

CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017

**CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	18
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	19
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	20 - 21
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS	22
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS	23
NOTES TO FINANCIAL STATEMENTS	24 - 61
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND	62
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - SPECIAL REVENUE FUND	63

**CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017**

TABLE OF CONTENTS – CONTINUED

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	64
SCHEDULE OF CONTRIBUTIONS	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	66
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS	67
SCHEDULE OF CHANGES IN THE CITY’S NET OPEB LIABILITY AND RELATED RATOS	68
SCHEDULE OF CONTRIBUTIONS – OPEB	69
SCHEDULE OF INVESTMENT RETURNS – OPEB	70
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS POST-EMPLOYMENT HEALTH BENEFITS OTHER THAN PENSION	71
OTHER SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	72
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	73
DETAIL SCHEDULE OF REVENUE AND EXPENSES- ELECTRIC, WATER AND SEWER SYSTEM	74
SCHEDULE OF INSURANCE COVERAGE	75
OTHER REPORTS	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	76 – 77
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	78- 79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS	80 – 81
MANAGEMENT LETTER	82 – 83
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	84

**CITY OF WAUCHULA, FLORIDA
OFFICIALS
SEPTEMBER 30, 2017**

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

September 30, 2017

CITY COMMISSION

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

CITY MANAGER

Terry Atchley

CITY ATTORNEY

Thomas A. Cloud

FINANCE DIRECTOR

Sandee Braxton

ASSISTANT CITY MANAGER

Olivia Minshew

POLICE CHIEF

John M. Eason

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
ASSETS			
Cash and cash equivalents	\$ 1,010,210	\$ 1,981,005	\$ 2,991,215
Receivables, net	50,975	1,588,335	1,639,310
Due from other governments	242,794	46,912	289,706
Inventory	6,078	258,382	264,460
Restricted assets:			
Cash	700,394	2,941,187	3,641,581
Net pension asset	1,509,562	1,435,858	2,945,420
Capital assets (net of accumulated depreciation)			
Land	781,449	1,184,493	1,965,942
Buildings and improvements	5,351,215	2,423,337	7,774,552
Electrical distribution system	-	1,152,084	1,152,084
Water system improvements	-	15,055,811	15,055,811
Machinery and equipment	395,707	2,302,120	2,697,827
Construction in progress	567,600	276,360	843,960
TOTAL ASSETS	<u>10,615,984</u>	<u>30,645,884</u>	<u>41,261,868</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	1,867,571	1,776,388	3,643,959
Deferred charge on refunding of debt	-	114,180	114,180
	<u>1,867,571</u>	<u>1,890,568</u>	<u>3,758,139</u>
LIABILITIES			
Accounts payable and other current liabilities	302,685	976,042	1,278,727
Accrued interest	-	30,729	30,729
Rate stabilization funds	-	353,564	353,564
Liabilities payable from restricted assets	-	591,639	591,639
Noncurrent liabilities:			
Due within one year	447,738	399,847	847,585
Due in more than one year	5,272,459	4,316,260	9,588,719
Total Liabilities	<u>6,022,882</u>	<u>6,668,081</u>	<u>12,690,963</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	<u>2,024,253</u>	<u>1,925,419</u>	<u>3,949,672</u>
NET POSITION			
Net investment in capital assets	6,694,370	17,863,551	24,557,921
Restricted	661,076	1,995,984	2,657,060
Unrestricted	(2,919,026)	4,083,417	1,164,391
TOTAL NET POSITION	<u>\$ 4,436,420</u>	<u>\$ 23,942,952</u>	<u>\$ 28,379,372</u>

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

The following is a summary of the changes in net position for the year ended September 30, 2017, with comparative totals for the year ended September 30, 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 189,447	\$ 331,043	\$ 10,520,760	\$ 10,391,175	\$ 10,710,207	\$ 10,722,218
Operating grants and contributions	79,319	52,066	-0-	-0-	79,319	52,066
Capital grants and contributions	1,173,821	448,361	1,606,345	2,503,051	2,780,166	2,951,412
General revenues:						
Taxes	1,853,341	1,767,402	-0-	-0-	1,853,341	1,767,402
Transfers	1,549,983	1,482,840	(1,549,983)	(1,482,840)	-0-	-0-
Other	417,638	96,270	42,284	62,074	459,922	158,344
Total revenues	<u>5,263,549</u>	<u>4,177,982</u>	<u>10,619,406</u>	<u>11,473,460</u>	<u>15,882,955</u>	<u>15,651,442</u>
Expenses:						
General government	1,855,921	1,698,914	-0-	-0-	1,855,921	1,698,914
Police department	1,374,057	1,317,767	-0-	-0-	1,374,057	1,317,767
Highways and streets	329,496	308,473	-0-	-0-	329,496	308,473
Culture and recreation	476,679	476,197	-0-	-0-	476,679	476,197
Interest on long-term debt	13,997	19,493	-0-	-0-	13,997	19,493
Water	-0-	-0-	1,416,375	1,305,445	1,416,375	1,305,445
Sewer	-0-	-0-	1,734,523	1,599,935	1,734,523	1,599,935
Electric	-0-	-0-	6,188,902	6,168,130	6,188,902	6,168,130
Airport	-0-	-0-	495,214	342,053	495,214	342,053
Sanitation	-0-	-0-	848,320	564,063	848,320	564,063
Total expenses	<u>4,050,150</u>	<u>3,820,844</u>	<u>10,683,334</u>	<u>9,979,626</u>	<u>14,733,484</u>	<u>13,800,470</u>
Change in net position	1,213,399	357,138	(63,928)	1,493,834	1,149,471	1,850,972
Net position - Beginning	<u>3,223,021</u>	<u>2,865,883</u>	<u>24,006,880</u>	<u>22,513,046</u>	<u>27,229,901</u>	<u>25,378,929</u>
Net position - Ending	<u>\$ 4,436,420</u>	<u>\$ 3,223,021</u>	<u>\$ 23,942,952</u>	<u>\$ 24,006,880</u>	<u>\$ 28,379,372</u>	<u>\$ 27,229,901</u>

Governmental activities: Governmental activities increased the City's net position by \$1,213,399, primarily due to increases in capital grants and contributions offset by increases in expenses within the general government.

