Florida Municipal pools for property, auto, general and professional liability and workers compensation as well as the PRM Group Health Trust to provide health and life insurance to employees.

Financial Reporting Standards

Florida Statutes require that an annual financial audit be performed by an independent certified public accountant. This year the audit was performed by McDirmit Davis & Company, LLC, Certified Public Accountants. The audit process includes a thorough examination of the records of the Finance department, independent verification of transactions, review of bank statements and other original documents, and analysis of account balances and activities.

In addition to the detailed audit performed by an independent auditor, the City submits the completed CAFR to the Government Finance Officers Association of the United States and Canada (GFOA) as part of their awards program.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended September 30, 2015. This was the fourth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement

This report represents numerous hours of preparation and is made possible by the dedicated efforts of the City Manager and Finance Department. I would like to express my appreciation to all staff members who contribute to and maintain the records upon which this report is based. I also thank the Mayor, and Council Members, and the City Clerk for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Scott Blankenship
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

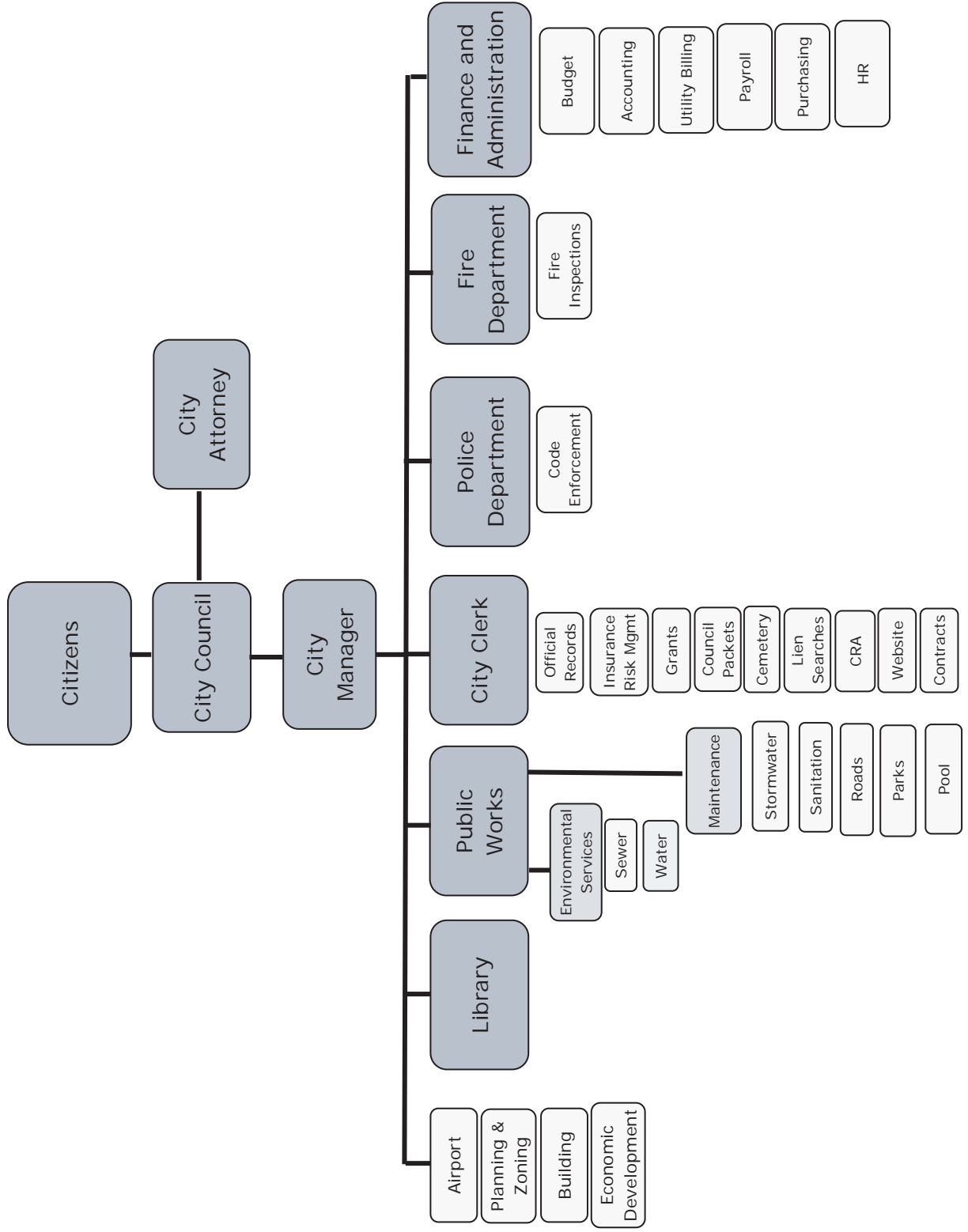
**City of Umatilla
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Umatilla Organization Chart



CITY OF UMATILLA, FLORIDA

CITY COUNCIL AND OFFICIALS

SEPTEMBER 30, 2016

Mayor.....Brain Butler
City Council Seat #1.....Peter Tarby
City Council Seat #2.....Laura Wright
City Council Seat #3.....Eric Olson
City Council Seat #4.....H. Scott Purvis
City Council Seat #5.....Katherine Adams
City Manager.....Scott Blankenship
City Attorney.....Kevin Stone
City Clerk.....Karen Howard, CMC
Finance Director.....Carol Rogers, CPA



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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Umatilla, 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 Umatilla, Florida (the City)*, as of and for the year ended September 30, 2016, 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

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

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 of 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 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 accounting policies used and 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, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, community redevelopment agency fund and discretionary tax special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and the pension disclosures on pages 3 through 12 and 65 through 69, respectively, 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 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance (the Schedule) is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules of budgetary comparison information and the Schedule are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDiernit Davis & Company, LLC

Orlando, Florida
April 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Umatilla, we offer readers of the City of Umatilla's financial statements this narrative overview and analysis of the financial activities of the City of Umatilla for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iii of this report.

Financial Highlights

- The assets and deferred outflows of the City of Umatilla exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$20,942,662 (net position). Of this amount, \$1,718,833 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,788,920 or 9.34%.
- As of the close of the current fiscal year, the City of Umatilla's governmental funds reported combined ending fund balances of \$1,165,644. Approximately 35% of this total amount, \$407,892, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$407,892, or 14% of total general fund expenditures.
- The City of Umatilla's total debt increased by \$276,016 (100.32%) during the current fiscal year. All required principal payments were made.

Overview of the Financial Statements

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

This discussion and analysis are intended to serve as an introduction to the City of Umatilla's basic financial statements, which are comprised of 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 of Umatilla's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Umatilla's assets, liabilities, deferred inflows, and deferred outflows 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 of Umatilla is improving or declining.

The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements. (Continued)

Both of the government-wide financial statements distinguish functions of the City of Umatilla 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 of Umatilla include general government, public safety, physical environment, transportation (which includes roads and street maintenance), culture and recreation and economic environment. The business-type activities of the City of Umatilla include enterprise funds to account for water and sewer utility services, sanitation services, airport activities, and stormwater utility.

The government-wide financial statements include only the City of Umatilla itself (known as the *primary government*) and one blended component unit (The City of Umatilla Community Redevelopment Fund). The Water and Sewer Utility, the Sanitation Utility, the Stormwater Utility, and Airport function as departments of the City of Umatilla, and therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Umatilla, 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 of Umatilla 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 City of Umatilla maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Discretionary Surtax Fund, and the Community Redevelopment Fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Governmental Funds. (Continued)

The City of Umatilla adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided for those funds to demonstrate budgetary compliance. Budgetary comparison statements have been provided for the General Fund, Discretionary Tax Fund, and Community Redevelopment Agency to demonstrate compliance with this budget on pages 18-20. Budgetary comparison schedules for the nonmajor funds are presented on pages 72-73.

The basic governmental fund financial statements can be found on pages 15-17 of this report.

Proprietary funds. The City of Umatilla maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Umatilla uses enterprise funds to account for the Water and Sewer Utility, Sanitation Utility, Stormwater Utility and Airport activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Sanitation Fund, Stormwater Utility, and Airport activities.

The basic proprietary fund financial statements can be found on pages 21-25 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 statement because the resources of those funds are *not* available to support the City of Umatilla'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 26-27 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 to the financial statements can be found on pages 28-64 of this report.

Required Supplementary Information (RSI). RSI can be found on pages 65-69 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to Financial Statements. Combining and individual fund statements and schedules can be found on pages 70-73 of this report.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Umatilla, assets exceeded liabilities by \$20,942,662 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Statement of Net Position (Continued). Of the City of Umatilla's net position \$18,718,944 (or 89.4%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Umatilla uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Umatilla's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is subject to external restrictions as to how it may be used totals \$504,885 (2.4%). The remaining balance of *unrestricted net position* (\$1,718,833 or 8.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2016, the City of Umatilla is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. This was also the case at the close of the prior fiscal year.

The following table reflects the condensed *Statement of Net Position* for the current and prior year. For more detail see the *Statement of Net Position* on page 13.

City of Umatilla						
Statement of Net Position						
As of September 30						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 1,778,389	\$ 1,865,689	\$ 2,038,072	\$ 1,696,692	\$ 3,816,461	\$ 3,562,381
Capital assets	3,578,888	3,489,250	15,691,194	13,975,695	19,270,082	17,464,945
Total assets	<u>5,357,277</u>	<u>5,354,939</u>	<u>17,729,266</u>	<u>15,672,387</u>	<u>23,086,543</u>	<u>21,027,326</u>
Deferred Outflows						
of Resources	<u>385,286</u>	<u>180,196</u>	<u>64,742</u>	<u>24,386</u>	<u>450,028</u>	<u>204,582</u>
Liabilities:						
Current liabilities	122,943	154,269	584,687	618,887	707,630	773,156
Long term liabilities	1,140,119	971,478	691,708	223,957	1,831,827	1,195,435
Total liabilities	<u>1,263,062</u>	<u>1,125,747</u>	<u>1,276,395</u>	<u>842,844</u>	<u>2,539,457</u>	<u>1,968,591</u>
Deferred Inflows						
of Resources	<u>45,183</u>	<u>88,444</u>	<u>9,269</u>	<u>21,131</u>	<u>54,452</u>	<u>109,575</u>
Net Position:						
Net investment in capital assets	3,503,133	3,307,812	15,215,811	13,918,695	18,718,944	17,226,507
Restricted	301,405	351,535	203,480	161,730	504,885	513,265
Unrestricted	629,780	661,597	1,089,053	752,373	1,718,833	1,413,970
Total net position	<u>\$ 4,434,318</u>	<u>\$ 4,320,944</u>	<u>\$ 16,508,344</u>	<u>\$ 14,832,798</u>	<u>\$ 20,942,662</u>	<u>\$ 19,153,742</u>

Statement of Activities. The following table reflects the condensed *Statement of Activities* for the current and prior year. For more detailed information see the *Statement of Activities* on page 14. Note that the government's total net position increased by \$1,788,920 or 9.34% in fiscal year 2016. The previous fiscal year, 2015, net position increased by \$1,900,572.

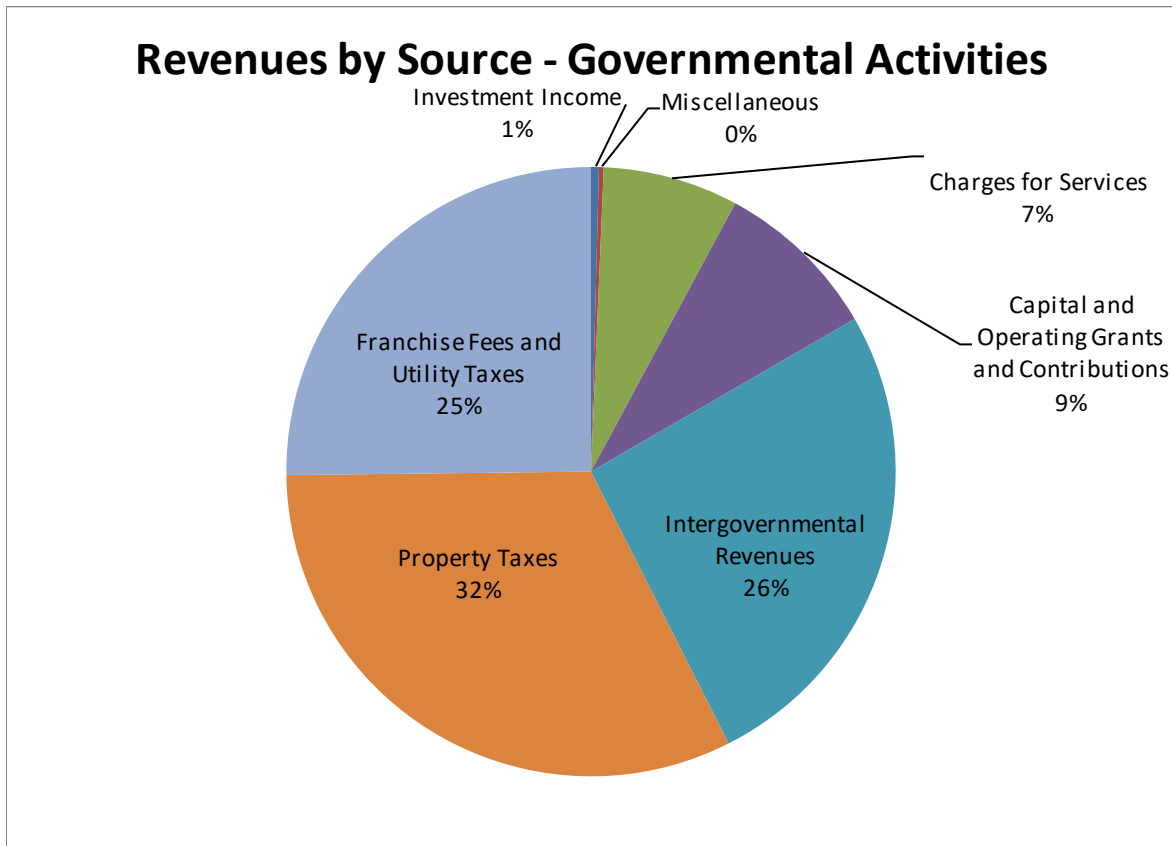
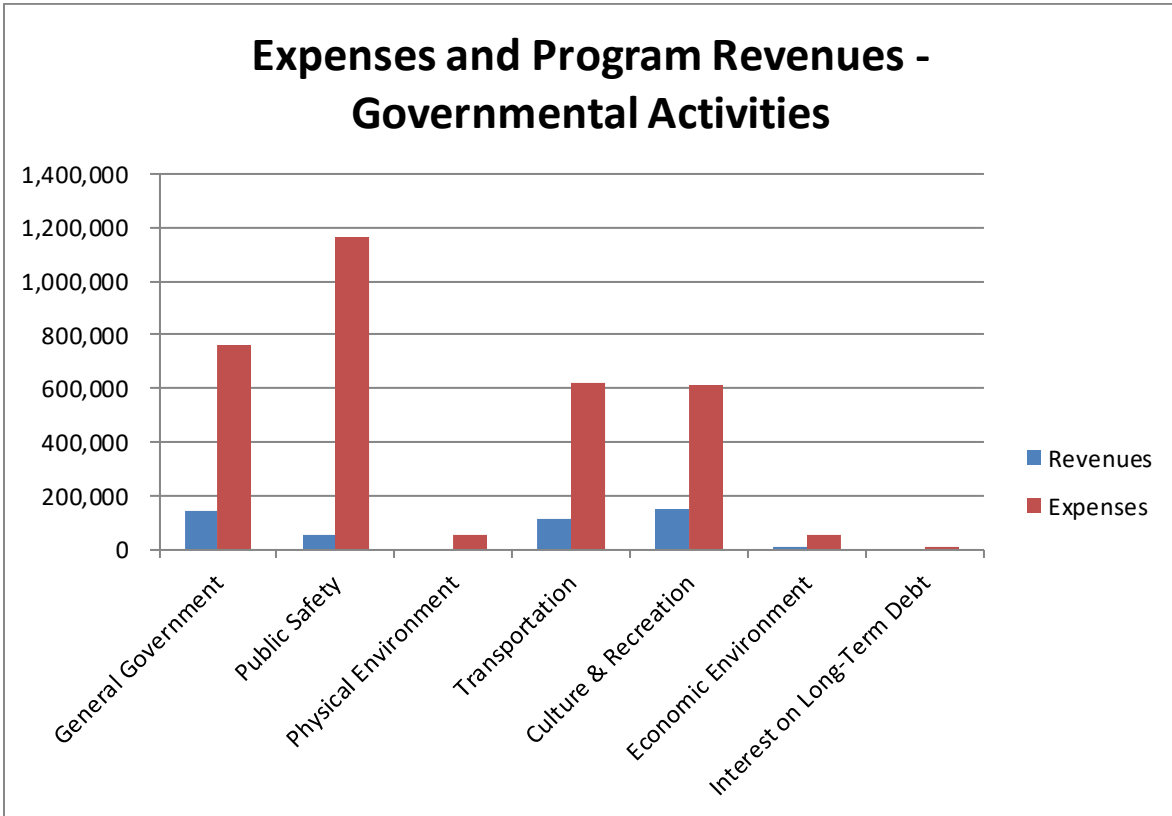
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Statement of Activities (Continued) Governmental activities increased by \$113,374 in fiscal year 2016 compared to an increase of \$286,159 in 2015. Revenues increased by \$191,780 from the previous year and total expenses increased by \$404,565. Charges for services increased by \$112,422. On the expense side, general government and public safety expenses increased \$223,688. Business-type activities increased net position by \$1,675,546 in fiscal year 2016 compared to an increase of \$1,614,413 in 2015. This is primarily a result of an increase in grants received from outside agencies.

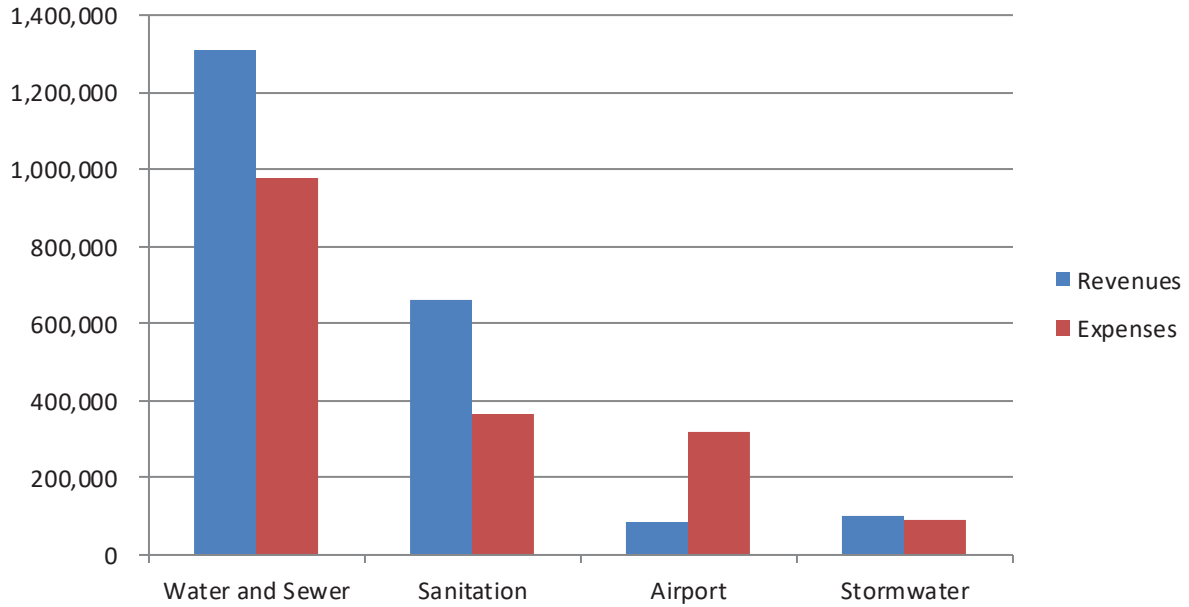
City of Umatilla						
Changes in Net Position						
For the Year Ended September 30						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 201,934	\$ 89,512	\$ 2,154,146	\$ 2,018,143	\$ 2,356,080	\$ 2,107,655
Operating grants and contributions	242,969	242,961	-	-	242,969	242,961
Capital grants and contributions	4,164	11,240	1,853,449	1,915,418	1,857,613	1,926,658
General Revenues:						
Property taxes	906,859	861,702	-	-	906,859	861,702
Utility taxes and franchise fees	707,492	654,633	-	-	707,492	654,633
Intergovernmental- unrestricted	727,568	679,715	-	-	727,568	679,715
Unrestricted investment earnings	11,756	8,417	403	35	12,159	8,452
Miscellaneous	6,935	28,181	-	-	6,935	28,181
Gain on sale of capital asset	-	41,536	-	-	-	41,536
Total revenues	<u>2,809,677</u>	<u>2,617,897</u>	<u>4,007,998</u>	<u>3,933,596</u>	<u>6,817,675</u>	<u>6,551,493</u>
Expenses:						
General government	764,931	635,092	-	-	764,931	635,092
Public safety	1,160,901	1,067,052	-	-	1,160,901	1,067,052
Physical environment	53,898	46,388	-	-	53,898	46,388
Transportation	622,962	532,366	-	-	622,962	532,366
Culture and recreation	611,094	539,648	-	-	611,094	539,648
Economic Environment	56,026	47,396	-	-	56,026	47,396
Interest on long-term debt	6,491	3,796	-	-	6,491	3,796
Water and sewer	-	-	978,641	1,029,580	978,641	1,029,580
Sanitation	-	-	365,137	351,219	365,137	351,219
Airport	-	-	319,492	313,408	319,492	313,408
Stormwater	-	-	89,182	84,976	89,182	84,976
Total expenses	<u>3,276,303</u>	<u>2,871,738</u>	<u>1,752,452</u>	<u>1,779,183</u>	<u>5,028,755</u>	<u>4,650,921</u>
Increase (Decrease) in Net Position Before Transfers	(466,626)	(253,841)	2,255,546	2,154,413	1,788,920	1,900,572
Transfers	580,000	540,000	(580,000)	(540,000)	-	-
Increase (Decrease) in Net Position	113,374	286,159	1,675,546	1,614,413	1,788,920	1,900,572
Net Position - October 1	4,320,944	4,034,785	14,832,798	13,218,385	19,153,742	17,253,170
Net Position - September 30	<u>\$ 4,434,318</u>	<u>\$ 4,320,944</u>	<u>\$ 16,508,344</u>	<u>\$ 14,832,798</u>	<u>\$ 20,942,662</u>	<u>\$ 19,153,742</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

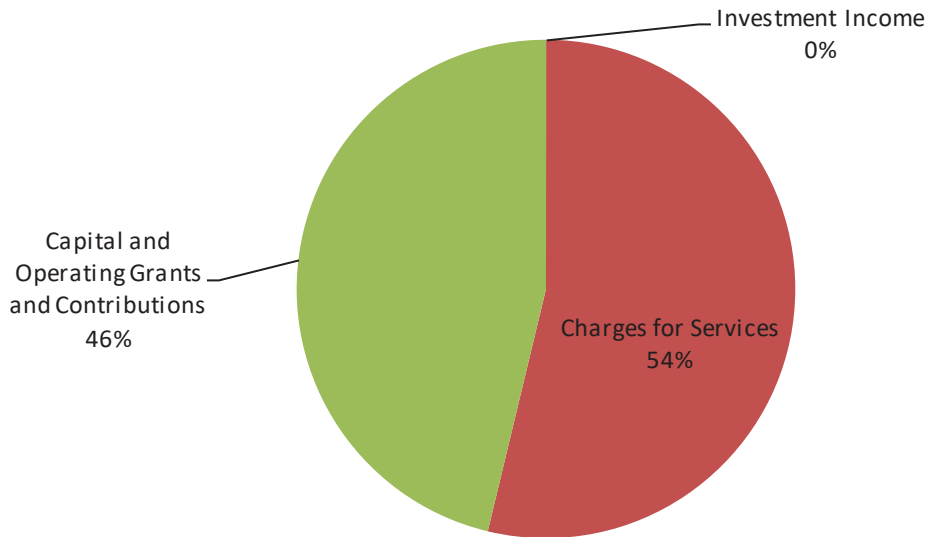


MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Revenues and Expenses - Business-Type Activities



Revenues by Source - Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Umatilla'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 of Umatilla's financing requirements. In particular, *unassigned 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 September 30, 2016, the City of Umatilla's governmental funds reported combined ending fund balances of \$1,165,644, a decrease of \$73,495 from the prior year. Approximately 35% or \$407,892 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, community redevelopment, public safety, inventories, prepaid costs, and subsequent year's expenditures.

The general fund is the chief operating fund of the City of Umatilla. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$407,892, while total fund balance was \$864,239. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 14% and 30%, respectively, of total General Fund expenditures. General fund revenues increased \$209,781 over previous year and expenses increased \$297,189, a combined decrease of \$87,408 over 2015. Including transfers in from enterprise funds, general fund balance decreased \$23,365.

Proprietary funds. The City of Umatilla's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to \$757,471 and total net position increased \$1,485,230. Operating revenue increased by \$117,293 or 12.95%, and operating expenses decreased by \$47,364 for a net operating result increase of \$164,657 and net operating income of \$325,525. That increase was further improved by impact fees of \$50,357 and grant revenue of \$1,350,270, which is the primary reason that the Water and Sewer Fund had an increase in net position of \$1,485,230.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$110,827 and total net position decreased \$45,074. An operating result of \$294,926 was offset by a transfer to the general fund of \$340,000.

Unrestricted net position of the Airport Fund at the end of the year amounted to \$55,077 and total net position decreased by \$204,824 which is a decrease from the 2015 result, primarily due to higher grant revenues in 2015.

Unrestricted net position of the Stormwater Fund at the end of the year amounted to \$165,678 and total net position increased \$440,214, of which \$426,738 came from grant revenues. Stormwater fees are collected for the purpose of maintenance and improvement of drainage structures as funds become available.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

During the year revenues were more than budgetary estimates by \$90,689, primarily due to higher than expected collections of licenses and permits (\$67,427) and intergovernmental revenues (\$20,919). Expenditures were less than budgetary estimates by \$218,641 as a result of conservative spending by all departments.

The original General Fund appropriations increased \$75,741 for mostly for public safety due to increased inspections relating to permits.

The comparison of budgeted results to actual results for the General Fund is shown on page 18.

Capital Asset and Debt Administration

Capital assets. The City of Umatilla's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$19,270,082 (net of accumulated depreciation), for an increase of \$1,805,137 from the prior year. This investment in capital assets includes land, buildings, water system, infrastructure, improvements and equipment. The total increase in the City of Umatilla's investment in capital assets for the current fiscal year was 10.34% (a 2.57% increase for governmental activities, and a 12.27% increase for business-type activities).

Major capital asset events included the following:

- Repairs and improvements to City Hall.
- Water, sewer and stormwater upgrades to Orange Avenue.

Additional information on the City of Umatilla's capital assets can be found in Note 6 on pages 43-44 of this report.

**City of Umatilla
Capital Assets (Net of Depreciation)
As of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 494,347	\$ 415,149	\$ 1,029,452	\$ 1,029,452	\$ 1,523,799	\$ 1,444,601
Buildings	1,681,868	1,591,610	1,185,357	1,225,836	2,867,225	2,817,446
Improvements/Infrastructure	921,990	911,455	11,768,875	10,457,821	12,690,865	11,369,276
Machinery and Equipment	480,683	434,755	187,489	216,266	668,172	651,021
Construction in Progress	-	136,281	1,520,021	1,046,320	1,520,021	1,182,601
Total	\$ 3,578,888	\$ 3,489,250	\$ 15,691,194	\$ 13,975,695	\$ 19,270,082	\$ 17,464,945

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration (Continued)

Long-term debt. At September 30, 2016, the City of Umatilla had total debt outstanding of \$551,138, an increase of \$276,016 from \$275,122 at September 30, 2015.

There are no limitations placed on the amount of debt the City may issue either by the City's charter, code of ordinances or by the Florida State Statutes.

Additional information on the City of Umatilla's long-term debt can be found in Notes 7 and 8 on pages 45-47 of this report.

**City of Umatilla
Long Term Debt
As of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
SRF Note Payable	\$ -	\$ -	\$ 475,383	\$ -	\$ 475,383	\$ -
Water Utility Revenue Bonds, Series 1980	-	-	-	57,000	-	57,000
Capital Improvement Revenue Note, Series 2014	65,711	100,000	-	-	65,711	100,000
Capital Leases	10,044	118,122	-	-	10,044	118,122
Total	\$ 75,755	\$ 218,122	\$ 475,383	\$ 57,000	\$ 551,138	\$ 275,122

Requests for Information

This financial report is designed to provide a general overview of the City of Umatilla's 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 Finance Director, Post Office Box 2286, Umatilla, Florida, 32784.

BASIC FINANCIAL STATEMENTS



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CITY OF UMATILLA, FLORIDA

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,030,616	\$ 198,532	\$ 1,229,148
Investments	107,016	-	107,016
Receivables, net	59,545	218,711	278,256
Inventories	378	-	378
Due From Other Governments	84,850	922,699	1,007,549
Internal Balances	5,526	(5,526)	-
Prepaid Costs	619	-	619
Restricted Assets:			
Cash and cash equivalents	-	299,233	299,233
Investments	-	404,423	404,423
Net Pension Asset	489,839	-	489,839
Capital Assets Not Being Depreciated	494,347	2,549,473	3,043,820
Capital Assets, Net of Accumulated Depreciation	3,084,541	13,141,721	16,226,262
Total Assets	<u>5,357,277</u>	<u>17,729,266</u>	<u>23,086,543</u>
Deferred Outflows of Resources:			
Deferred Outflows of Pension Earnings	<u>385,286</u>	<u>64,742</u>	<u>450,028</u>
Liabilities:			
Accounts Payable	62,290	390,150	452,440
Accrued Liabilities	51,809	741	52,550
Accrued Interest Payable	37	1,460	1,497
Due To Other Governments	2,146	-	2,146
Unearned Revenue	4,811	6,575	11,386
Customer Deposits Payable	1,850	185,761	187,611
Noncurrent Liabilities:			
Due within one year	63,070	41,954	105,024
Due in more than one year	1,077,049	649,754	1,726,803
Total liabilities	<u>1,263,062</u>	<u>1,276,395</u>	<u>2,539,457</u>
Deferred Inflows of Resources:			
Deferred Inflows of Pension Earnings	<u>45,183</u>	<u>9,269</u>	<u>54,452</u>
Net Position:			
Net Investment in Capital Assets	3,503,133	15,215,811	18,718,944
Restricted for:			
Community redevelopment	182,695	-	182,695
Public safety	36,286	-	36,286
Capital projects	82,424	203,480	285,904
Unrestricted	629,780	1,089,053	1,718,833
Total net position	<u>\$ 4,434,318</u>	<u>\$ 16,508,344</u>	<u>\$ 20,942,662</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 764,931	\$ 139,627	\$ -	\$ -	\$ (625,304)	\$ -	\$ (625,304)
Public safety	1,160,901	10,348	35,314	4,164	(1,111,075)	-	(1,111,075)
Physical environment	53,898	-	-	-	(53,898)	-	(53,898)
Transportation	622,962	20,348	88,917	-	(513,697)	-	(513,697)
Culture and recreation	611,094	29,891	118,738	-	(462,465)	-	(462,465)
Economic environment	56,026	1,720	-	-	(54,306)	-	(54,306)
Interest on long-term debt	6,491	-	-	-	(6,491)	-	(6,491)
Total governmental activities	3,276,303	201,934	242,969	4,164	(2,827,236)	-	(2,827,236)
Business-type activities							
Water and sewer	978,641	1,307,834	-	1,395,634	-	1,724,827	1,724,827
Sanitation	365,137	660,063	-	-	-	294,926	294,926
Airport	319,492	83,564	-	31,104	-	(204,824)	(204,824)
Stormwater	89,182	102,685	-	426,711	-	440,214	440,214
Total business-type activities	1,752,452	2,154,146	-	1,853,449	-	2,255,143	2,255,143
Total primary government	\$ 5,028,755	\$ 2,356,080	\$ 242,969	\$ 1,857,613	(2,827,236)	2,255,143	(572,093)
General Revenues:							
Property taxes					906,859	-	906,859
Franchise fees and utility taxes					707,492	-	707,492
Intergovernmental-unrestricted					727,568	-	727,568
Unrestricted investment earnings					11,756	403	12,159
Miscellaneous					6,935	-	6,935
Transfers					580,000	(580,000)	-
Total general revenues					2,940,610	(579,597)	2,361,013
Change in net position					113,374	1,675,546	1,788,920
Net Position - beginning					4,320,944	14,832,798	19,153,742
Net Position - ending					\$ 4,434,318	\$ 16,508,344	\$ 20,942,662