The City's governmental activities had \$1,442,587 of program revenue. In addition, other key components of revenue were \$1,853,341 of tax revenue classified as general revenues, as well as \$1,549,983 of transfers in. Expenses consisted of \$1,855,921 of general government, \$1,374,057 of police-public safety, highways and streets of \$329,496, culture and recreation of \$476,679, and interest on long-term debt of \$13,997.

Ad valorem taxes and State shared revenues remained relatively stable from the prior year. Grant revenues increased by approximately \$725,000 and charges for services decreased approximately \$141,000. Included in 2016 other revenues was a loss on disposal of capital assets of approximately \$192,000.

Business-type activities. Business-type activities decreased the City's net position by \$63,928. Revenues decreased by \$854,054 largely due to decreased grant revenues of \$896,706. Expenses increased \$703,708 from the prior year, including increases in personnel costs, depreciation and pension related expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$1,068,569, an increase of \$108,204 in comparison with the prior year. \$1,007,001 of this total amount constitutes unassigned fund balance. The remainder of fund balance is either non-spendable for inventory and prepaid items or restricted to indicate that it is not available for new spending because it has already been restricted for the police department, culture/recreation, and storm disaster.

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

- Total general fund revenues increased by \$800,051 as a result of an increase in grants of \$769,296, and an increase in taxes of \$61,028.
- The general fund expenditures increased by \$1,179,216 due mainly to an increase in general government expenditures of \$99,643 and an increase in capital outlay largely related to grants of \$1,078,490.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported an ending fund balance of \$605,586, a decrease of \$36,892 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues increased \$9,383 as a result of an increase in taxes of \$46,157, offset by a decrease in grants of \$33,052. Expenditures increased \$178,971 due to increased general government expenditures and capital outlay.

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

Fiduciary funds. The City's pension trust include defined benefit pension plans and the OPEB trust fund. At year end, assets totaled \$21,193,406, which is an increase from the prior year of \$2,102,990. This was mainly due to contributions and market results exceeding benefit payments and expenses. For more information on these plans see Note 4 and 5.

Governmental Fund Budgetary Highlights

General Fund

The original budgeted revenues, including other financing sources, were \$3,949,558, which were amended to \$5,288,609. The original budgeted expenditures including other financing uses were \$3,949,558 which were amended to \$5,288,609.

Actual revenues exceeded budgeted revenues by \$37,757. Actual expenditures were less than budget by \$331,638 due to general government expenditures being less than anticipated, and less spent on capital outlay projects during the current fiscal year than budgeted. Net other financing sources were \$261,191 less than budget.

Special Revenue Fund

The original budgeted revenues were \$698,003 and were not amended during the year. Original budgeted expenditures were \$1,425,373 and were not amended during the year. Actual revenues were under budget by \$330,427 due to grant revenues that were not realized in the current year. Actual expenditures were less than budgeted by \$876,948 due mainly to decreased general government expenditures. Transfers in/out were less than the original and final budget at \$727,370 by \$583,413.

Capital Assets and Debt Administration

Capital assets. The City’s capital assets for its governmental–type and business–type activities as of September 30, 2017, amounted to \$29,490,176 (net of accumulated depreciation). Capital assets includes land, buildings and improvements, electrical distribution system, sewer system improvements, water system improvements, machinery and equipment, and construction in progress.

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

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

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business–Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 781,449	\$ 764,221	\$ 1,184,493	\$ 1,184,493	\$ 1,965,942	\$ 1,948,714
Building and improvements	5,351,215	4,331,266	2,423,337	2,680,170	7,774,552	7,011,436
Electrical distribution system	-0-	-0-	1,152,084	1,310,264	1,152,084	1,310,264
Water system improvements	-0-	-0-	15,055,811	13,450,194	15,055,811	13,450,194
Machinery and equipment	395,707	384,870	2,302,120	2,523,259	2,697,827	2,908,129
Construction in progress	567,600	485,624	276,360	1,628,537	843,960	2,114,161
Total	<u>\$ 7,095,971</u>	<u>\$ 5,965,981</u>	<u>\$ 22,394,205</u>	<u>\$ 22,776,917</u>	<u>\$ 29,490,176</u>	<u>\$ 28,742,898</u>

As of September 30, 2017, the City had construction commitments which are expected to be reimbursed with future grant proceeds totaling approximately \$2,955,000. Additional information on the City’s capital assets can be found in note 3.

Long–Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,932,255. The City’s debt represents bonds and revenue notes secured solely by specified revenue sources, as well as notes payable and capital lease obligations.

Long–Term Debt

	<u>Governmental Activities</u>		<u>Business–Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Bonds payable (net of deferred charges)	\$ -0-	\$ -0-	\$ 2,732,000	\$ 2,862,000	\$ 2,732,000	\$ 2,862,000
Notes payable	401,601	414,729	1,472,352	1,577,606	1,873,953	1,992,335
Capital leases	-0-	-0-	326,302	399,875	326,302	399,875
Total	<u>\$ 401,601</u>	<u>\$ 414,729</u>	<u>\$ 4,530,654</u>	<u>\$ 4,839,481</u>	<u>\$ 4,932,255</u>	<u>\$ 5,254,210</u>

During the year, the City refunded the Utility Revenue Bond Refunding Series 2011 with lower rate debt. The City also obtained a note to purchase police vehicles.

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

Economic Factors and Next Year's Budgets and Rates

Budgeted revenue and expenditures for the fiscal year ended September 30, 2018 are \$19,040,523. The total budget for the previous fiscal year end September 30, 2017 was \$16,199,275. Most of the \$2,841,248 increase of was due to the airport runway rehabilitation project totaling \$2.5 million. The rest is contributed to a two and one-half percent adjustment to the employee salary step plan. The transfer amount from the utility fund to the general fund decreased by \$41,622 for the budget year 2017-18. There are no discernible or detectable deficiencies reported in level of services provided to the City of Wauchula customers while maintaining a reduction in this traditionally significant transfer.