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	<u>General Fund</u>	<u>Discretionary Tax</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 750,662	\$ 56,933	\$ 186,735	\$ 36,286	\$ 1,030,616
Investments	107,016	-	-	-	107,016
Receivables, net	59,545	-	-	-	59,545
Inventories, at cost	378	-	-	-	378
Due from other governments	50,177	34,673	-	-	84,850
Due from other funds	5,562	-	-	-	5,562
Prepaid costs	619	-	-	-	619
Total assets	<u>\$ 973,959</u>	<u>\$ 91,606</u>	<u>\$ 186,735</u>	<u>\$ 36,286</u>	<u>\$ 1,288,586</u>
Liabilities and Fund Balances:					
Accounts payable	\$ 49,068	\$ 9,182	\$ 4,040	\$ -	\$ 62,290
Accrued liabilities	51,809	-	-	-	51,809
Due to other funds	36	-	-	-	36
Due to other governments	2,146	-	-	-	2,146
Unearned revenue	4,811	-	-	-	4,811
Deposits	1,850	-	-	-	1,850
Total liabilities	<u>109,720</u>	<u>9,182</u>	<u>4,040</u>	<u>-</u>	<u>122,942</u>
Fund Balances:					
Nonspendable	997	-	-	-	997
Spendable:					
Restricted	-	82,424	182,695	36,286	301,405
Assigned	455,350	-	-	-	455,350
Unassigned	407,892	-	-	-	407,892
Total fund balances	<u>864,239</u>	<u>82,424</u>	<u>182,695</u>	<u>36,286</u>	<u>1,165,644</u>
Total liabilities and fund balances	<u>\$ 973,959</u>	<u>\$ 91,606</u>	<u>\$ 186,735</u>	<u>\$ 36,286</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	3,578,888
Net pension assets are not current financial resources and therefore are not reported in the funds.	489,839
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting.	340,103
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(37)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,140,119)</u>
Net Position of Governmental Activities	<u>\$ 4,434,318</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2016

	General Fund	Discretionary Tax	Community Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Taxes and impact fees	\$ 1,553,818	\$ -	\$ 149,450	\$ -	\$ 1,703,268
Licenses and permits	139,627	-	-	-	139,627
Intergovernmental revenues	542,436	343,348	-	-	885,784
Charges for services	50,185	-	1,720	-	51,905
Fines and forfeitures	9,971	-	-	431	10,402
Investment income	11,756	-	-	-	11,756
Miscellaneous	6,935	-	-	-	6,935
Total revenues	<u>2,314,728</u>	<u>343,348</u>	<u>151,170</u>	<u>431</u>	<u>2,809,677</u>
Expenditures:					
Current:					
General government	711,771	72,999	-	-	784,770
Public safety	1,100,169	95,986	-	14,272	1,210,427
Physical environment	46,152	30,600	-	-	76,752
Transportation	529,021	73,806	-	-	602,827
Economic environment	-	-	81,504	-	81,504
Culture and recreation	530,980	26,611	-	-	557,591
Debt service:					
Principal	-	142,367	-	-	142,367
Interest and fiscal charges	-	6,934	-	-	6,934
Total expenditures	<u>2,918,093</u>	<u>449,303</u>	<u>81,504</u>	<u>14,272</u>	<u>3,463,172</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(603,365)</u>	<u>(105,955)</u>	<u>69,666</u>	<u>(13,841)</u>	<u>(653,495)</u>
Other Financing Sources (Uses):					
Transfers in	<u>580,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,000</u>
Total Other Financing Sources (Uses)	<u>580,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,000</u>
Net Change in Fund Balances	(23,365)	(105,955)	69,666	(13,841)	(73,495)
Fund Balances - beginning	<u>887,604</u>	<u>188,379</u>	<u>113,029</u>	<u>50,127</u>	<u>1,239,139</u>
Fund Balances - ending	<u>\$ 864,239</u>	<u>\$ 82,424</u>	<u>\$ 182,695</u>	<u>\$ 36,286</u>	<u>\$ 1,165,644</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, 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, 2016

Net Change in Fund Balances - Total Governmental Funds: \$ (73,495)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets 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 capital outlays exceeded depreciation in the current period. 89,638

Repayments of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 142,367

Governmental funds report cash contributions to pensions as expenditures because they consume current financial resources. The Statement of Activities reports the change in pension liability and related deferrals as pension expense. This is the amount of the difference between the two amounts. (44,551)

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. (585)

Change in net position of governmental activities \$ 113,374

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	\$ 1,544,372	\$ 1,544,372	\$ 1,553,818	\$ 9,446
Licenses and permits	57,700	72,200	139,627	67,427
Intergovernmental revenues	486,203	486,203	507,122	20,919
Charges for services	43,000	43,000	50,185	7,185
Fines and forfeitures	13,200	13,200	9,971	(3,229)
Investment income	4,000	4,000	11,756	7,756
Miscellaneous	25,750	25,750	6,935	(18,815)
Total revenues	<u>2,174,225</u>	<u>2,188,725</u>	<u>2,279,414</u>	<u>90,689</u>
Expenditures:				
Current:				
General government	791,256	791,256	711,771	79,485
Public safety	1,091,383	1,157,609	1,064,855	92,754
Physical environment	47,742	47,742	46,152	1,590
Transportation	538,021	538,021	529,021	9,000
Culture and recreation	532,037	541,552	530,980	10,572
Total expenditures	<u>3,000,439</u>	<u>3,076,180</u>	<u>2,882,779</u>	<u>193,401</u>
Excess (deficiency) of revenues over expenditures	<u>(826,214)</u>	<u>(887,455)</u>	<u>(603,365)</u>	<u>284,090</u>
Other Financing Sources (Uses):				
Transfers in	580,000	580,000	580,000	-
Total other financing sources (uses)	<u>580,000</u>	<u>580,000</u>	<u>580,000</u>	<u>-</u>
Net Change in Fund Balance	(246,214)	(307,455)	(23,365)	284,090
Fund Balance - Beginning	887,604	887,604	887,604	-
Fund Balance - Ending	<u>\$ 641,390</u>	<u>\$ 580,149</u>	<u>\$ 864,239</u>	<u>\$ 284,090</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

DISCRETIONARY TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 327,616	\$ 327,616	\$ 343,348	\$ 15,732
Total revenues	<u>327,616</u>	<u>327,616</u>	<u>343,348</u>	<u>15,732</u>
Expenditures:				
Current:				
General government	15,000	15,000	72,999	(57,999)
Public safety	80,620	80,620	95,986	(15,366)
Physical environment	30,600	30,600	30,600	-
Transportation	27,000	77,000	73,806	3,194
Culture and recreation	23,000	23,439	26,611	(3,172)
Debt Service:				
Principal	141,793	141,793	142,367	(574)
Interest	3,136	3,136	6,934	(3,798)
Total expenditures	<u>321,149</u>	<u>371,588</u>	<u>449,303</u>	<u>(77,715)</u>
Excess (deficiency) of revenues over expenditures	<u>6,467</u>	<u>(43,972)</u>	<u>(105,955)</u>	<u>(61,983)</u>
Net Change in Fund Balance	6,467	(43,972)	(105,955)	(61,983)
Fund Balance - Beginning	<u>188,379</u>	<u>188,379</u>	<u>188,379</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 194,846</u>	<u>\$ 144,407</u>	<u>\$ 82,424</u>	<u>\$ (61,983)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.



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CITY OF UMATILLA, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and impact fees	\$ 147,598	\$ 147,598	\$ 149,450	\$ 1,852
Charges for services	700	700	1,720	1,020
Total revenues	<u>148,298</u>	<u>148,298</u>	<u>151,170</u>	<u>2,872</u>
Expenditures:				
Current:				
Economic environment	<u>131,520</u>	<u>211,520</u>	<u>81,504</u>	<u>130,016</u>
Total expenditures	<u>131,520</u>	<u>211,520</u>	<u>81,504</u>	<u>130,016</u>
Excess (deficiency) of revenues over expenditures	<u>16,778</u>	<u>(63,222)</u>	<u>69,666</u>	<u>132,888</u>
Net Change in Fund Balance	16,778	(63,222)	69,666	132,888
Fund Balance - Beginning	<u>113,029</u>	<u>113,029</u>	<u>113,029</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 129,807</u>	<u>\$ 49,807</u>	<u>\$ 182,695</u>	<u>\$ 132,888</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Stormwater Fund	
Assets:					
Current assets:					
Cash and cash equivalents	\$ -	\$ 85,926	\$ 75,618	\$ 36,988	\$ 198,532
Restricted cash	299,233	-	-	-	299,233
Restricted investments	404,423	-	-	-	404,423
Receivables, net	144,666	62,672	-	11,373	218,711
Due from other governments	788,259	-	27,216	107,224	922,699
Due from other funds	8,094	14,692	-	14,933	37,719
Total current assets	<u>1,644,675</u>	<u>163,290</u>	<u>102,834</u>	<u>170,518</u>	<u>2,081,317</u>
Noncurrent assets:					
Capital assets:					
Land	522,849	-	506,603	-	1,029,452
Improvements	11,753,225	-	4,268,444	3,136,189	19,157,858
Buildings	75,815	-	1,578,686	-	1,654,501
Equipment	973,038	127,418	52,600	71,297	1,224,353
Construction in progress	1,318,296	-	38,880	162,845	1,520,021
Less: accumulated depreciation	<u>(5,293,339)</u>	<u>(98,281)</u>	<u>(2,602,781)</u>	<u>(900,590)</u>	<u>(8,894,991)</u>
Total capital assets (net of depreciation)	<u>9,349,884</u>	<u>29,137</u>	<u>3,842,432</u>	<u>2,469,741</u>	<u>15,691,194</u>
Total noncurrent assets	<u>9,349,884</u>	<u>29,137</u>	<u>3,842,432</u>	<u>2,469,741</u>	<u>15,691,194</u>
Total assets	<u>10,994,559</u>	<u>192,427</u>	<u>3,945,266</u>	<u>2,640,259</u>	<u>17,772,511</u>
Deferred Outflows of Resources:					
Deferred outflows of pension earnings	58,159	6,583	-	-	64,742

The accompanying Notes to Financial Statements are an integral part of these statements.

	Enterprise Funds				
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Stormwater Fund	Total
Liabilities:					
Current Liabilities:					
Accounts payable	268,699	13,563	32,695	2,875	317,832
Retainage payable	72,318	-	-	-	72,318
Accrued liabilities	741	-	-	-	741
Unearned revenue	-	-	6,575	-	6,575
Due to other funds	19,080	23,660	-	505	43,245
Customer deposits payable	175,618	1,656	8,487	-	185,761
Accrued interest payable	-	-	-	1,460	1,460
Compensated absences	3,726	113	-	-	3,839
Notes payable	-	-	-	38,115	38,115
Total current liabilities	<u>540,182</u>	<u>38,992</u>	<u>47,757</u>	<u>42,955</u>	<u>669,886</u>
Noncurrent liabilities:					
Compensated absences	33,530	1,019	-	-	34,549
Notes payable	-	-	-	437,268	437,268
Net pension liability	159,845	18,092	-	-	177,937
Total noncurrent liabilities	<u>193,375</u>	<u>19,111</u>	<u>-</u>	<u>437,268</u>	<u>649,754</u>
Total liabilities	<u>733,557</u>	<u>58,103</u>	<u>47,757</u>	<u>480,223</u>	<u>1,319,640</u>
Deferred Inflows of Resources:					
Deferred inflows of pension earnings	8,326	943	-	-	9,269
Net Position:					
Net investment in capital assets	9,349,884	29,137	3,842,432	1,994,358	15,215,811
Restricted for utility capital projects	203,480	-	-	-	203,480
Unrestricted	757,471	110,827	55,077	165,678	1,089,053
Total net position	<u>\$ 10,310,835</u>	<u>\$ 139,964</u>	<u>\$ 3,897,509</u>	<u>\$ 2,160,036</u>	<u>\$ 16,508,344</u>

The accompanying Notes to Financial Statements are an integral part of these statements.



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CITY OF UMATILLA, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

	Enterprise Funds				
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Stormwater Fund	Total
Operating Revenues:					
Charges for services	\$ 1,282,556	\$ 658,655	\$ 83,564	\$ 102,685	\$ 2,127,460
Miscellaneous operating revenues	20,285	1,408	-	-	21,693
Total operating revenues	<u>1,302,841</u>	<u>660,063</u>	<u>83,564</u>	<u>102,685</u>	<u>2,149,153</u>
Operating Expenses:					
Personal services	279,832	47,242	-	-	327,074
Contract services	99,021	300,813	9,808	17,907	427,549
Utilities	79,398	-	14,274	-	93,672
Insurance claims and expenses	49,402	-	20,082	-	69,484
Operating supplies	55,677	-	-	-	55,677
Depreciation and amortization	313,950	11,752	264,792	67,828	658,322
Other operating expenses	41,309	5,330	2,569	150	49,358
Repairs and maintenance	58,727	-	7,967	-	66,694
Total operating expenses	<u>977,316</u>	<u>365,137</u>	<u>319,492</u>	<u>85,885</u>	<u>1,747,830</u>
Operating income (loss)	<u>325,525</u>	<u>294,926</u>	<u>(235,928)</u>	<u>16,800</u>	<u>401,323</u>
Nonoperating Revenue (Expenses):					
Investment income	403	-	-	-	403
Interest expense	(1,325)	-	-	(3,297)	(4,622)
Total nonoperating revenue (expenses)	<u>(922)</u>	<u>-</u>	<u>-</u>	<u>(3,297)</u>	<u>(4,219)</u>
Income (loss) before contributions and transfers	<u>324,603</u>	<u>294,926</u>	<u>(235,928)</u>	<u>13,503</u>	<u>397,104</u>
Capital Contributions:					
Impact fees	50,357	-	-	-	50,357
Grant revenue	1,350,270	-	31,104	426,711	1,808,085
Transfers Out	(240,000)	(340,000)	-	-	(580,000)
Change in net position	<u>1,485,230</u>	<u>(45,074)</u>	<u>(204,824)</u>	<u>440,214</u>	<u>1,675,546</u>
Net Position - beginning	<u>8,825,605</u>	<u>185,038</u>	<u>4,102,333</u>	<u>1,719,822</u>	<u>14,832,798</u>
Net Position - ending	<u>\$ 10,310,835</u>	<u>\$ 139,964</u>	<u>\$ 3,897,509</u>	<u>\$ 2,160,036</u>	<u>\$ 16,508,344</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2016

	Enterprise Funds				Total
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Stormwater Fund	
Cash Flows from Operating Activities:					
Receipts from customers	\$ 1,292,739	\$ 663,803	\$ 83,624	\$ 101,638	\$ 2,141,804
Payments to suppliers	(161,961)	(321,593)	(24,932)	(293,673)	(802,159)
Payments to employees	(298,377)	(33,658)	-	-	(332,035)
Net cash provided by operating activities	832,401	308,552	58,692	(192,035)	1,007,610
Cash Flows from Non-Capital Financing Activities:					
Transfers out	(240,000)	(340,000)	-	-	(580,000)
Increase (decrease) in due from other funds	143,215	46,130	-	(2,639)	186,706
Decrease (increase) in due to other funds	6,097	(40,799)	-	(150,546)	(185,248)
Net cash provided (used) by non-capital financing activities	(90,688)	(334,669)	-	(153,185)	(578,542)
Cash Flows from Capital and Related Financing Activities:					
Grant revenues	722,847	-	3,888	770,945	1,497,680
Proceeds from notes payable	-	-	-	495,725	495,725
Acquisition of capital assets	(1,472,658)	-	(38,880)	(862,283)	(2,373,821)
Principal paid on revenue bonds, notes and leases	(57,000)	-	-	(20,342)	(77,342)
Interest paid on revenue bonds, notes and leases	(2,188)	-	-	(1,837)	(4,025)
Impact fees	50,357	-	-	-	50,357
Net cash provided (used) by capital and related financing activities	(758,642)	-	(34,992)	382,208	(411,426)
Cash Flows from Investing Activities:					
Investment income	403	-	-	-	403
Net cash provided by investing activities	403	-	-	-	403
Net Increase (Decrease) in Cash and Cash Equivalents	(16,526)	(26,117)	23,700	36,988	18,045
Cash and Cash Equivalents - beginning	315,759	112,043	51,918	-	479,720
Cash and Cash Equivalents - end	\$ 299,233	\$ 85,926	\$ 75,618	\$ 36,988	\$ 497,765
Classified As:					
Cash and cash equivalents	\$ -	\$ 85,926	\$ 75,618	\$ 36,988	\$ 198,532
Restricted cash and cash equivalents	299,233	-	-	-	299,233
Total	\$ 299,233	\$ 85,926	\$ 75,618	\$ 36,988	\$ 497,765

The accompanying Notes to Financial Statements are in integral part to these statements.