The individual September 30, 2018 fund budgets are \$3,763,125 for the General Fund, \$2,121,355 for the Community Redevelopment Agency, \$2,734,191 for the Airport, \$9,422,361 for the Utility Fund and \$999,491 for the Sanitation Fund.

Taxable property values in the City of Wauchula increased from fiscal year September 30, 2017 at \$108,865,625 by \$5,967,831 to \$114,833,456 in fiscal year ended September 30, 2018. The City Commission made no change in the millage rate of 5.6485. The budgeted ad valorem tax revenue reflects a 5% increase as a result of the increase in property tax value. Still the City of Wauchula is restricted in assessing ad valorem tax on only 52% of total property values. Due to government, educational, hospital and other tax exempt entity property owners, 48% of the properties included in the City limits are not assessed property taxes. Ad valorem tax revenues collected and spent in the General Fund provide only 17% of the monies needed to operate the police department, maintain roads, streets, parks, code enforcement, community redevelopment needs and other administrative expenses budgeted in the general fund.

State shared revenues estimates remained consistent with last year's estimate. The 2017 BEBR population estimates record the City's population at 5,172. State revenue sharing allocations are based on population size for jurisdictions. Communications Service Tax continues to experience legislative challenges through the efforts of the communication lobbyists.

Improvements and Grant Expenditures

Infrastructure improvements are in great need throughout the City and in the 2016-2017 year construction was able to begin and continue on six projects thanks to local, state, and federal grants. Infrastructure projects seen throughout the City include new water and sewer lines, water line rehabilitation, airport improvements and storm drain improvements.

The Orange Street Storm Water Project financed by funds from SCOP (Small County Outreach Program) is designed to alleviate storm water flooding on West Orange Street. This project was completed in the 2016-17 fiscal year and cost \$1.1 million. A second storm water improvement project began in fiscal year 2017-18 with the design phase and will continue into future fiscal years as well.

Improvements at the City's municipal airport included design of runway rehabilitation. This construction is scheduled to begin in the 2017-2018 fiscal year. This project will be fully funded by two grants. One through the Federal Aviation Administration (FAA) and the other through the Florida Department of Transportation (FDOT).

Installation of water and sewer infrastructure on Martin Luther King Jr. Avenue financed by the Hardee County Industrial Development Agency (IDA) connects to the City's water and sewer systems. The IDA is conveying ownership of the utilities installations to the City for operations and maintenance.

In conjunction with the Hardee County Industrial Development Agency (IDA), we also made infrastructure improvements to relocate the local hospital. Through the IDA grant, we were able to make electrical and water line improvements totaling \$287,000 with additional funds to be spent on these upgrades in the upcoming fiscal year.

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

Pension and OPEB (Other Post–Employment Benefits)

Both General Employee and Police Pension Funds experienced a significant increase in portfolio balances at fiscal year–end September 30, 2017. Contributions to the General Fund Employee Pension Fund are from employees and the City (employer) as well as the profits from investment strategies in the fund's portfolio. The contributions to the Police Pension Fund are from the Casualty Loss Premium Tax payment from the state and profitable investment strategies in the pension fund's portfolio.

Although there is currently no requirement to fund the OPEB liability, the City has decided to divert funds budgeted but not needed in this pension fund year to maintain favorable unfunded liability status. The only contributions to the OPEB trust at this time are employer contributions from the City. The City contributed \$155,734 to the OPEB trust in fiscal year 2016–2017. Including gains and the prior year balance, the OPEB trust has a funded balance of \$330,840.

In order to maintain the funding status of the General Employee Pension Plan at 96%, the annual required contribution computed by Southern Actuarial Services will be 3.23% for FYE 2018. The Commission approved the 2017–2018 budget which maintained a 10% employer contribution expense for all regular employees. The remaining 6.77% of the 10% budgeted for retirement expense will be deposited into the OPEB trust fund to cover future OPEB costs.

Debt Service

Timely payments have been made on the 2011 Series Utility Refunding Revenue Bond with a beginning balance of \$2,862,000. The City reduced the balance during the year to \$2,732,000. This 17 year term loan carries a fixed interest rate of 3.20% per annum. On October 3, 2017, the Utility Refunding Revenue Bond was refinanced with a fixed interest rate of 2.02%. The refunded bond balance at September 30, 2017 was \$2,732,000.

The SRF loans DW250200 and DW250201 provided the funds used to upgrade the Water Treatment Plant and finance the drilling of the Fifth Well at 3rd Avenue in 2009–2010. DW250200 was initiated on December 15, 2010. Semi–annual payments of principal and interest of approximately \$13,540 were made on December 1, 2017 and then on June 15, 2017. The balance at September 30, 2017 was \$306,460. Final payment is currently scheduled for December 15, 2030. DW250201 was dispensed through three amendments resulting in three different interest rates. Semi–annual payments of principal and interest equaling \$37,965 were made on December 15, 2016 and then on June 15, 2017. Final payment is currently scheduled for December 15, 2030.

Loan	DW250201 Loan Balances at September 30, 2017	
	9/30/17 Unpaid Balance	Annual Interest Rate
Original Loan	\$ 314,568	2.61%
Amendment #1	480,268	2.57%
Amendment #2	67,627	1.86%
	<u>\$ 862,463</u>	

Debt Service - Continued

State Revolving Fund Loan #62419P funds originating on January 15, 2009 were used to pay for engineering services for Waste Water Treatment Plant expansion. At September 30, 2017, SRF Loan #62419P has a balance of \$303,429. Final payment is currently scheduled for January 15, 2029. This loan carries an annual interest rate of 1.42%.