	Enterprise Funds				Total
	Water and Sewer Fund	Sanitation Fund	Airport Fund	Stormwater Fund	
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 325,525	\$ 294,926	\$ (235,928)	\$ 16,800	\$ 401,323
Adjustments Not Affecting Cash:					
Depreciation and amortization	313,950	11,752	264,792	67,828	658,322
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(16,981)	3,640	-	(1,047)	(14,388)
(Increase) decrease deferred outflows of pension earnings	(33,773)	(6,583)	-	-	(40,356)
Increase (decrease) in accounts payable	149,255	(15,450)	29,768	(275,616)	(112,043)
Increase (decrease) in accrued liabilities	(2,111)	-	-	-	(2,111)
Increase (decrease) in retainage payable	72,318	-	-	-	72,318
Increase (decrease) in unearned revenues	-	-	(200)	-	(200)
Increase (decrease) in customer deposits	6,879	100	260	-	7,239
Increase (decrease) in compensated absences	3,466	1,132	-	-	4,598
Increase (decrease) in net pension liability	26,678	18,092	-	-	44,770
Increase (decrease) in deferred inflows of pension earnings	(12,805)	943	-	-	(11,862)
Total adjustments	<u>192,926</u>	<u>1,874</u>	<u>29,828</u>	<u>(276,663)</u>	<u>(52,035)</u>
Net Cash Provided By Operating Activities	<u>\$ 832,401</u>	<u>\$ 308,552</u>	<u>\$ 58,692</u>	<u>\$ (192,035)</u>	<u>\$ 1,007,610</u>

The accompanying Notes to Financial Statements are in integral part to these statements.

CITY OF UMATILLA, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

September 30, 2016

	<u>Police Pension Trust Fund</u>
Assets:	
Cash and cash equivalents	\$ 13,641
Investments, at fair value:	
U.S. Government & other debt securities	671,851
Equities	<u>1,019,713</u>
Total Investments	<u>1,691,564</u>
Total assets	<u>1,705,205</u>
 Net Position:	
Net position restricted for pensions	<u>\$ 1,705,205</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF UMATILLA, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Year Ended September 30, 2016

	<u>Police Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 22,050
Plan members	868
State	<u>35,314</u>
Total contributions	<u>58,232</u>
Investment income:	
Net increase in fair value of investments	<u>128,852</u>
Net investment income (loss)	<u>128,852</u>
Total additions	<u>187,084</u>
Deductions:	
Benefit payments	46,876
Administrative expenses	<u>13,433</u>
Total deductions	<u>60,309</u>
Change in net position	126,775
Net Position - beginning	<u>1,578,430</u>
Net Position - ending	<u><u>\$ 1,705,205</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.



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NOTES TO FINANCIAL STATEMENTS



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NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

The *City of Umatilla*, Florida (the City) is a political subdivision of the State of Florida located in Lake County. The City is governed by an elected Mayor and five-member City Council. The City was established by the adoption of its Charter in the Laws of Florida, Chapter 8376, on May 9, 1904. The City provides services to its citizens including Public Safety (Police and Fire), Transportation (Roads & Streets), Culture and Recreation (Library, Parks, and Recreation), Public Improvements, Physical Environment (Cemetery), Economic Environment (Community Development), Planning and Zoning, and General Government Services. The City operates Water & Sewer, Sanitation, Stormwater, and Airport enterprises. The Mayor and City Council are responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Manager.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The *City of Umatilla* Community Redevelopment Fund

The *City of Umatilla* created the Community Redevelopment Agency in April of 1980. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Ordinance 1980-B, which established the *City of Umatilla* as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. Through Ordinance 1980-B the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund. The *City of Umatilla* Community Redevelopment Fund is presented as a blended component unit, since the City Council is the governing board and the City has operational responsibility for the Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)***

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 City.

The government reports the following funds:

Major Governmental Funds

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Discretionary Tax Fund* was established as a special revenue fund to account for discretionary sales surtax revenues that are legally restricted for expenditure on infrastructure.

The *Community Redevelopment Fund* was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

Nonmajor Governmental Fund Types

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Major Proprietary Funds

Water and Sewer Fund is used to account for the operations of the City's water and sewer utility operations, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Sanitation Fund is used to account for the fiscal activities of the City's refuse collection and disposal operation.

Airport Fund is used to account for operation and maintenance of the Umatilla Municipal Airport.

Stormwater Fund is used to account for the fiscal activities of the City's stormwater drainage operation, as well as the funding and payment of related debt.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)***

Fiduciary Funds

Pension Trust Fund accounts for activities of the police officers retirement plan which accumulates resources for pension benefit payments to qualified employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, sanitation, airport and stormwater utility funds are charges to customers for sales and services. The City also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. The City's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Assets so designated are identified as restricted assets on the balance sheet.

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, sidewalks, drainage systems, 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 City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Improvements Other Than Buildings	10-20
Water and Sewer Systems	10-50
Equipment	5-20
Infrastructure	30

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A portion of sick pay is accrued for employees with at least five (5) years of service. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences and net pension obligations are generally liquidated by the general fund.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflows of pension earnings.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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 one item that qualifies for reporting in this category, which is the deferred inflows of pension earnings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

9. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position in the governmental financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a Resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

11. Fund Balance Policies (Continued)

The amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council holds the authority to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

E. New GASB Statement Implemented:

In fiscal year 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement updates the disclosure requirements for investments. There was no effect on beginning balances of the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

A. 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 - *total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total 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 Outlay	\$ 348,716
Depreciation Expense	<u>(259,078)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 89,638</u>

Another element of that reconciliation states that "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." The details of this difference are as follows:

Compensated Absences	\$ (1,028)
Accrued Interest Payable	<u>443</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (585)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 3 - Stewardship, Compliance, and Accountability:

A. Budgetary Information -

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

- (1) Prior to the end of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public budget workshops are held where the Mayor, City Council, City Manager and department heads refine budget detail items.
- (3) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (4) Public hearings are conducted to obtain taxpayer comments.
- (5) Prior to October 1, the budgets are legally enacted through passage of a resolution.
- (6) The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total appropriations of any fund must be approved by a majority vote of the City Council.
- (7) The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.
- (8) Unexpended, unencumbered appropriations lapse at the close of the fiscal year.
- (9) Budgets are adopted for the general fund, special revenue funds, debt service funds and the capital projects fund on a basis consistent with generally accepted accounting principles, except as described below under Budget Basis of Accounting. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
- (10) The City Council, by Ordinance or Resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 3 - Stewardship, Compliance, and Accountability (Continued):

B. Excess of Expenditures over Appropriations -

For the year ended September 30, 2016, expenditures exceeded appropriations in the Discretionary Tax Fund and the Police Education and Police Automation Special Revenue Funds. These excess expenditures were funded in part by greater than anticipated revenues and available fund balance.

C. Budgetary Basis of Accounting -

The City includes a portion of the prior year's fund balances represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the City does not budget for the state pension contributions that must be recorded as intergovernmental revenue and public safety expenditures in the General Fund GAAP financial statements.

For the fiscal year ended September 30, 2016 the following adjustments are necessary to convert General Fund revenues and expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Revenues</u>
GAAP Basis	\$ 2,918,093	\$ 2,314,728
Nonbudgeted State Pension Amounts	<u>(35,314)</u>	<u>(35,314)</u>
Budgetary basis	<u>\$ 2,882,779</u>	<u>\$ 2,279,414</u>

Note 4 - Cash and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$1,680,394 and the bank balance was \$1,775,832. Petty cash funds of \$2,302 are not on deposit with a financial institution, and fiduciary fund cash of \$13,641 held by the pension fund is not in the City's bank. All bank deposits were fully covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 4 - Cash and Investments (Continued):

Investments

Investments in all fund types are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment income.

The City's investment policies are governed by state statute. Authorized investments, other than those held in pension funds, are:

- (a) Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality
- (c) Interest bearing time deposit or savings accounts
- (d) Direct obligations of the U.S. Treasury

The assets of the City's police pension fund are invested in the pooled investment fund for the Florida Municipal Pension Trust Fund (FMPTF). Investments held in this fund consist of corporate bonds and stocks and cash equivalents. The fund is stated at fair value, and investment earnings are allocated to participants in the fund based on their equity in this pooled investment account as provided by the Florida Municipal Pension Fund. The Fund is not subject to U.S. Securities Exchange Commission or other regulatory oversight; the Fund's Board of Trustees provides oversight.

Investments made by the *City of Umatilla* at September 30, 2016 are summarized below. Defined benefit pension plan investments, other than \$1,019,713 in mutual funds investing in equity securities, are included below. In accordance with GASB 31, investments are reported at fair value, except certificates of deposit, which are reported at amortized cost, which approximates fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Certificates of Deposit	\$ 465,900	Unrated	295 days
FMIvT Broad Market HQ Bond Fund	266,012	AAf/S4	5.9 years
FMIvT Core Plus Fixed Income	405,839	Unrated	6.84 years
	<u>\$ 1,137,751</u>		

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 4 - Cash and Investments (Continued):

Investments - (Continued)

The City and the Police Pension Trust Fund have the following recurring fair value measurements as of September 30, 2016:

	9/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
City of Umatilla Investments				
Money Market Mutual Fund	\$ 45,539	\$ -	\$ 45,539	\$ -
Total	\$ 45,539	\$ -	\$ 45,539	\$ -
Police Officers' Pension				
Equities				
FMIvT High Quality Growth	\$ 129,596	\$ -	\$ 129,596	\$ -
FMIvT Large Cap Diversified Value	139,827	-	139,827	-
FMIvT Russell 1000 Enhanced Index	390,492	-	390,492	-
FMIvT Diversified Small to Mid Cap	192,688	-	192,688	-
FMIvT International Equity	167,110	-	167,110	-
Fixed Income				
FMIvT Broad Market HQ Bond Fund	266,012	-	266,012	-
FMIvT Core Plus Fixed Income	405,839	-	-	405,839
Total	\$ 1,691,564	\$ -	\$ 1,285,725	\$ 405,839

Investments categorized as Level 2 are reported at the net asset value of fund portfolio, whereby the underlying assets are valued based on quoted prices or market-corroborated input. Investments categorized as Level 3 are reported at the net asset value of the fund portfolio, which is invested in a variety of financial instruments, some of which are valued using significant unobservable inputs.

Credit Risk:

Credit risk exists when there is a possibility that the issuer, or the counterparty to an investment, may be unable to fulfill its obligations. The City's investment policy limits credit risk by restricting authorized investments to those described above. Pension investments, other than those identified above, are not rated by any nationally recognized organization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 4 - Cash and Investments (Continued):

Investments - (Continued)

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2016, all of the city's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The City's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The City's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 5 - Receivables:

Receivables as of year end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Receivables:					
Accounts	\$ 59,545	\$ 188,194	\$ 75,389	\$ 12,458	\$ 335,586
Less Allowance for Uncollectible Accounts	-	(43,528)	(12,717)	(1,085)	(57,330)
	<u>\$ 59,545</u>	<u>\$ 144,666</u>	<u>\$ 62,672</u>	<u>\$ 11,373</u>	<u>\$ 278,256</u>

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 415,149	\$ 79,198	\$ -	\$ 494,347
Construction in progress	136,281	36,080	(172,361)	-
Total capital assets, not being depreciated	<u>551,430</u>	<u>115,278</u>	<u>(172,361)</u>	<u>494,347</u>
Capital Assets, being depreciated:				
Buildings	2,611,052	172,361	-	2,783,413
Improvements/infrastructure	1,919,831	80,355	-	2,000,186
Machinery and equipment	2,156,584	153,083	-	2,309,667
Total capital assets being depreciated	<u>6,687,467</u>	<u>405,799</u>	<u>-</u>	<u>7,093,266</u>
Less Accumulated Depreciation for:				
Buildings	(1,019,442)	(82,103)	-	(1,101,545)
Improvements/infrastructure	(1,008,376)	(69,820)	-	(1,078,196)
Machinery and equipment	(1,721,829)	(107,155)	-	(1,828,984)
Total accumulated depreciation	<u>(3,749,647)</u>	<u>(259,078)</u>	<u>-</u>	<u>(4,008,725)</u>
Total capital assets being depreciated, net	<u>2,937,820</u>	<u>146,721</u>	<u>-</u>	<u>3,084,541</u>
Governmental activities capital assets, net	<u>\$ 3,489,250</u>	<u>\$ 261,999</u>	<u>\$ (172,361)</u>	<u>\$ 3,578,888</u>

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 6 - Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,029,452	\$ -	\$ -	\$ 1,029,452
Construction in progress	1,046,320	2,345,224	(1,871,523)	1,520,021
Total capital assets, not being depreciated	<u>2,075,772</u>	<u>2,345,224</u>	<u>(1,871,523)</u>	<u>2,549,473</u>
Capital Assets, being depreciated:				
Buildings	1,654,501	-	-	1,654,501
Improvements/infrastructure	17,279,322	1,878,536	-	19,157,858
Machinery and equipment	1,202,769	21,584	-	1,224,353
Total capital assets being depreciated	<u>20,136,592</u>	<u>1,900,120</u>	<u>-</u>	<u>22,036,712</u>
Less Accumulated Depreciation for:				
Buildings	(428,665)	(40,479)	-	(469,144)
Improvements/infrastructure	(6,821,501)	(567,482)	-	(7,388,983)
Machinery and equipment	(986,503)	(50,361)	-	(1,036,864)
Total accumulated depreciation	<u>(8,236,669)</u>	<u>(658,322)</u>	<u>-</u>	<u>(8,894,991)</u>
Total capital assets being depreciated, net	<u>11,899,923</u>	<u>1,241,798</u>	<u>-</u>	<u>13,141,721</u>
Business-type activities capital assets, net	<u>\$ 13,975,695</u>	<u>\$ 3,587,022</u>	<u>\$ (1,871,523)</u>	<u>\$ 15,691,194</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 32,106
Public safety	59,182
Physical environment	4,245
Transportation	81,532
Economic Environment	16,621
Culture and recreation	65,392
Total Depreciation Expense - governmental activities	<u>\$ 259,078</u>
Business-type Activities	
Water and Sewer	\$ 313,950
Sanitation	11,752
Airport	264,792
Stormwater	67,828
Total Depreciation Expense - business-type activities	<u>\$ 658,322</u>

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 7 - Leases:

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets		
Machinery & Equipment	\$ 287,220	\$ 103,025
Less: Accumulated depreciation	(103,124)	(31,804)
Total	<u>\$ 184,096</u>	<u>\$ 71,221</u>

Amortization of equipment leased and capital leases is included in depreciation expense. In current and prior years, assets purchased under the terms of the capital lease were transferred to the enterprise funds. The related debt remains an obligation attributable to governmental activities, and is paid entirely by those activities. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2017	<u>\$ 10,085</u>
Total Minimum Lease Payments	10,085
Less: Amount representing interest	(41)
	<u>\$ 10,044</u>

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 8 - Long-Term Debt:

Bonds Payable

The City issues bonds to provide funds for the acquisition and construction of major capital assets. Bonds have been issued for business-type activities.

The 1980 Water and Sewer Revenue Bonds are secured by gross revenues of the water and sewer system, excise taxes collected, and the proceeds of special assessments levied against the lands and properties benefited by the construction of the project. During the year ended September 30, 2016, the City elected to redeem the bonds in full using current resources. For the fiscal year, principal and interest paid on this series was \$59,188 and total pledged revenue was \$1,302,841.

Revenue bonds outstanding during the year are as follows:

<u>Business-Type Activities</u>	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2016</u>
Water and Sewer Revenue Bonds, Series 1980	5.0000% (9/1)	9/1/1983 to 9/1/2022	<u>\$ 165,100</u>	<u>-</u>
				<u>\$ -</u>

Notes Payable

On June 20, 2014, the City issued a Capital Improvement Revenue Note, Series 2014. This note was issued to finance repairs and improvements to the city hall building in the amount of \$100,000. Quarterly interest only payments based on the outstanding note balance commenced on October 1, 2014. On October 1, 2015, quarterly principal and interest payments commence through the maturity date, July 1, 2018. The Note is secured by requirement to budget and appropriate from legally available non ad valorem revenues in each fiscal year the amounts needed for annual payments of principal and interest. The total principal and interest remaining to be paid the note is \$67,048. For the fiscal year, total principal and interest paid on this series was \$35,866.

The City entered into the State Revolving Loan Agreement SW350720 for the purpose of constructing stormwater improvements. The City is authorized to borrow up to \$753,695 plus capitalized interest at an interest rate of 1.34%. The loan is secured by gross revenues of the stormwater utility after payment of operation and maintenance costs. During the year ended September 30, 2016 \$495,725 was drawn on the loan. For the fiscal year, total principal and interest paid on the note was \$22,179, and total revenues pledged were \$84,628.

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 8 - Long-Term Debt (Continued):

Notes Payable (Continued)

The annual debt service payments as of September 30, 2016 on the notes, based on balances outstanding at year end are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 33,323	\$ 966	\$ 38,115	\$ 6,243
2018	32,388	371	38,628	5,730
2019	-	-	39,147	5,211
2020	-	-	39,673	4,685
2021	-	-	40,207	4,151
2022 - 2026	-	-	209,288	12,502
2027 - 2028	-	-	70,325	976
Total	<u>\$ 65,711</u>	<u>\$ 1,337</u>	<u>\$ 475,383</u>	<u>\$ 39,498</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue note payable	\$ 100,000	\$ -	\$ (34,289)	\$ 65,711	\$ 33,323
Capital lease	118,122	-	(108,078)	10,044	10,044
Compensated absences	196,000	110,985	(109,957)	197,028	19,703
Net pension liability	557,356	309,980	-	867,336	-
Governmental activity long-term liabilities	<u>\$ 971,478</u>	<u>\$ 420,965</u>	<u>\$ (252,324)</u>	<u>\$ 1,140,119</u>	<u>\$ 63,070</u>
Business-type Activities					
Bonds payable-					
Revenue Bonds	\$ 57,000	\$ -	\$ (57,000)	\$ -	\$ -
SRF Note payable	-	495,725	(20,342)	475,383	38,115
Compensated absences	33,790	19,701	(15,103)	38,388	3,839
Net pension liability	133,167	44,770	-	177,937	-
Business-type activity long-term liabilities	<u>\$ 223,957</u>	<u>\$ 560,196</u>	<u>\$ (92,445)</u>	<u>\$ 691,708</u>	<u>\$ 41,954</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 9 - Conduit Debt:

On December 3, 2012, the City issued Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2016, there was an outstanding principal balance of \$34,313,000 of the \$48,610,000 originally issued.

Note 10 - Interfund Receivables, Payables and Transfers:

The composition of interfund balances as of September 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	Stormwater Fund	\$ 5
Water and Sewer Fund	Sanitation Fund	8,071
Water and Sewer Fund	General Fund	18
Sanitation Fund	Water and Sewer Fund	14,684
Sanitation Fund	General Fund	8
Stormwater Fund	Water and Sewer Fund	2,937
Stormwater Fund	Sanitation Fund	11,986
Stormwater Fund	General Fund	10
General Fund	Water and Sewer Fund	1,459
General Fund	Sanitation Fund	3,603
General Fund	Stormwater Fund	500
		<u>\$ 43,281</u>

Interfund receivables and payables are the result of transfers of resources resulting from utility billing transactions, as well as pooled cash transactions. In addition, temporary advances between funds occurred that will be repaid or offset during the next fiscal year.

During the year ended September 30, 2016, the water and sewer fund transferred \$240,000 to the general fund and the sanitation fund transferred \$340,000 to the general fund.

Transfers were used to reimburse the general government for services provided on behalf of the proprietary funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans:

Police Officers' Retirement Trust Fund -

The City has established a defined benefit pension plan for Police Officers. The investment and administrative agent for the defined benefit plan is the Florida Municipal Pension Trust Fund, an agent of the multiple-employer Public Employee Retirement System.

Plan Administration - The City of Umatilla Municipal Police Officers' Retirement Trust Fund is independently governed by a separate board of trustees. The Board consists of five Trustees, two of whom are legal residents of the City who are appointed by the City Council, two of whom are Members of the plan who are elected by a majority of the police officers who are members of the plan and a fifth trustee who is chosen by a majority of the first four trustees. Assets may not be used for any purpose other than to benefit the plan's participants as defined in their authorizing ordinance. The board contracts with the Florida Municipal Pension Trust Fund (FMPTF), a private, not-for-profit corporation established by the Florida League of Cities (FLC) for FLC members who wish to use its services. The FMPTF acts as a common investment and administrative agent for its members, contracting with a bank custodian, investment manager, and actuary to provide a commingled investment fund and plan valuation services. The plan is included as part of the City's reporting entity in the Police Pension Trust Fund. The Umatilla City Council adopted and may amend plan provisions by resolution.

Stand-alone audited financial statements of the FMPTF are maintained on file at the FLC offices in Tallahassee, Florida, and are available upon request to the Pension Services Division.

Summary of Significant Accounting Policies

Basis of Accounting - The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the 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 the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Publicly available financial reports for each plan, that include detailed actuarial data, can be obtained from the City's Administrative Services Department.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Police Officers' Retirement Trust Fund (Continued) -

Membership of the police officers' pension plan consisted of the following at September 30, 2016:

	Police Officers
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	8
	<u>11</u>

Plan Description - The police officers' defined benefit pension plan is a local law, single employer, defined benefit pension plans as defined under Florida Statutes, Chapters 175 and 185, which covers all sworn police officers. Employees are eligible to participate in the after one year of service.

Benefits Provided - The plan provides retirement, termination, disability and death benefits. Retirement age is the earlier of the attainment of age 52 and 25 years of service, or attainment of age 55 and 10 years of service. The normal retirement benefit is the number of years of credited service multiplied by 2.5%, of average final compensation. Early retirement is available after age 50 and 10 years of service; however, the early retirement benefit is reduced by 3% for each year before the normal retirement date.

Members are 100% vested after 10 years of credited service. Vested members will receive the vested portion of accrued benefit payable at the otherwise normal retirement date.

Disability incurred in service is covered from the date of employment. Non-service incurred disability is covered after 10 years of credited service. Benefits are accrued to date of disability but not less than 42% of average final compensation for service incurred disability or 25% of average final compensation for non-service incurred disability.

Pre-retirement death benefits for vested employees is the monthly accrued benefit payable to the designated benefited beneficiary for 10 years at the otherwise normal or early retirement rate. Beneficiaries of nonvested employees will receive a refund of accumulated contributions without interest.

Contributions - Police officers make a minimum mandatory contribution of 0.5%, in order to take advantage of the insurance premium tax rebate provided for in the statutes. The City is required to contribute the amount required in order to pay current costs and amortization of the accrued past service liability, if any, as provided in Chapter 112, Florida Statutes.

Concentrations - The plan did not hold investments in any one organization that represents 5 percent or more of the plan's fiduciary net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Police Officers' Retirement Trust Fund (Continued) -

Rate of Return - For the year ended September 30, 2016, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense, was 7.95 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset of the Sponsor - The components of the net pension asset of the sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 1,215,366
Plan Fiduciary Net Position	(1,705,205)
Net Pension Liability (Asset)	<u>\$ (489,839)</u>
Plan Net Position as a Percentage of Total Pension Liability (Asset)	-140.30%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.92%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

The mortality table used are as follows:

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The significant assumptions are based upon the most recent actuarial experience study dated December 1st, 2013 for the period 2002 - 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Police Officers' Retirement Trust Fund (Continued) -

The long-term expected rate of return on pension 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 pension plan investment expenses and inflation) are developed for each major asset class. For 2016, the inflation rate assumption of the advisor was 2.92%. 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 pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Expected Long-Term Real Return
U.S. Large Cap Equity	39.00%	6.08% per annum
U.S. Small Cap Equity	11.00%	6.83% per annum
Non-U.S. Equity	10.00%	8.43% per annum
Core Bonds	16.00%	0.58% per annum
Core Plus	24.00%	1.08% per annum
Total or Weighted Arithmetic Average	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. 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.

Sensitivity of Net Pension Asset to Changes in the Discount Rate

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ (376,186)	\$ (489,839)	\$ (733,153)

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Police Officers' Retirement Trust Fund (Continued) -

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2015	\$ 1,105,669	\$ (1,578,430)	\$ (472,761)
Changes for Year:			
Service Cost	52,149	-	52,149
Interest	79,144	-	79,144
Changes of assumptions	25,280	-	25,280
Net investment income	-	(125,610)	(125,610)
Contributions-employer & state	-	(56,112)	(56,112)
Contributions-employee	-	(2,120)	(2,120)
Benefit payments and refunds	(46,876)	46,876	-
Administrative Expense	-	10,191	10,191
Balances at September 30, 2016	<u>\$ 1,215,366</u>	<u>\$ (1,705,205)</u>	<u>\$ (489,839)</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions -
For the year ended September 30, 2016, the City recognized pension expense of \$47,452. On September 30, 2016, the City reported deferred outflows and inflows of resources related to the plan from the following sources:

<u>Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual		
Changes of assumptions	\$ 22,120	\$ -
Earnings on police pension plan investments	47,593	-
Balance, September 30, 2015	<u>\$ 69,713</u>	<u>\$ -</u>

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

<u>Year Ended September 30,</u>	
2017	\$ 18,619
2018	18,619
2019	22,851
2020	144
2021	3,160
Thereafter	6,320
	<u>\$ 69,713</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System (FRS) - All full-time City employees, other than sworn police officers, are covered under the Florida Retirement System (FRS), a cost-sharing multiple employer public employee retirement system administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership was compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

Funding Policy: The FRS has ten (10) classes of membership. Only three (3) classes are applicable to the City's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2016 are as follows:

Regular Class - Members not qualifying for other classes (10.52% [includes 3% employee contribution] from July 1, 2016 through September 30, 2016 and 10.37% [includes 3% employee contribution] from October 1, 2015 through June 30, 2015.)

Deferred Retirement Option Program (DROP) - 12.99% [DROP participants are not required to contribute] from July 1, 2016 through September 30, 2016 and 12.88% from October 1, 2015 through June 30, 2015.)

Senior Management - 24.77% [includes 3% employee contribution] from July 1, 2016 through September 30, 2016 and 24.43% [includes 3% employee contribution] from October 1, 2015 through June 30, 2015.

These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2015 and from July 1, 2016 through September 30, 2016, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Pension Plan (Continued)

The City's contributions to the Pension Plan totaled \$66,214 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the City reported a liability of \$645,198 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2016 fiscal year contributions relative to the 2015 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .00256 percent, which was a decrease of .00031 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$29,033. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 49,401	\$ 6,007
Change of Assumptions	39,033	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	166,775	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	13,849	37,430
Pension Plan Contributions Subsequent to the Measurement Date	19,350	-
	\$ 288,408	\$ 43,437

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Pension Plan (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$19,350 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>		
2017	\$	31,194
2018		31,194
2019		96,214
2020		63,117
2021		3,462
Thereafter		440
	<u>\$</u>	<u>225,621</u>

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Pension Plan (Continued)

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equity	53.00%	8.10%	6.80%	17.20%
Real Estate	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	<u>Discount Rate Minus 1% 6.60%</u>	<u>Current Discount Rate 7.60%</u>	<u>Discount Rate Plus 1% 8.60%</u>
City's Proportionate Share of Net Pension Liability (FRS)	\$ 1,187,852	\$ 645,198	\$ 193,509

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Pension Plan (Continued)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2016, the City reported no amounts payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

Florida Retirement System HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2015 and from July 1, 2016 through September 30, 2016 was 1.66% and 1.20%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$18,227 for the fiscal year ended September 30, 2016.

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System HIS Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the City reported a liability of \$400,075 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2016 fiscal year contributions relative to the 2015 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.00343 percent, which was an increase of 0.00031 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$16,730. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 911
Change of Assumptions	62,782	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	202	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	24,013	10,104
Pension Plan Contributions Subsequent to the Measurement Date	4,910	-
	<u>\$ 91,907</u>	<u>\$ 11,015</u>

The deferred outflows of resources related to the HIS Plan, totaling \$4,910 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2016	\$ 12,831
2017	12,831
2018	12,793
2019	12,774
2020	12,173
Thereafter	12,580
	<u>\$ 75,982</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System HIS Plan (Continued)

Actuarial Assumptions - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.80% net of pension plan investment expense

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	Discount Rate Minus 1% 1.85%	Current Discount Rate 2.85%	Discount Rate Plus 1% 3.85%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 458,977	\$ 400,075	\$ 351,190

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 11 - Retirement Plans (Continued):

Florida Retirement System Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income. The pension expense for the City's Investment Plan for the fiscal year ended September 30, 2016 was \$9,775.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 12 - Other Post Employment Benefits (OPEB):

In accordance with Florida Statutes Section 112.0801, the City makes continued group health insurance through the city's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. This plan is a single employer plan. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements, if any. This plan does not issue stand-alone financial statements.

The City currently has no OPEB liability due to the following conditions:

The only other postemployment benefit the city offers is the ability for retirees to self-pay under the City's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The City does not expect this situation to change in the foreseeable future.

Accordingly, the City has a net OPEB obligation at September 30, 2016 of zero.

Note 13 - Risk Management:

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. The pool has 52 local government agency members.

The pool administers insurance activities relating to property, general liability, police, professional, automobile liability, public officials' liability, workers' compensation, and boiler and machinery. The pool absorbs losses up to a specified amount for each pool year and purchases excess and other specific coverage's from third-party carriers. The pool assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the pool can make additional limited assessments. Losses, if any, in excess of the pools ability to assess its members would revert back to the member that incurred the loss. There has been no significant reduction in insurance coverage from the prior year, and no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2016. The cost of the insurance is allocated among the appropriate departments and funds.

CITY OF UMATILLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

Note 14 - Commitments and Contingencies:

Amounts received or receivable from grantor are subject to audit and adjustment by grantor agencies, principally federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts to be immaterial.

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2016. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

Note 15 - Fund Balance:

	General Fund	Discretionary Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Inventory/prepays	\$ 997	\$ -	\$ -	\$ -	\$ 997
Spendable					
Restricted for:					
Community					
redevelopment	-	-	182,695	-	182,695
Capital projects	-	82,424	-	-	82,424
Public safety	-	-	-	36,286	36,286
Assigned for:					
Roads and streets	53,117	-	-	-	53,117
Subsequent year					
expenditures	402,233	-	-	-	402,233
Unassigned	407,892	-	-	-	407,892
	<u>\$ 864,239</u>	<u>\$ 82,424</u>	<u>\$ 182,695</u>	<u>\$ 36,286</u>	<u>\$ 1,165,644</u>

Note 16 - Evaluation of Subsequent Events:

The City has evaluated subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued.