Requests for Information

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

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
ASSETS			
Cash and cash equivalents	\$ 1,010,210	\$ 1,981,005	\$ 2,991,215
Receivables, net	50,975	1,588,335	1,639,310
Due from other governments	242,794	46,912	289,706
Inventory	6,078	258,382	264,460
Restricted assets:			
Cash	700,394	2,941,187	3,641,581
Net pension asset	1,509,562	1,435,858	2,945,420
Capital assets (net of accumulated depreciation)			
Land	781,449	1,184,493	1,965,942
Buildings and improvements	5,351,215	2,423,337	7,774,552
Electrical distribution system	-	1,152,084	1,152,084
Water system improvements	-	15,055,811	15,055,811
Machinery and equipment	395,707	2,302,120	2,697,827
Construction in progress	567,600	276,360	843,960
TOTAL ASSETS	<u>10,615,984</u>	<u>30,645,884</u>	<u>41,261,868</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	1,867,571	1,776,388	3,643,959
Deferred charge on refunding of debt	-	114,180	114,180
	<u>1,867,571</u>	<u>1,890,568</u>	<u>3,758,139</u>
LIABILITIES			
Accounts payable and other current liabilities	302,685	976,042	1,278,727
Accrued interest	-	30,729	30,729
Rate stabilization funds	-	353,564	353,564
Liabilities payable from restricted assets	-	591,639	591,639
Noncurrent liabilities:			
Due within one year	447,738	399,847	847,585
Due in more than one year	5,272,459	4,316,260	9,588,719
Total Liabilities	<u>6,022,882</u>	<u>6,668,081</u>	<u>12,690,963</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	<u>2,024,253</u>	<u>1,925,419</u>	<u>3,949,672</u>
NET POSITION			
Net investment in capital assets	6,694,370	17,863,551	24,557,921
Restricted	661,076	1,995,984	2,657,060
Unrestricted	(2,919,026)	4,083,417	1,164,391
TOTAL NET POSITION	<u>\$ 4,436,420</u>	<u>\$ 23,942,952</u>	<u>\$ 28,379,372</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,855,921	\$ 48,483	\$ -	\$ 304,142
Police department	1,374,057	54,865	79,319	1,215
Highways and streets	329,496	86,099	-	862,984
Culture and recreation	476,679	-	-	5,480
Interest on long-term debt	13,997	-	-	-
Total Governmental activities	<u>4,050,150</u>	<u>189,447</u>	<u>79,319</u>	<u>1,173,821</u>
Business-type activities:				
Water	1,416,375	961,391	-	1,395,157
Sewer	1,734,523	1,963,577	-	-
Electric	6,188,902	6,310,212	-	-
Airport	495,214	221,840	-	211,188
Sanitation	848,320	1,063,740	-	-
Total Business-type activities	<u>10,683,334</u>	<u>10,520,760</u>	<u>-</u>	<u>1,606,345</u>
Total government	<u>\$ 14,733,484</u>	<u>\$ 10,710,207</u>	<u>\$ 79,319</u>	<u>\$ 2,780,166</u>

General revenues:

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

Net Position – beginning

Net Position – ending

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

Governmental Activities	Business -type Activities	Total
\$ (1,503,296)	\$ -	\$ (1,503,296)
(1,238,658)	-	(1,238,658)
619,587	-	619,587
(471,199)	-	(471,199)
(13,997)	-	(13,997)
<u>(2,607,563)</u>	<u>-</u>	<u>(2,607,563)</u>
-	940,173	940,173
-	229,054	229,054
-	121,310	121,310
-	(62,186)	(62,186)
-	215,420	215,420
-	1,443,771	1,443,771
<u>(2,607,563)</u>	<u>1,443,771</u>	<u>(1,163,792)</u>
605,784	-	605,784
456,336	-	456,336
109,613	-	109,613
320,268	-	320,268
146,954	-	146,954
214,386	-	214,386
332,109	-	332,109
2,306	8,964	11,270
83,223	33,320	116,543
<u>2,270,979</u>	<u>42,284</u>	<u>2,313,263</u>
1,549,983	(1,549,983)	-
<u>3,820,962</u>	<u>(1,507,699)</u>	<u>2,313,263</u>
1,213,399	(63,928)	1,149,471
3,223,021	24,006,880	27,229,901
<u>\$ 4,436,420</u>	<u>\$ 23,942,952</u>	<u>\$ 28,379,372</u>

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

CITY OF WAUCHULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,010,210	\$ -	\$ 1,010,210
Accounts receivables (net of allowance)	34,041	-	34,041
Other receivables	16,934	-	16,934
Due from other governmental units	242,794	-	242,794
Inventory	6,078	-	6,078
Restricted Assets:			
Cash and cash equivalents	55,490	644,904	700,394
Total assets	<u>\$ 1,365,547</u>	<u>\$ 644,904</u>	<u>\$ 2,010,451</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 120,535	\$ 37,473	\$ 158,008
Accrued expenses	142,832	1,845	144,677
Total liabilities	<u>263,367</u>	<u>39,318</u>	<u>302,685</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>33,611</u>	-	<u>33,611</u>
FUND BALANCES:			
Nonspendable	6,078	-	6,078
Spendable:			
Restricted	55,490	605,586	661,076
Unassigned	1,007,001	-	1,007,001
Total fund balances	<u>1,068,569</u>	<u>605,586</u>	<u>1,674,155</u>
Total liabilities and fund balances	<u>\$ 1,365,547</u>	<u>\$ 644,904</u>	<u>\$ 2,010,451</u>