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REQUIRED SUPPLEMENTARY INFORMATION



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CITY OF UMATILLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION
LIABILITY AND RELATED RATIOS - POLICE PENSION**

September 30, 2016

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability			
Service Cost	\$ 52,149	\$ 48,398	\$ 45,232
Interest	79,144	73,867	68,715
Benefit Changes	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	25,280	-	-
Benefit Payments, including refunds of employee contributions	(46,876)	(46,876)	(40,168)
Net Change in Total Pension Liability	109,697	75,389	73,779
Total Pension Liability - beginning	1,105,669	1,030,280	956,501
Total Pension Liability - ending (a)	<u>\$ 1,215,366</u>	<u>\$ 1,105,669</u>	<u>\$ 1,030,280</u>
Plan Fiduciary Net Position			
Contributions - employer	20,798	47,980	42,479
Contributions - state	35,314	23,731	23,027
Contributions - employee	2,120	1,889	1,588
Net Investment Income	125,610	(3,466)	121,384
Benefit Payments, Including Refunds of Employee Contributions	(46,876)	(46,876)	(40,168)
Administrative Expense	(10,191)	(7,692)	(7,518)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	126,775	15,566	140,792
Plan Fiduciary Net Position- beginning	1,578,430	1,562,864	1,422,072
Plan Fiduciary Net Position- ending (b)	<u>\$ 1,705,205</u>	<u>\$ 1,578,430</u>	<u>\$ 1,562,864</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ (489,839)</u>	<u>\$ (472,761)</u>	<u>\$ (532,584)</u>
Plan Fiduciary Net Position as a			
Percentage of Total Pension Liability	140.30%	142.76%	151.69%
Covered-employee Payroll	\$ 424,000	\$ 377,800	\$ 317,519
Net Pension Liability as a Percentage of			
Covered Employee Payroll	-115.53%	-125.14%	-167.73%

Notes to Schedule:

Ordinance No. 2016-D, adopted August 16, 2016, transitioned the plan to "Local Law"

Changes of assumptions - For measurement date 9/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.92%, matching the long-term inflation assumption utilized by the plan's investment consultant.

CITY OF UMATILLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION

September 30, 2016

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially Determined Contribution	\$ -	\$ 57,048	\$ 47,944
Contributions in Relation to the Actuarially Determined Contribution	56,112	71,711	51,219
Contribution Deficiency (Excess)	<u>\$ (56,112)</u>	<u>\$ (14,663)</u>	<u>\$ (3,275)</u>
Covered Employee Payroll	424,000	377,800	317,519
Contributions as a Percentage of Covered Employee Payroll	13.23%	18.98%	16.13%

Notes to Schedule

Valuation Date 10/1/2014

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

Methods and assumptions used to determine contribution rates:

Funding Method Aggregate Actuarial Cost Method
Mortality RP-2000 Table (Sex Distinct)
Interest Rate 7.0% per year, compounded annually gross of investment related expenses.
Retirement Age

5.0% per year eligible for Early Retirement. 10.0% per year eligible for Normal Retirement (with 100% at age 58 with 13 years of service or age 55 with 28 years of service). Also, any member who has reached normal retirement age on the valuation date is assumed to continue employment for one year.

Disability Rates:

Age	% Becoming Disabled During the Year
20	6.00%
30	5.00%
40	2.60%
50	0.80%

Termination and Salary Increases:

Years of Service	% Terminating During the Year	Salary Increases
0	20.00%	10.00%
1	20.00%	8.00%
2	20.00%	7.00%
3	15.00%	7.00%
4	15.00%	7.00%
5+	5.00%	5.50%

Projected salary in year of retirement is increased 10.0% to account for non-regular compensation.

Payroll Growth Assumption

None

CITY OF UMATILLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS - POLICE PENSION

September 30, 2016

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money-Weighted Rate of Return			
Net of Investment Expense	7.95%	-0.22%	9.75%

CITY OF UMATILLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM

September 30, 2016

Florida Retirement System Pension Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.00256%	0.00287%	0.00282%
City's Proportionate Share of the Net Pension Liability	\$ 645,198	\$ 370,720	\$ 171,895
City's Covered-employee Payroll	\$ 1,059,722	\$ 952,663	*
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	60.88%	38.91%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.88%	92.00%	96.09%

* Not available

Florida Retirement System HIS Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.00343%	0.00314%	0.00322%
City's Proportionate Share of the Net Pension Liability	\$ 400,075	\$ 319,803	\$ 301,008
City's Covered-employee Payroll	\$ 1,059,722	\$ 952,663	*
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	37.75%	33.57%	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.97%	0.50%	0.99%

* Not available

* Data not available.

CITY OF UMATILLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM

September 30, 2016

Florida Retirement System Pension Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 66,214	\$ 68,627
Contributions in Relation to the Contractually Required Contributions	<u>66,214</u>	<u>68,627</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 966,107	\$ 918,501
Contributions as a Percentage of Covered-employee Payroll	6.85%	7.47%

Florida Retirement System HIS Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 18,227	\$ 13,435
Contributions in Relation to the contractually Required Contributions	<u>18,227</u>	<u>13,435</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 966,107	\$ 918,501
Contributions as a Percentage of Covered-employee Payroll	1.89%	1.46%

* Data not available before 2015.



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NONMAJOR GOVERNMENTAL FUNDS



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OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Police Education Fund

This fund was established to account for the additional assessment on each traffic citation that is restricted for criminal justice education and training.

Police Automation Fund

This fund was established to account for fines and forfeitures that are restricted for the acquisition of equipment to upgrade technology of existing equipment.

CITY OF UMATILLA, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	<u>Special Revenue</u>			<u>Total-Nonmajor Governmental Funds</u>
	<u>Police Education</u>	<u>Police Automation</u>	<u>Total Special Revenue Funds</u>	
Assets:				
Cash and cash equivalents	\$ 6,567	\$ 29,719	\$ 36,286	\$ 36,286
Total assets	<u>\$ 6,567</u>	<u>\$ 29,719</u>	<u>\$ 36,286</u>	<u>\$ 36,286</u>
Liabilities and Fund Balances:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Spendable:				
Restricted	6,567	29,719	36,286	36,286
Total fund balances	<u>6,567</u>	<u>29,719</u>	<u>36,286</u>	<u>36,286</u>
Total Liabilities and Fund Balances	<u>\$ 6,567</u>	<u>\$ 29,719</u>	<u>\$ 36,286</u>	<u>\$ 36,286</u>

CITY OF UMATILLA, FLORIDA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2016

	<u>Special Revenue</u>			<u>Total-Nonmajor Governmental Funds</u>
	<u>Police Education</u>	<u>Police Automation</u>	<u>Total Special Revenue Funds</u>	
Revenues:				
Fines and forfeitures	\$ 431	\$ -	\$ 431	\$ 431
Total revenues	<u>431</u>	<u>-</u>	<u>431</u>	<u>431</u>
Expenditures:				
Current:				
Public safety	3,409	10,863	14,272	14,272
Total expenditures	<u>3,409</u>	<u>10,863</u>	<u>14,272</u>	<u>14,272</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,978)</u>	<u>(10,863)</u>	<u>(13,841)</u>	<u>(13,841)</u>
 Net Change in Fund Balances	 (2,978)	 (10,863)	 (13,841)	 (13,841)
Fund Balances - beginning	9,545	40,582	50,127	50,127
Fund Balances - ending	<u>\$ 6,567</u>	<u>\$ 29,719</u>	<u>\$ 36,286</u>	<u>\$ 36,286</u>

CITY OF UMATILLA, FLORIDA

POLICE EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 500	\$ 500	\$ 431	\$ (69)
Total revenues	<u>500</u>	<u>500</u>	<u>431</u>	<u>(69)</u>
Expenditures:				
Current:				
Public safety	2,000	2,000	3,409	(1,409)
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>3,409</u>	<u>(1,409)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>(2,978)</u>	<u>(1,478)</u>
Net Change in Fund Balance	(1,500)	(1,500)	(2,978)	(1,478)
Fund Balance - Beginning	9,545	9,545	9,545	-
Fund Balance - Ending	<u>\$ 8,045</u>	<u>\$ 8,045</u>	<u>\$ 6,567</u>	<u>\$ (1,478)</u>

CITY OF UMATILLA, FLORIDA

POLICE AUTOMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 200	\$ 200	\$ -	\$ (200)
Total revenues	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Expenditures:				
Current:				
Public safety	5,000	5,000	10,863	(5,863)
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>10,863</u>	<u>(5,863)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,800)</u>	<u>(4,800)</u>	<u>(10,863)</u>	<u>(6,063)</u>
Net Change in Fund Balance	(4,800)	(4,800)	(10,863)	(6,063)
Fund Balance - Beginning	40,582	40,582	40,582	-
Fund Balance - Ending	<u>\$ 35,782</u>	<u>\$ 35,782</u>	<u>\$ 29,719</u>	<u>\$ (6,063)</u>



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STATISTICAL SECTION



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STATISTICAL SECTION

This section of the City of Umatilla's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	74-79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant revenue source, the property tax,	80-83
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84-86
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	87-88
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89-91

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF UMATILLA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 6,914,873	\$ 3,891,620	\$ 2,808,515	\$ 2,932,113	\$ 2,985,214	\$ 2,971,519	\$ 2,795,822	\$ 2,931,802	\$ 3,307,812	\$ 3,503,133
Restricted for:										
Capital Improvements	540,454	524,352	721,632	92,350	168,315	288,920	375,080	346,024	188,379	82,424
Community Redevelopment	-	-	-	483,398	418,896	328,064	103,407	98,409	113,029	182,695
Law Enforcement	76,153	12,247	12,915	115,210	69,157	68,365	66,940	54,867	50,127	36,286
Fire Department	13,526	15,497	13,479	-	-	-	-	-	-	-
Library	47,511	45,000	45,111	-	-	-	-	-	-	-
Unrestricted	1,207,166	1,149,061	1,206,668	1,324,680	825,420	457,215	542,809	656,049	661,597	629,780
Total Governmental Activities Net Position	<u>\$ 8,799,683</u>	<u>\$ 5,637,777</u>	<u>\$ 4,808,320</u>	<u>\$ 4,947,751</u>	<u>\$ 4,467,002</u>	<u>\$ 4,114,083</u>	<u>\$ 3,884,058</u>	<u>\$ 4,087,151</u>	<u>\$ 4,320,944</u>	<u>\$ 4,434,318</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 3,399,984	\$ 10,030,256	\$ 11,143,111	\$ 12,065,995	\$ 12,334,397	\$ 12,515,904	\$ 12,292,062	\$ 12,449,970	\$ 13,918,695	\$ 15,215,811
Restricted for:										
Capital Improvements	594,923	392,016	603,256	456,278	233,129	228,026	219,876	144,248	161,730	203,480
Debt Service	121,182	127,126	127,671	54,090	54,090	54,090	54,090	54,090	-	-
Unrestricted	1,218,935	129,285	(18,922)	58,635	529,967	859,347	657,601	705,793	752,373	1,089,053
Total Business-type Activities Net Position	<u>\$ 5,335,024</u>	<u>\$ 10,678,683</u>	<u>\$ 11,855,116</u>	<u>\$ 12,634,998</u>	<u>\$ 13,151,583</u>	<u>\$ 13,657,367</u>	<u>\$ 13,223,629</u>	<u>\$ 13,354,101</u>	<u>\$ 14,832,798</u>	<u>\$ 16,508,344</u>
Primary Government										
Net investment in capital assets	\$ 10,314,857	\$ 13,921,876	\$ 13,951,626	\$ 14,998,108	\$ 15,319,611	\$ 15,487,423	\$ 15,087,884	\$ 15,381,772	\$ 17,226,507	\$ 18,718,944
Restricted for:										
Capital Improvements	1,135,377	916,368	1,324,888	548,628	401,444	516,946	594,956	490,272	350,109	285,904
Debt Service	121,182	127,126	127,671	54,090	54,090	54,090	54,090	54,090	-	-
Community Redevelopment	-	-	-	483,398	418,896	328,064	103,407	98,409	113,029	182,695
Law Enforcement	76,153	12,247	12,915	115,210	69,157	68,365	66,940	54,867	50,127	36,286
Fire Department	13,526	15,497	13,479	-	-	-	-	-	-	-
Library	47,511	45,000	45,111	-	-	-	-	-	-	-
Unrestricted	2,426,101	1,278,346	1,187,746	1,383,315	1,355,387	1,316,562	1,200,410	1,361,842	1,413,970	1,718,833
Total City of Umatilla Net Position	<u>\$ 14,134,707</u>	<u>\$ 16,316,460</u>	<u>\$ 16,663,436</u>	<u>\$ 17,582,749</u>	<u>\$ 17,618,585</u>	<u>\$ 17,771,450</u>	<u>\$ 17,107,687</u>	<u>\$ 17,441,252</u>	<u>\$ 19,153,742</u>	<u>\$ 20,942,662</u>

Note: This schedule reports trend information for all years beginning with the year the City implemented GASB 34.

**CITY OF UMATILLA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
EXPENSES										
Governmental Activities:										
General Government	\$ 528,091	\$ 807,195	\$ 512,434	\$ 532,689	\$ 869,745	\$ 582,914	\$ 742,494	\$713,706	\$635,092	\$764,931
Public Safety	859,602	1,062,706	921,714	903,616	976,103	1,007,103	1,068,865	990,627	1,067,052	1,160,901
Transportation	689,530	556,640	267,555	430,053	472,978	567,118	493,078	45,445	46,388	622,962
Physical Environment	408,732	40,610	37,273	36,874	35,805	43,354	43,963	536,722	532,366	53,898
Culture and Recreation	701,355	646,800	519,085	516,768	511,735	504,269	584,012	433,672	539,648	611,094
Economic Environment	-	-	-	171,597	123,222	212,799	348,305	190,002	47,396	56,026
Interest on Long-term Debt	6,317	18,711	13,148	18,012	11,407	7,098	9,116	15,065	3,796	6,491
Total Governmental Activities Expenses	3,193,627	3,132,662	2,271,209	2,609,609	3,000,995	2,924,655	3,289,833	2,925,239	2,871,738	3,276,303
Business-Type Activities										
Water and Sewer	1,107,133	1,832,971	1,421,553	1,100,163	1,074,021	1,036,296	1,028,156	1,086,390	1,029,580	978,641
Sanitation	-	485,195	538,293	433,066	440,376	482,713	456,697	356,173	351,219	365,137
Airport	-	208,946	250,816	352,061	358,391	284,837	286,220	281,683	313,408	319,492
Stormwater	-	-	121,784	108,846	94,538	102,038	78,606	90,674	84,976	89,182
Total Business-Type Activities Expenses	1,107,133	2,527,112	2,332,446	1,994,136	1,967,326	1,905,884	1,849,679	1,814,920	1,779,183	1,752,452
Total Expenses	\$ 4,300,760	\$ 5,659,774	\$ 4,603,655	\$ 4,603,745	\$ 4,968,321	\$ 4,830,539	\$ 5,139,512	\$ 4,740,159	\$ 4,650,921	\$ 5,028,755
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Government	\$ 284,181	\$ 891,720	\$ 87,701	\$ 38,265	\$ 24,112	\$ 99,391	\$ 133,058	\$56,616	\$35,014	\$139,627
Public Safety	34,992	24,082	26,646	15,105	12,347	20,857	36,175	22,718	11,887	10,348
Physical Environment	494,311	9,825	14,050	-	-	-	-	-	-	-
Transportation	33,488	14,070	15,798	9,681	12,123	6,553	9,210	7,772	9,021	20,348
Culture and Recreation	17,648	17,152	15,378	26,974	27,823	27,610	30,209	31,450	32,815	29,891
Economic Environment	-	-	-	2,340	1,905	1,680	1,000	3,270	775	1,720
Operating Grants and Contributions	563,031	520,860	498,063	243,102	228,568	248,743	218,334	218,433	242,961	242,969
Capital Grants and Contributions	101,363	15,768	56,389	235,811	7,753	6,683	5,597	4,135	11,240	4,164
Total Governmental Activities Program Revenues	1,529,014	1,493,477	714,025	571,278	314,631	411,517	433,583	344,394	343,713	449,067
Business-Type Activities:										
Charges for Services:										
Water and Sewer	779,328	859,950	958,317	932,494	962,381	905,617	941,787	981,722	1,185,548	1,307,834
Sanitation	-	497,606	665,432	629,237	618,387	629,784	635,652	644,916	652,895	660,063
Airport	-	30,182	28,252	49,054	54,863	67,046	71,781	69,666	79,918	83,564
Stormwater	-	-	97,725	94,696	98,529	96,991	97,999	98,549	99,782	102,685
Operating Grants and Contributions	-	-	-	667,061	678,126	-	-	-	-	-
Capital Grants and Contributions	203,769	3,064,209	470,168	646,712	70,622	709,215	141,416	661,156	1,915,418	1,853,449
Total Business-Type Activities Program Revenues	983,097	4,451,947	2,219,894	3,019,254	2,482,908	2,408,653	1,888,635	2,456,009	3,933,561	4,007,595
Total Program Revenues	\$ 2,512,111	\$ 5,945,424	\$ 2,933,919	\$ 3,590,532	\$ 2,797,539	\$ 2,820,170	\$ 2,322,218	\$ 2,800,403	\$ 4,277,274	\$ 4,456,662
NET REVENUE (EXPENSE)										
Governmental Activities	\$ (1,664,613)	\$ (1,639,185)	\$ (1,557,184)	\$ (2,038,331)	\$ (2,686,364)	\$ (2,513,138)	\$ (2,856,250)	\$ (2,580,845)	\$ (2,528,025)	\$ (2,827,236)
Business-Type Activities	(124,036)	1,924,835	(112,552)	1,025,118	515,582	502,769	38,956	641,089	2,154,378	2,255,143
Total Net Expense	\$ (1,788,649)	\$ 285,650	\$ (1,669,736)	\$ (1,013,213)	\$ (2,170,782)	\$ (2,010,369)	\$ (2,817,294)	\$ (1,939,756)	\$ (373,647)	\$ (572,093)