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

**CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

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

Fund Balance – Governmental Fund	\$ 1,674,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,095,971
Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be deferred charges until available in the fund statements.	33,611
Long-term liabilities, including notes payable, compensated absences, and other post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.	(5,720,197)
Long term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. This amount represents net pension assets.	1,509,562
Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds.	1,867,571
Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds.	(2,024,253)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,436,420</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,171,733	\$ 332,109	\$ 1,503,842
Charges for services	87,029	-	87,029
Fines and forfeitures	62,251	-	62,251
Intergovernmental revenue	687,088	-	687,088
Interest	1,029	1,277	2,306
Licenses and permits	11,667	-	11,667
Grant revenue	1,197,101	16,948	1,214,049
Miscellaneous revenues	94,481	17,242	111,723
Total Revenues	<u>3,312,379</u>	<u>367,576</u>	<u>3,679,955</u>
Expenditures:			
Current:			
General government	1,298,993	369,334	1,668,327
Police department	1,219,663	-	1,219,663
Highways and streets	171,539	-	171,539
Culture/recreation	268,771	-	268,771
Capital outlay	1,664,198	139,003	1,803,201
Debt service:			
Principal retirement	110,605	38,023	148,628
Interest	11,932	2,065	13,997
Total Expenditures	<u>4,745,701</u>	<u>548,425</u>	<u>5,294,126</u>
Excess (deficiency) of Revenues (Under) Over Expenditures	(1,433,322)	(180,849)	(1,614,171)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	135,500	-	135,500
Transfers In	1,616,824	210,798	1,827,622
Transfers Out	(210,798)	(66,841)	(277,639)
Total Other Financing Sources (Uses)	<u>1,541,526</u>	<u>143,957</u>	<u>1,685,483</u>
Net Change in Fund Balances	108,204	(36,892)	71,312
FUND BALANCE - October 1, 2016	<u>960,365</u>	<u>642,478</u>	<u>1,602,843</u>
FUND BALANCE - September 30, 2017	<u><u>\$ 1,068,569</u></u>	<u><u>\$ 605,586</u></u>	<u><u>\$ 1,674,155</u></u>

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

CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Net changes in fund balance – total governmental fund	\$	71,312
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year additions to capital assets exceeds depreciation.		1,129,990
Debt proceeds from the issuance of new debt are recorded in the general fund as an other financing source. However, the transaction has no effect on net position.		(135,500)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.		148,628
Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in unavailable revenue.		33,611
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in other post-employment benefits.		109,000
The effects of long term accounts and pension resources do not provide current financial resources and as such are not recorded in the governmental funds.		(110,629)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences.		(33,013)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,213,399</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,538,022	\$ 109,255	\$ 333,728	\$ 1,981,005
Receivables (net of allowance)	1,433,813	771	153,751	1,588,335
Due from other governments	16,605	30,307	-	46,912
Due from other funds	826,488	-	-	826,488
Inventory	245,611	7,873	4,898	258,382
Total current assets	<u>4,060,539</u>	<u>148,206</u>	<u>492,377</u>	<u>4,701,122</u>
Noncurrent Assets:				
Restricted:				
Cash and cash equivalents	2,941,187	-	-	2,941,187
Total restricted assets	<u>2,941,187</u>	<u>-</u>	<u>-</u>	<u>2,941,187</u>
Net Pension Asset	1,150,384	-	285,474	1,435,858
Capital Assets				
Land	230,084	954,409	-	1,184,493
Buildings and improvements	988,340	7,381,152	-	8,369,492
Electrical distribution system improvements	5,708,992	-	-	5,708,992
Water & sewer system Improvements	31,007,991	-	-	31,007,991
Machinery and equipment	5,064,011	448,078	789,290	6,301,379
Construction in progress	63,772	212,588	-	276,360
Less accumulated depreciation	<u>(24,480,519)</u>	<u>(5,475,499)</u>	<u>(498,484)</u>	<u>(30,454,502)</u>
Total capital assets (net)	<u>18,582,671</u>	<u>3,520,728</u>	<u>290,806</u>	<u>22,394,205</u>
Total noncurrent assets	<u>22,674,242</u>	<u>3,520,728</u>	<u>576,280</u>	<u>26,771,250</u>
TOTAL ASSETS	<u>26,734,781</u>	<u>3,668,934</u>	<u>1,068,657</u>	<u>31,472,372</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of pension resources	1,423,211	-	353,177	1,776,388
Deferred charge on refunding of debt	114,180	-	-	114,180
	<u>1,537,391</u>	<u>-</u>	<u>353,177</u>	<u>1,890,568</u>
LIABILITIES				
Current liabilities:				
Accounts payable	857,132	7,905	38,941	903,978
Accrued expense	51,885	15,284	4,895	72,064
Due to other funds	-	762,409	64,079	826,488
Rate stabilization funds	353,564	-	-	353,564
Total current liabilities	<u>1,262,581</u>	<u>785,598</u>	<u>107,915</u>	<u>2,156,094</u>
Current liabilities payable from restricted assets:				
Accrued interest payable	30,729	-	-	30,729
Customer deposits	591,639	-	-	591,639
Long-term debt payable – current	353,484	-	-	353,484
Total current liabilities payable from restricted assets	<u>975,852</u>	<u>-</u>	<u>-</u>	<u>975,852</u>
Noncurrent liabilities:				
Compensated absences	165,661	-	19,792	185,453
Long-term debt payable	4,177,170	-	-	4,177,170
Total noncurrent liabilities	<u>4,342,831</u>	<u>-</u>	<u>19,792</u>	<u>4,362,623</u>
TOTAL LIABILITIES	<u>6,581,264</u>	<u>785,598</u>	<u>127,707</u>	<u>7,494,569</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of pension earnings	1,542,612	-	382,807	1,925,419
NET POSITION				
Net investment in capital assets	14,052,017	3,520,728	290,806	17,863,551
Restricted	1,995,984	-	-	1,995,984
Unrestricted	4,100,295	(637,392)	620,514	4,083,417
TOTAL NET POSITION	<u>\$ 20,148,296</u>	<u>\$ 2,883,336</u>	<u>\$ 911,320</u>	<u>\$ 23,942,952</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
Operating Revenues:				
Charges for services and fees				
Electric sales	\$ 6,310,212	\$ –	\$ –	\$ 6,310,212
Water sales	961,391	–	–	961,391
Sewer sales	1,963,577	–	–	1,963,577
Airport fuel	–	120,051	–	120,051
Hanger rental	–	101,789	–	101,789
Sanitation	–	–	1,063,740	1,063,740
Total Operating Revenues	9,235,180	221,840	1,063,740	10,520,760
Operating Expenses:				
Cost of sales and services				
Personal services	2,058,267	–	432,950	2,491,217
Other operating expenses	1,660,874	167,661	365,823	2,194,358
Purchased power	3,733,008	–	–	3,733,008
Depreciation	1,720,957	242,623	47,837	2,011,417
Total Operating Expenses	9,173,106	410,284	846,610	10,430,000
Operating Income (Loss)	62,074	(188,444)	217,130	90,760
Non-Operating Revenues (Expenses)				
Capital grants and contributions	1,395,157	211,188	–	1,606,345
Interest income	8,368	–	596	8,964
Interest expense	(116,171)	(353)	(1,710)	(118,234)
Other income (expense)	(17,203)	(84,577)	–	(101,780)
Total Non-Operating Items	1,270,151	126,258	(1,114)	1,395,295
Income (Loss) Before Transfers	1,332,225	(62,186)	216,016	1,486,055
Transfers				
Transfers in	73,577	–	–	73,577
Transfers out	(1,333,836)	(19,622)	(270,102)	(1,623,560)
Net Transfers	(1,260,259)	(19,622)	(270,102)	(1,549,983)
Change in Net Position	71,966	(81,808)	(54,086)	(63,928)
Net Position – Beginning	20,076,330	2,965,144	965,406	24,006,880
Net Position – Ending	\$ 20,148,296	\$ 2,883,336	\$ 911,320	\$ 23,942,952

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 9,360,794	\$ 224,214	\$ 1,052,068	\$ 10,637,076
Payments to suppliers	(5,003,242)	(324,662)	(355,420)	(5,683,324)
Payments to employees	(1,947,347)	-	(368,427)	(2,315,774)
Net cash provided (used) by operating activities	2,410,205	(100,448)	328,221	2,637,978
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances (to) from other funds	39,438	-	(39,438)	-
Transfers in (out)	(1,260,259)	(19,622)	(270,102)	(1,549,983)
Net cash provided (used) by noncapital financing activities	(1,220,821)	(19,622)	(309,540)	(1,549,983)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment of interest	(120,854)	(353)	(1,710)	(122,917)
Payment of debt principal	(3,006,004)	(12,902)	(21,921)	(3,040,827)
Debt issue costs	(50,523)	-	-	(50,523)
Debt proceeds	2,732,000	-	-	2,732,000
Capital grants proceeds received	406,346	455,168	-	861,514
Proceeds from sales of capital assets	12,674	-	-	12,674
Capital expenditures	(491,237)	(212,588)	-	(703,825)
Net cash provided (used) by capital and related financing activities	(517,598)	229,325	(23,631)	(311,904)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	8,368	-	596	8,964
Net cash provided (used) by investing activities	8,368	-	596	8,964
Net increase (decrease) in cash and cash equivalents	680,154	109,255	(4,354)	785,055
Cash and cash equivalents at beginning of year	3,799,055	-	338,082	4,137,137
Cash and cash equivalents at end of year	\$ 4,479,209	\$ 109,255	333,728	\$ 4,922,192
Cash and cash equivalents	\$ 1,538,022	\$ 109,255	\$ 333,728	\$ 1,981,005
Restricted:				
Cash and cash equivalents	2,941,187	-	-	2,941,187
	\$ 4,479,209	\$ 109,255	333,728	\$ 4,922,192

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ 62,074	\$ (188,444)	\$ 217,130	\$ 90,760
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,720,957	242,623	47,837	2,011,417
Non cash pension expense	137,982	-	68,793	206,775
(Increase) decrease in assets:				
Accounts receivable	137,096	2,374	(11,672)	127,798
Inventory	(27,396)	(2,927)	(4,898)	(35,221)
Increase (decrease) in liabilities:				
Accounts payable	406,419	(154,074)	15,301	267,646
Accrued expenses	(22,109)	-	(1,496)	(23,605)
Rate stabilization liability	11,617	-	-	11,617
Customer deposits	(11,482)	-	-	(11,482)
Compensated absences	(4,953)	-	(2,774)	(7,727)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,410,205</u>	<u>\$ (100,448)</u>	<u>\$ 328,221</u>	<u>\$ 2,637,978</u>
Noncash capital and financing activities:				
Donation of capital assets				<u>\$ 1,019,801</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 72
Investments	21,175,466
Employer receivables	8,934
Employee receivables	<u>8,934</u>
TOTAL ASSETS	<u>21,193,406</u>
NET POSITION	
Held in trust for pension benefits	20,860,002
Restricted for post-employment benefits other than pension	<u>333,404</u>
	<u>\$ 21,193,406</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 162,499
Plan members	279,082
Other income	40,646
Total Contributions	<u>482,227</u>
Investment earnings:	
Net increase in the fair value of investments	<u>2,523,736</u>
Total Investment Earnings	<u>2,523,736</u>
Total Additions	3,005,963
 DEDUCTIONS	
Benefits paid	849,400
Administrative expenses	53,573
Total Deductions	<u>902,973</u>
 Change in Net Position	 2,102,990
 Net Position – Beginning	 <u>19,090,416</u>
 Net Position – Ending	 <u><u>\$ 21,193,406</u></u>

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

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

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

No other potential component units exist.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements include a statement of net position and a statement of activities. The statement of net position reports all financial and capital resources of the City's governmental and business-type activities. It is presented in a net position format (assets plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three components:

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 government.

The City reports the following fund types:

Governmental Funds

General Fund

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

Special Revenue Fund

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

Proprietary Funds

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

Utility Fund

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Sanitation Fund

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

Airport Fund

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

Fiduciary Funds

Trust and Agency Funds

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

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

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

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

The City invests in certificates of deposit and short-term investments such as money market accounts. All cash and investment accounts are with financial institutions qualified under laws and regulations of the State of Florida. Deposits whose values exceeded the limits of Federal depository insurance were entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes. The City does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2017, the City had only time deposits, demand deposits and short-term money market accounts.