Continued on Next Page

**CITY OF UMATILLA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
GENERAL REVENUES AND TRANSFERS										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 863,100	\$ 976,078	\$ 1,057,017	\$ 999,172	\$ 982,677	\$ 902,534	\$ 910,675	\$ 901,006	\$ 861,702	\$ 906,859
Sales Taxes	233,873	224,518	202,258	-	-	-	-	-	-	-
Franchise and Utility Taxes	28,653	507,376	566,402	656,425	583,577	593,697	616,819	701,589	654,633	707,492
Intergovernmental revenues	-	-	-	243,866	499,900	534,009	579,249	621,337	679,715	727,568
Casualty Insurance Premium Tax	-	-	27,283	-	-	-	-	-	-	-
Unrestricted Investment Earnings	102,514	57,949	16,022	31,649	13,001	6,374	6,530	5,648	8,417	11,756
Miscellaneous	-	-	-	-	126,460	123,605	38,510	42,638	28,181	6,935
Gain(Loss) on Sale of Capital Assets	2,919	1,021	(543)	-	-	-	-	-	41,536	-
Capital Lease Proceeds	-	-	145,054	-	-	-	-	-	-	-
Transfers	159,342	(3,289,663)	(1,255,195)	246,650	-	-	474,442	511,720	540,000	580,000
Total Governmental Activities	1,390,401	(1,522,721)	758,298	2,177,762	2,205,615	2,160,219	2,626,225	2,783,938	2,814,184	2,940,610
Business-Type Activities:										
Unrestricted Investment Earnings	53,028	36,100	3,185	-	1,003	3,015	1,748	1,102	35	403
Transfers	(159,342)	3,289,663 (1)	1,255,195	(246,650)	-	-	(474,442)	(511,720)	(540,000)	(580,000)
Franchise Fees & Utility Taxes	522,520	30,236	-	-	-	-	-	-	-	-
Miscellaneous Revenues	3,050	62,825	34	1,414	-	-	-	-	-	-
Total Business-Type Activities	419,256	3,418,824	1,258,414	(245,236)	1,003	3,015	(472,694)	(510,618)	(539,965)	(579,597)
Total General Revenues and Transfers	\$ 1,809,657	\$ 1,896,103	\$ 2,016,712	\$ 1,932,526	\$ 2,206,618	\$ 2,163,234	\$ 2,153,531	\$ 2,273,320	\$ 2,274,219	\$ 2,361,013
CHANGE IN NET ASSETS										
Governmental Activities	\$ (274,212)	\$ (3,161,906)	\$ (798,886)	\$ 139,431	\$ (480,749)	\$ (352,919)	\$ (230,025)	\$ 203,093	\$ 286,159	\$ 113,374
Business-Type Activities	295,220	5,343,659	1,145,862	779,882	516,585	505,784	(433,738)	130,471	1,614,413	1,675,546
Total Change in Net Position	\$ 21,008	\$ 2,181,753	\$ 346,976	\$ 919,313	\$ 35,836	\$ 152,865	\$ (663,763)	\$ 333,564	\$ 1,900,572	\$ 1,788,920

Note: This schedule reports trend information for all years beginning with the year the City implemented GASB 34.

(1) Large transfer due to creating a separate Airport Fund, previously included in the General Fund

CITY OF UMATILLA
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

<u>FISCAL YEAR</u>	<u>PROPERTY TAXES</u>	<u>INFRA-STRUCTURE SALES SURTAX</u>	<u>LOCAL OPTION GAS TAXES</u>	<u>FRANCHISE FEES</u>	<u>UTILITY TAXES</u>	<u>COMMUNICATIONS SERVICE TAX</u>	<u>CASUALTY INSURANCE PREMIUM TAX</u>	<u>TOTAL TAXES</u>
2007	863,101	233,873	96,703	212,462	227,350	110,617	30,305	1,774,411
2008	976,078	224,518	91,681	180,600	217,609	109,167	30,305	1,829,958
2009	1,057,017	202,258	95,492	205,799	247,302	113,302	27,282	1,948,452
2010	857,184	223,665	93,144	244,001	310,295	102,129	-	1,830,418
2011	861,985	238,576	86,445	221,666	289,350	72,561	-	1,770,583
2012	902,534	248,897	89,870	208,884	270,731	114,082	49,127	1,884,125
2013	910,675	278,282	80,256	197,983	278,480	140,356	24,402	1,910,434
2014	901,006	296,665	83,692	238,506	329,524	133,559	23,027	2,005,979
2015	861,702	325,566	93,967	221,217	304,005	129,411	23,731	1,959,599
2016	906,859	343,348	88,917	233,921	340,262	133,308	35,315	2,081,930

* Data not available

CITY OF UMATILLA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Reserved	\$ 137,190	\$ 135,177	\$ 127,696	\$ 56,578
Unreserved	1,071,489	1,256,283	1,335,402	1,470,021
Total General Fund	<u>\$ 1,208,679</u>	<u>\$ 1,391,460</u>	<u>\$ 1,463,098</u>	<u>\$ 1,526,599</u>
All Other Governmental Funds (Special Revenue Funds)				
Reserved	\$ 540,454	\$ 461,919	\$ 665,441	\$ 645,371
Unreserved	-	-	-	-
Total All Other Governmental Funds	<u>\$ 540,454</u>	<u>\$ 461,919</u>	<u>\$ 665,441</u>	<u>\$ 645,371</u>

Post GASB 54

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Nonspendable	\$ 849	\$ 2,345	\$ 1,845	\$ 1,500	\$ 1,555	\$ 997
Committed	-	-	23,300	3,932	-	-
Assigned	599,742	162,669	211,752	312,010	289,430	455,350
Unassigned	381,060	416,039	472,787	546,119	596,619	407,892
Total General Fund	<u>\$ 981,651</u>	<u>\$ 581,053</u>	<u>\$ 709,684</u>	<u>\$ 863,561</u>	<u>\$ 887,604</u>	<u>\$ 864,239</u>
All Other Governmental Funds (Special Revenue Funds)						
Restricted	\$ 656,368	\$ 685,349	\$ 545,427	\$ 499,300	\$ 351,535	\$ 301,405
Assigned	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 656,368</u>	<u>\$ 685,349</u>	<u>\$ 545,427</u>	<u>\$ 499,300</u>	<u>\$ 351,535</u>	<u>\$ 301,405</u>

CITY OF UMATILLA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 1,222,330	\$ 1,829,958	\$ 2,117,678	\$ 1,972,406	\$ 1,659,757	\$ 1,586,101	\$ 1,607,750	\$ 1,686,287	\$ 1,610,302	\$ 1,703,268
Licenses and Permits	19,961	79,914	24,550	38,265	24,112	99,391	133,058	56,616	35,014	139,627
Intergovernmental Revenues	543,219	435,082	461,079	405,970	642,718	699,565	722,924	760,213	839,949	885,784
Charges for Services	551,479	96,927	35,051	34,176	39,304	31,446	37,653	43,364	40,149	51,905
Fines and Forfeitures	40,358	28,520	30,044	17,584	12,989	23,574	37,941	21,846	14,349	10,402
Investment Income	-	-	-	-	13,001	6,374	6,530	5,648	8,417	11,756
Miscellaneous	382,721	1,001,634	96,904	33,989	128,365	125,285	39,510	42,638	28,181	6,935
Total Revenues	<u>2,760,068</u>	<u>3,472,035</u>	<u>2,765,306</u>	<u>2,502,390</u>	<u>2,520,246</u>	<u>2,571,736</u>	<u>2,585,366</u>	<u>2,616,612</u>	<u>2,576,361</u>	<u>2,809,677</u>
Expenditures										
General Government	528,805	792,800	605,659	523,522	857,863	665,464	754,772	857,581	935,884	784,770
Public Safety	774,485	975,498	838,765	838,880	1,073,476	947,349	1,068,721	899,688	1,063,373	1,210,427
Physical Environment	408,656	54,010	37,123	36,724	42,269	47,201	71,963	40,353	42,665	76,752
Transportation	418,393	433,419	198,699	366,265	459,753	500,401	546,682	472,513	569,062	602,827
Economic Environment	-	563	9,751	235,089	209,761	207,257	339,724	123,493	130,606	81,504
Culture and Recreation	580,952	550,160	434,260	444,553	458,502	446,399	513,448	523,018	508,783	557,591
Capital Outlay	399,258	313,733	72,336	77,899	-	-	-	-	-	-
Debt Service:										
Principal	35,339	158,121	132,096	218,922	136,657	140,708	206,172	128,869	115,856	142,367
Interest & Issuance Costs	6,317	18,711	13,149	13,970	12,479	8,426	10,018	15,067	4,054	6,934
Grants and Aids	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>3,152,205</u>	<u>3,297,015</u>	<u>2,341,838</u>	<u>2,755,824</u>	<u>3,250,760</u>	<u>2,963,205</u>	<u>3,511,500</u>	<u>3,060,582</u>	<u>3,370,283</u>	<u>3,463,172</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(392,137)	175,020	423,468	(253,434)	(730,514)	(391,469)	(926,134)	(443,970)	(793,922)	(653,495)
Other Financing Sources (Uses)										
Transfers in	343,663	49,266	117,500	258,297	-	-	568,330	515,998	540,000	580,000
Transfers out	(184,321)	(120,040)	(466,770)	(11,647)	-	-	(93,888)	(4,278)	-	-
Debt Proceeds	503,685	-	231,533	50,215	196,563	19,852	440,401	40,000	60,000	-
Debt Proceeds	-	-	-	-	-	-	-	-	70,200	-
Total Other Financing Sources (Uses)	<u>663,027</u>	<u>(70,774)</u>	<u>(117,737)</u>	<u>296,865</u>	<u>196,563</u>	<u>19,852</u>	<u>914,843</u>	<u>551,720</u>	<u>670,200</u>	<u>580,000</u>
Net Change in Fund Balances	<u>\$ 270,890</u>	<u>\$ 104,246</u>	<u>\$ 305,731</u>	<u>\$ 43,431</u>	<u>\$ (533,951)</u>	<u>\$ (371,617)</u>	<u>\$ (11,291)</u>	<u>\$ 107,750</u>	<u>\$ (123,722)</u>	<u>\$ (73,495)</u>
Debt service as a percentage of noncapital expenditures	1.51%	5.93%	6.74%	9.00%	5.11%	5.23%	6.75%	4.93%	4.30%	4.79%

**CITY OF UMATILLA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		CENTRALLY ASSESSED PROPERTY		TOTAL		(IN MILLS) DIRECT TAX RATE	TOTAL TAXABLE VALUE PERCENTAGE OF TOTAL JUST VALUE
	TAXABLE VALUE	ESTIMATED JUST VALUE	TAXABLE VALUE	ESTIMATED JUST VALUE	TAXABLE VALUE	ESTIMATED JUST VALUE	TAXABLE VALUE	ESTIMATED JUST VALUE		
2007	110,830,231	165,202,581	12,822,251	13,384,100	5,812	5,812	123,658,294	178,592,493	6.2400	69.24%
2008	126,622,000	181,720,456	13,827,323	14,526,160	5,242	5,242	140,454,565	196,251,858	5.7593	71.57%
2009	127,600,008	200,188,397	12,944,226	15,551,682	5,092	6,804	140,549,326	215,746,883	6.5000	65.15%
2010	113,870,940	177,409,671	14,803,104	17,317,971	4,871	6,364	128,678,915	194,734,009	6.8795	66.08%
2011	102,871,332	162,332,030	12,054,919	14,631,545	4,106	5,646	114,930,357	176,969,221	7.6419	64.94%
2012	103,927,315	150,858,928	11,322,275	13,444,051	4,106	4,106	115,253,696	164,302,979	8.2480	70.15%
2013	94,264,999	152,841,267	12,826,371	15,333,257	-	-	107,091,370	168,175,060	8.2480	63.68%
2014	99,525,397	160,283,636	12,458,051	15,108,906	-	-	111,983,448	175,392,542	8.2480	63.85%
2015	107,902,950	173,648,089	11,887,467	14,370,614	-	-	119,790,417	188,018,703	7.2980	63.71%
2016	110,695,343	178,604,508	12,669,583	16,306,588	-	-	123,364,926	194,911,096	7.1089	63.29%

Source-Lake County Property Appraiser's Office

The property appraiser is required to physically inspect the property at least once every 5 years. Homesteaded property is reassessed annually on January 1. Any change resulting from such reassessment shall not exceed the lower of 3% of the prior year's assessed value or the percentage change in the Consumer Price Index for All Urban Consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics.

The estimated just value is adjusted down to the taxable value due to governmental exemptions, widows/widowers exemption, disability/blind exemption, institutional exemption for charitable, religious, scientific, literary and educational, \$25,000 homestead exemption, additional \$25,000 homestead exemption age 65 and older, and the homestead assessment differential (just value minus capped value).

**CITY OF UMATILLA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

OVERLAPPING GOVERNMENTS AND RATES									
FISCAL YEAR	OPERATING RATE CITY	LAKE COUNTY	SCHOOL DISTRICT	AMBULANCE DISTRICT	COUNTY DEBT SERVICE	HOSPITAL DISTRICT	WATER MANAGEMENT DISTRICT	WATER CONSERVATION AUTHORITY	TOTAL
2007	6.2400	5.9470	7.6480	0.5289	0.2000	1.0000	0.4620	0.2530	22.2789
2008	5.7593	4.9410	7.6980	0.4651	0.2000	1.0000	0.4158	0.2130	20.6922
2009	6.5000	4.6511	7.5170	0.4651	0.1101	1.0000	0.4158	0.2130	20.8721
2010	6.8795	4.7309	7.5230	0.3853	0.1101	1.0000	0.4158	0.2405	21.2851
2011	7.6419	4.7309	7.3940	0.3853	0.1101	1.0000	0.3313	0.2405	21.8340
2012	8.2480	4.7309	7.3200	0.3853	0.1900	1.0000	0.3313	0.2554	22.4609
2013	8.2480	4.7309	7.1700	0.3853	0.1900	1.0000	0.0328	0.2554	22.0124
2014	8.2480	4.7309	7.1700	0.3853	0.1900	1.0000	0.3283	0.2554	22.3079
2015	7.2980	5.3051	7.1970	0.4629	0.1600	1.0000	0.0323	0.2554	21.7107
2016	7.1089	5.118	6.8750	0.4629	0.1524	1.0000	0.2885	0.2554	21.2611

Source: Lake County Property Appraiser's Office

Notes:

Overlapping rates are those of local and county governments that apply to property owners within the City of Umatilla

Taxes levied for the fiscal year are based on the prior year taxable value

**CITY OF UMATILLA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Fiscal Year 2016			Fiscal Year 2007			
	Taxable Assessed		Rank	Taxable Assessed			Value
	Value	Value		Taxpayer	Value	Rank	
LAKEVIEW TERRACE RETIREMENT SERVICES INC	\$ 11,329,603		1	*	*	1	*
EVERS ENTERPRISES LLLP	3,662,186		2	*	*	2	*
ARGUELLES HOLDINGS LLC	3,486,802		3	*	*	3	*
RECOVERY VILLAGE AT UMATILLA LLC	2,981,797		4	*	*	4	*
DUKE ENERGY	2,048,361		5	*	*	5	*
NATIONWIDE UMATILLA CENTER INC	1,672,415		6	*	*	6	*
GOLDEN ESTATES LLC	1,583,557		7	*	*	7	*
EMBARQ-FLORIDA INC	1,263,868		8	*	*	8	*
UMATILLA STATE BANK	1,031,702		9	*	*	9	*
NORTH CENTRAL PLACE LLC	996,208		10	*	*	10	*
Total	<u>\$ 30,056,499</u>		<u>24.36%</u>		<u>\$ -</u>		<u>0.00%</u>

* Data not available
Source: Lake County Property Appraiser

**CITY OF UMATILLA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>	<u>DELINQUENT TAX COLLECTIONS</u>	<u>TOTAL TAX COLLECTIONS</u>	<u>% TOTAL TAX COLLECTIONS TO TAX LEVY</u>
2007	771,628	746,338	96.72%	6,611	752,949	97.57%
2008	808,357	749,004	92.66%	38,504	787,508	97.42%
2009	913,571	882,269	96.57%	5,522	887,791	97.18%
2010	891,672	804,615	90.24%	52,568	857,183	96.13%
2011	885,247	811,771	91.70%	50,213	861,984	97.37%
2012	878,286	748,682	99.86%	39,620	788,302	89.75%
2013	901,498	757,065	99.86%	40,430	797,495	88.46%
2014	883,290	747,603	84.64%	38,850	786,453	89.04%
2015	874,230	676,605	77.39%	40,645	717,250	82.04%
2016	872,738	721,958	82.72%	35,451	757,409	86.79%

**CITY OF UMATILLA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income^a	Per Capita^a
	Capital Leases	Loans Payable	Utility Revenue Bonds	Loans Payable			
2007	615,626	-	321,000	-	936,626	1.37%	403
2008	434,060	-	298,000	-	732,060	2.36%	334
2009	358,275	-	272,000	86,479	716,754	1.57%	284
2010	189,568	-	241,000	70,382	500,950	1.37%	162
2011	249,474	-	208,000	53,748	511,222	0.79%	148
2012	128,618	-	173,000	36,558	338,176	0.33%	97
2013	362,847	-	136,000	18,793	517,640	0.37%	146
2014	233,978	40,000	98,000	-	371,978	0.33%	102
2015	118,122	100,000	57,000	-	275,122	0.23%	72
2016	10,044	65,711	-	475,383	551,138	0.40%	141

Note: Details regarding the City's outstanding debt can be found Note 8 to the financial statements.

^a See following "DEMOGRAPHIC AND ECONOMIC STATISTICS" for personal income and population data.

N/A - Information is not available

**CITY OF UMATILLA, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

The City of Umatilla has had no general bonded debt during the last ten fiscal years

**CITY OF UMATILLA, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2015**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Other Debt			
Lake County Board of County Commissioners	\$ 22,380,000	0.21%	\$ 46,154
School District of Lake County	-	0.21%	-
Subtotal, overlapping debt			46,154
Direct debt	75,755		75,755
Total direct and overlapping debt			<u>\$ 121,909</u>

Note: The City of Umatilla has no ordinance which limits general obligation debt to a percentage of assessed property values.

(1) The estimated percentage is based on the city's population to total county population

**CITY OF UMATILLA
 PLEDGED-REVENUE COVERAGE
 WATER/SEWER UTILITY REVENUES, FRANCHISE AND UTILITY TAXES
 LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues ²	Operating Expenses ¹	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	1,357,926	909,944	447,982	15,000	16,737	31,737	14.12
2008	1,466,110	1,614,751	-	24,000	16,050	40,050	0.00
2009	1,413,653	1,210,547	203,106	25,000	14,850	39,850	5.10
2010	932,494	841,500	90,994	31,000	13,467	44,467	2.05
2011	962,381	728,985	233,396	33,000	12,050	45,050	5.18
2012	905,617	691,899	213,718	35,000	10,350	45,350	4.71
2013	941,787	731,592	210,195	37,000	8,650	45,650	4.60
2014	981,722	764,968	216,754	38,000	8,600	46,600	4.65
2015	1,185,546	736,906	448,640	7,000	2,800	9,800	45.78
2016	1,302,841	663,366	639,475	20,342	1,837	22,179	28.83

¹ Operating expenses are exclusive of depreciation.

² Operating revenues are inclusive of franchise taxes, utility taxes, miscellaneous income, and interest income as specified in the bond ordinances.

**CITY OF UMATILLA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Total Personal Income of all Umatilla Residents	Per Capita Personal Income	Median Age	Lake County Unemployment Rate
2007	2,601	43,754,022	16,822	37.70	4.40%
2008	2,603	55,568,844	21,348	39.40	7.10%
2009	3,047	63,456,822	20,826	41.10	12.70%
2010	3,083	64,382,289	20,883	48.50	12.40%
2011	3,456	101,831,040	29,465	48.74	10.60%
2012	3,481	132,532,113	38,073	48.05	8.90%
2013	3,546	138,159,252	38,962	48.50	6.90%
2014	3,658	111,982,354	30,613	49.20	6.20%
2015	3,798	119,052,108	31,346	50.10	5.10%
2016	3,908	139,386,636	35,667	52.40	4.80%

Population from the Florida Bureau of economic and Business research (BEBR)
Unemployment Rate as published by Daily Commercial
Median Age from businessinlake.com

*Data not available

**CITY OF UMATILLA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2016</u>			<u>2007</u>			
	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Lake County School Board	1	238	*	Lake County School Board	1	273	*
Lakeview Terrace	2	170	*	City of Umatilla	2	60	*
Recovery Village	3	118	*	United Southern Bank	3	57	*
United Southern Bank	4	44	*	McDonalds	4	34	*
McDonalds	5	49	*	First Baptist Church	5	26	*
City of Umatilla	6	43	*	Utility Technicians	6	21	*
Lake County Health Clinic	7	36	*	Quarterdeck Restaurant	7	15	*
Utility Technicians	8	31	*	First United Methodist Church	8	13	*
Faryna Grove Care	9	25	*	Sunsational Citrus	9	11	*
Sunsational Citrus	10	6	*	Bank of America	10	7	*

* Data not available
Source: City staff

**CITY OF UMATILLA
FULL TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
General Government										
City Manager	1	1	1	1	1	1	1	1	1	1
City Clerk	1	1	1	1	1	1	1	1	1	1
Finance	3.0	5.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Facilities Maint.	1	1	1	1	1	1	1	1	1	1
Total General Government	<u>6</u>	<u>8</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>
Public Safety										
Police Officers	9	9	9	9	9	9	9	9	9	9
Police Civilians	2	2	2	2	2	2	2	2	2	2
Building Dept.	0	0	0	0	0	0	0	0	0	0
Code Enforcement	1	1	1	1	1	1	1	1	1	0
Total Public Safety	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>11</u>
Growth Management										
Public Works										
Administration	2	2	2	2	2	2	2	2	2	2.5
Cemetery	1	1	1	1	1	1	1	1	1	1
Street Maint.	6	7	6	6	6	7	7	6	6	6
Total Public Works	<u>9</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>10</u>
Culture and Recreation										
Library	8	8	8	8	8	8	8	8	8	8
Parks and Recreation	1	1	1	1	1	1	1	2	2	2
Total Culture and Recreation	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>
Utilities										
Water	4	4	4	4	4	3	3	3	3	3
Sewer	2	2	1	1	1	2	2	2	2	2
Sanitation	0	0	2	2	2	0	0	0	0	0
Total Utilities	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Government Employees	<u><u>42</u></u>	<u><u>45</u></u>	<u><u>44</u></u>	<u><u>43</u></u>	<u><u>43</u></u>	<u><u>42</u></u>	<u><u>42</u></u>	<u><u>42</u></u>	<u><u>42</u></u>	<u><u>43</u></u>

Source: Finance Department

**CITY OF UMATILLA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Arrests	183	222	217	134	104	70	97	114	139	178
Traffic/DUI Citations	1,032	16	17	8	4	87		228	356	197
Traffic Accidents	76	70	48	80	51	58	58	58	57	77
Warrants	24	13	12	5	6	5	21	17	21	28
Building Department:										
The City's building permits are approved and issued by Capri Engineering. (The building services are outsourced to a private company)										
		148	113	151	117	146	166	284	298	204
Roads and Streets										
Potholes repaired	150	170	210	160	240	240	425	480	504	510
Street resurfacing (by mile)	1.25	0.5	0	0	0	0.25	0.25	0.50	0.50	1.25
Library										
Total Circulation (Library materials checked out)	113,886	17,949	119,930	126,420	143,458	138,150	145,830	146,537	103,353	124,245
Total Users of Public Internet Computers	26,753	25,083	26,470	30,215	19,006	34,529	22,214	32,965	21,153	31,009
Total Reference Transactions	520	25,688	19,500	19,396	22,308	15,912	20,541	15,652	15,652	11,206
Total Annual Programs	498	459	293	461	385	399	395	458	536	566
Total Program Attendance	9,984	10,231	7,684	13,033	15,640	12,847	12,859	12,531	14,689	14,078
Total Number of registered card holders	11,111	8,615	8,476	9,033	9,868	10,537	7,963	4,173	4,309	5,545
Number of hours spent on public technology instruction	32	652	834	723	43	84	80	62	62	0
Total Library visitors	101,934	111,847	80,057	122,677	141,968	120,969	115,494	109,686	103,353	105,636
Parks and Recreation										
Number of Recreation Leases	85	129	102	148	87	322	309	323	317	317
Number of Bookings at the Community Building				92	24	72	57	38	0	0
Water										
Commercial Connections	195	198	192	148	180	207	237	197	179	206
Residential Connections	1,258	1,256	1,264	1,303	1,205	1,229	1,423	1,530	1,486	1,543
Total Connections	1,453	1,454	1,456	1,451	1,385	1,436	1,660	1,727	1,665	1,749
Average Daily Consumption (gallons per day)	407,000	396,000	365,000	355,000	355,000	356,000	343,000	343,000	448,000	496,000
Treatment capacity (gallons per day)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Wastewater										
Commercial Connections	124	839	121	120	118	119	144	133	132	131
Residential Connections	852	118	829	822	806	817	894	927	917	919
Total Connections	976	957	950	942	924	936	1,038	1,060	1,049	1,050
Average Daily Sewage Treatment (gallons per day)	131,000	163,000	187,000	158,000	158,000	147,000	187,000	187,000	179,000	144,000
Treatment Capacity (gallons per day)	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000

Note: Indicators are not available for the general government and growth management functions.

Sources: Various city departments

* Data not available

**CITY OF UMATILLA
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations (Includes substations)	1	1	1	1	1	1	1	1	1	1
Patrol Units (2 shifts/2 officers per shift)	4	4	4	4	4	4	4	4	4	4
Sworn Officers (positions filled at year end)	9	9	9	9	9	9	9	9	9	9
Support	1	1	1	1	1	1	1	1	1	1
Roads and Streets										
Paved Roads	20.3 miles	20.3 miles	20.3 miles	20.3 miles	20.3 miles	21 miles	21 miles	21 miles	21 miles	21 miles
Unpaved Roads	2.1 miles	2.1 miles	2.1 miles	2.1 miles	2.1 miles	2.0 miles	2.0 miles	2.0 miles	2.0 miles	2.0 miles
Sidewalks	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet	56,836 feet
Culture and Recreation										
Libraries	1	1	1	1	1	1	1	1	1	1
Acreage	35	35	35	35	35	35	35	35	35	35
Parks	6	6	6	6	6	6	6	6	6	6
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Basketball Courts	2	2	2	2	2	2	2	2	2	2
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Baseball Fields	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3	3	3	3	3
Soccer Fields	1	1	1	1	1	1	1	1	1	1
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9	30.9
Storage Capacity (gallons)	250,000	250,000	250,000	250,000	250,000.0	250,000.0	250,000.0	250,000.0	250,000.0	250,000.0
Fire Hydrants	151	151	151	151	151	151	151	151	151	151
Water Plants	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sewers-Force Mains/Gravity (miles)	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1
Treatment Capacity (gallons/daily)	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Lift Stations	9	9	9	9	9	9	9	9	9	9

Note: No capital asset and infrastructure statistics are available for the general government, building or growth management functions.

Sources: Various city departments

* Data not available



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OTHER REPORTS



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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

Honorable Mayor and City Council
City of Umatilla, Florida, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Umatilla, Florida as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Umatilla, Florida's basic financial statements, and have issued our report thereon dated April 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Umatilla, Florida'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 City of Umatilla, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Umatilla, Florida'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Compliance and Other Matters

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

Purpose of this Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
April 4, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR STATE PROJECTS AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council
City of Umatilla, Florida, Florida

Report on Compliance for the Major State Projects

We have audited the *City of Umatilla, Florida's* (the City) compliance with the types of compliance requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on the City's major state projects for the year ended September 30, 2016. The City's major 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 the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major 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, and Chapter 10.550, *Rules of the Auditor General*. Those standards and rules 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 the major state projects 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 the major state projects. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major State Projects

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 its major state projects for the year ended September 30, 2016.

MCDIRMIT DAVIS & COMPANY, LLC

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
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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 the major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state projects and to test and report on internal control over compliance in accordance with 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 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 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 a type of compliance requirement of a 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 significant deficiencies or material weaknesses. 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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

McDiarmid Davis & Company, LLC

Orlando, Florida
April 4, 2017

CITY OF UMATILLA, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2016

Award type	CSFA	Agency or Pass-through	
Grantor	Number	Entity Grant Number	Expenditures
Grantor program title			
State Award			
State of Florida, Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects			
Water Line Rehabilitation *	37.039	LP35074	\$ 1,069,748
Orange Avenue Stormwater *	37.039	S0601	457,600
Water Treatment Plant *	37.039	LP35073	100,708
Wastewater Treatment Facility Construction			
Orange Avenue Sewer *	37.077	SW350720	444,182
State of Florida, Department Transportation			
Aviation Development Grant	55.004	FM439311	31,104
Total state awards			<u>\$ 2,103,342</u>

* Denotes a major program

CITY OF UMATILLA, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2016

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Umatilla, Florida (the City) under projects of the State of Florida government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2016, even if the grant was received subsequent to that date. State expenditures are recognized following the cost principles contained in Florida Department of Financial Services *State Projects Compliance Supplement*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. This includes retainage incurred, even though it may not yet be eligible for reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF UMATILLA, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS**

Year Ended September 30, 2016

Section I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Noncompliance material to financial Statements noted?	___ Yes	<u> X </u> No

State Projects

Type of auditors' report issued on compliance for major state projects:	Unmodified	
Internal control over major state project:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550?	___ Yes	<u> X </u> No

Identification of major state projects CFSA No. 37.039 Surface Water Restoration
 CFSA No. 37.077 Wastewater Treatment

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as a low-risk auditee? ___ Yes X No

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None

Section IV – Federal Award Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2015.

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Umatilla, Florida

Report on the Financial Statement

We have audited the financial statements of the City of *Umatilla, Florida*, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated April 4, 2017.

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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

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 the Major State Project and Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 4, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require 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 such findings in the prior 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 has been disclosed in the notes to the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC

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Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether or not the City of Umatilla, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Umatilla, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the *City of Umatilla, Florida'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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *City of Umatilla, Florida* for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Sections 10.554(1)(i)2. and 10.556(7), Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

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

McDermitt Davis & Company, LLC

Orlando, Florida
April 4, 2017

Honorable Mayor and City Council
City of Umatilla, Florida

We have audited the financial statements of the *City of Umatilla, Florida* as of and for the year ended September 30, 2016, and have issued our report thereon dated April 4, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 9, 2016, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Umatilla solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the *City of Umatilla, Florida* is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72. There was no effect on beginning balances as a result of adopting this standard. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the City's financial statement were:

Management's estimate for the allowance for doubtful account is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allocation of pension related balances between governmental activities, the water and sewer fund, and the sanitation fund is based on the amount of required pension contributions required to be made by each reporting unit. We evaluated the reasonableness of the allocation factor in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated April 4, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Umatilla, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retentions as the City of Umatilla's auditors.

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

Very truly yours,

McDiernit Davis & Company, LLC

Orlando, Florida
April 4, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Umatilla, Florida

We have examined City of Umatilla, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included 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 examination provides 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, City of Umatilla, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
April 4, 2017

MCDIRMIT DAVIS & COMPANY, LLC

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