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

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

E. FAIR VALUE

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. FAIR VALUE – CONTINUED

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

The three categories within the hierarchy are as follows:

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

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

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

F. CASH AND CASH EQUIVALENTS

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

G. INVENTORIES

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. RECEIVABLES AND PAYABLES

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

All trade receivables are shown net of allowance for doubtful accounts. At September 30, 2017 the reserve for bad debts in the general fund was \$4,030, the utility fund was \$113,038, the airport fund was \$2,376 and the sanitation fund was \$15,380.

I. CAPITAL ASSETS

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

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

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

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

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position/balance sheet includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – CONTINUED

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

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

K. COMPENSATED ABSENCES

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

L. LONG-TERM OBLIGATIONS

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

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

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. NET POSITION

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

N. FUND BALANCE

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

The City classified governmental fund balance as follows:

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

Spendable Fund Balance:

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

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. FUND BALANCE - CONTINUED

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

	General Fund	CRA Fund	TOTALS
Nonspendable	\$ 6,078	\$ -0-	\$ 6,078
Spendable:			
Restricted:			
Storm disaster	7,406	-0-	7,406
Law enforcement education	31,681	-0-	31,681
Police Department	16,403	-0-	16,403
Community Redevelopment activities	-0-	605,586	605,586
Total Restricted	55,490	605,586	661,076
Committed	-0-	-0-	-0-
Assigned	-0-	-0-	-0-
Unassigned	1,007,001	-0-	1,007,001
Total Fund Balance	\$ 1,068,569	\$ 605,586	\$ 1,674,155

O. PROPERTY TAXES

Property taxes are levied on November 1 of each year and are due and payable upon receipt of the notice of levy. The Hardee County, Florida Tax Collector's Office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2017 was 5.6485 per \$1,000 of assessed taxable property value.

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

No accrual for the property tax levy becoming due in November 2017 is included in the accompanying financial statements since taxes do not meet the necessary criteria.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

O. PROPERTY TAXES - CONTINUED

The property tax calendar is as follows:

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

P. BUDGETARY INFORMATION

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

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

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

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. INSURANCE

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

R. ESTIMATES

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

S. CHANGE IN ACCOUNTING PRINCIPLE

During 2017, the City implemented GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. This statement improves the usefulness of information about post-employment benefits other than pensions used for making decisions and assessing accountability. The adoption of this statement does not have an impact on the City's net position or fund balance.

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

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

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

Notes payable and capital lease	\$ 401,601
Compensated absences	257,596
Other post-employment benefits	<u>5,061,000</u>
	<u>\$ 5,720,197</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

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

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

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

The details of this difference are as follows:

Capital additions recorded as	
expenditures in the general fund	\$ 1,785,817
Depreciation expense	<u>(655,827)</u>
	<u>\$ 1,129,990</u>

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At year-end, the City’s carrying amount of deposits was \$6,632,796 and the bank balance was \$6,908,531. All deposits were in State Certified Qualified Public Depositories.

RESTRICTED ASSETS

General Fund

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

<u>RESTRICTED CASH:</u>	<u>CASH</u>
General fund:	
Storm disaster contributions	\$ 7,406
Law enforcement trust	31,681
Wauchula police	<u>16,403</u>
TOTAL GENERAL FUND	<u>\$ 55,490</u>
Special Revenue Fund:	
Restricted:	
CRA	<u>\$ 644,904</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

**Proprietary Fund Types
 RESTRICTED CASH AND CASH EQUIVALENTS:**

ELECTRIC, WATER, AND SEWER SYSTEM	
Impact fees	\$ 533,278
Debt service	249,155
Capital improvement	1,213,551
Rate stabilization	353,564
Utility deposits	<u>591,639</u>
TOTAL ELECTRIC, WATER AND SEWER SYSTEM	<u>\$ 2,941,187</u>

B. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 764,221	\$ 17,228	\$ -0-	\$ -0-	\$ 781,449
Construction in progress	485,624	518,423	-0-	(436,447)	567,600
Total capital assets, not being depreciated	<u>1,249,845</u>	<u>535,651</u>	<u>-0-</u>	<u>(436,447)</u>	<u>1,349,049</u>
Capital assets, being depreciated:					
Buildings and improvements	9,514,667	1,075,605	(88,624)	436,447	10,938,095
Machinery and equipment	<u>3,204,730</u>	<u>174,561</u>	<u>(1,498,402)</u>	<u>-0-</u>	<u>1,880,889</u>
Total capital assets being depreciated	12,719,397	1,250,166	(1,587,026)	436,447	12,818,984
Less accumulated depreciation for:					
Buildings and improvements	(5,183,401)	(492,103)	88,624	-0-	(5,586,880)
Machinery and equipment	<u>(2,819,860)</u>	<u>(163,724)</u>	<u>1,498,402</u>	<u>-0-</u>	<u>(1,485,182)</u>
Total accumulated depreciation	<u>(8,003,261)</u>	<u>(655,827)</u>	<u>1,587,026</u>	<u>-0-</u>	<u>(7,072,062)</u>
Total capital assets, being depreciated, net	<u>4,716,136</u>	<u>594,339</u>	<u>-0-</u>	<u>436,447</u>	<u>5,746,922</u>
Governmental activities capital assets, net	<u>\$ 5,965,981</u>	<u>\$ 1,129,990</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,095,971</u>

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

General government	\$ 160,703
Police Department	135,926
Highways and streets	155,360
Culture and recreation	<u>203,838</u>
	<u>\$ 655,827</u>

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,184,493	\$ -0-	\$ -0-	\$ -0-	\$ 1,184,493
Construction in progress	<u>1,628,537</u>	<u>269,082</u>	<u>(94,920)</u>	<u>(1,526,339)</u>	<u>276,360</u>
Total capital assets, not being depreciated	<u>2,813,030</u>	<u>269,082</u>	<u>(94,920)</u>	<u>(1,526,339)</u>	<u>1,460,853</u>
Capital assets, being depreciated:					
Buildings and improvements	8,540,153	-0-	(170,661)	-0-	8,369,492
Electrical distribution system	5,714,867	26,539	(32,414)	-0-	5,708,992
Water and sewer system improvements	28,165,597	1,395,155	(79,100)	1,526,339	31,007,991
Machinery and equipment	<u>6,875,303</u>	<u>32,849</u>	<u>(606,773)</u>	<u>-0-</u>	<u>6,301,379</u>
Total capital assets being depreciated	49,295,920	1,454,543	(888,948)	1,526,339	51,387,854
Less accumulated depreciation for:					
Buildings and improvements	(5,859,983)	(256,833)	170,661	-0-	(5,946,155)
Electrical distribution system	(4,404,603)	(184,719)	32,414	-0-	(4,556,908)
Water and sewer system improvements	(14,715,403)	(1,315,877)	79,100	-0-	(15,952,180)
Machinery and equipment	<u>(4,352,044)</u>	<u>(253,988)</u>	<u>606,773</u>	<u>-0-</u>	<u>(3,999,259)</u>
Total accumulated depreciation	<u>(29,332,033)</u>	<u>(2,011,417)</u>	<u>888,948</u>	<u>-0-</u>	<u>(30,454,502)</u>
Total capital assets, being depreciated, net	<u>19,963,887</u>	<u>(556,874)</u>	<u>-0-</u>	<u>1,526,339</u>	<u>20,933,352</u>
Business-type activities capital assets, net	<u>\$ 22,776,917</u>	<u>\$ (287,792)</u>	<u>\$ (94,920)</u>	<u>\$ -0-</u>	<u>\$ 22,394,205</u>

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

Business-Type Activities	
Electric	\$ 860,480
Water	430,239
Sewer	430,238
Sanitation	47,837
Airport	<u>242,623</u>
	<u>\$ 2,011,417</u>

C. Interfund receivables, payables, and transfers

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables, and transfers - Continued

The composition of interfund balances as of September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility	Airport	\$ 762,409
Utility	Sanitation	64,079
		<u>\$ 826,488</u>

Interfund transfers:

	<u>Transfers in:</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Sanitation</u>
Transfers out:			
General Fund	\$ -0-	\$ 210,798	\$ -0-
Special Revenue	\$ 66,841	\$ -0-	\$ -0-
Utility	\$ 1,260,259	\$ -0-	\$ 73,577
Airport	\$ 19,622	\$ -0-	\$ -0-
Sanitation	\$ 270,102	\$ -0-	\$ -0-

D. Leases

The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$379,780 with accumulated depreciation of \$87,033 at September 30, 2017. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017.

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>
2018	\$ 58,568
2019	58,568
2020	58,568
2021	58,568
2022	58,568
2023	58,568
Minimum lease payments for all capital leases	351,408
Less: Amount representing interest	(25,106)
Present value of minimum lease payments	<u>\$ 326,302</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt

Governmental Activities

On June 11, 2003, the City borrowed \$915,000 from Wachovia Bank, N.A. to finance the construction, renovation and conversion of a building for the City's municipal complex. The note bears interest at 3.81% per annum and is due in monthly payments of \$6,680 including interest. The note matures in June of 2018 and is secured by non-ad valorem revenues budgeted and appropriated by the City for the payment of the note. At September 30, 2017, the principal balance outstanding was \$65,529. The note requires prepayment penalties based on the difference of rates in the note and rates in effect at the time any such prepayment would occur.

Notes Payable

On November 7, 2014, the City borrowed \$88,689 from First National Bank of Wauchula to finance the purchase of two vehicles. The note bears interest at 3.99% per annum. The note is payable on demand. If no demand is made, the note is payable in five annual payments of \$19,918 beginning November 7, 2015. At September 30, 2017, no demand had been made, and the principal balance outstanding was \$55,276. The note matures November 7, 2019 and is collateralized by the vehicles.

On July 22, 2015, the City borrowed \$132,500 from Wauchula State Bank to finance police vehicles. The note bears interest at the rate of 3.50% per annum. The note is payable in five payments of \$29,390 beginning July 24, 2016. The note matures July 22, 2020 and is secured by vehicles. At September 30, 2017, the principal balance outstanding was \$82,261.

On February 28, 2014, the City borrowed \$120,000 from First National Bank of Wauchula to finance the purchase of vehicles for the City's police department. The note bears interest at 3.39% per annum and is due in annual payments of \$26,509, which includes interest. The note matures in February 2019 and is secured by the vehicles. At September 30, 2017, the principal balance outstanding was \$50,419.

On April 4, 2014, the City borrowed \$30,000 from First National Bank of Wauchula to finance the purchase of an animal control vehicle. The note bears interest at 3.39% per annum and is due in annual payments of \$6,632, which includes interest. The note matures in April 2019 and is secured by the vehicle. At September 30, 2017, the principal balance outstanding was \$12,616.

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Business Type Activities – Continued

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 166,340	\$ 12,028	\$ 178,368
2019	104,265	7,673	111,938
2020	74,524	4,128	78,652
2021	27,846	1,602	29,448
2022	<u>28,626</u>	<u>822</u>	<u>29,448</u>
Total	<u>\$ 401,601</u>	<u>\$ 26,253</u>	<u>\$ 427,854</u>

Business Type Activities

Utility Refunding Revenue Bond, Series 2016

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

Future maturities of the revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 202,000	\$ 54,884	\$ 256,884
2019	208,000	51,106	259,106
2020	212,000	46,904	258,904
2021	216,000	42,622	258,622
2022	220,000	38,259	258,259
2023 – 2027	1,171,000	122,735	1,293,735
2028 – 2029	<u>503,000</u>	<u>15,292</u>	<u>518,292</u>
Total	<u>\$ 2,732,000</u>	<u>\$ 371,802</u>	<u>\$ 3,103,802</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

T-Hanger Loan – Airport Fund

In October 1995, the Airport Fund borrowed \$180,000 to finance the construction of a T-Hanger at the City's airport. The note was re-financed in 2007. A new note in the amount of \$104,158 was issued to continue construction of the T-Hanger. The note bears interest at 4.96% per annum and is due in monthly payments of \$1,106. The remaining amount outstanding was paid in full during 2017.

State of Florida Department of Environmental Protection Loan WW62419P

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

During 2006 and 2007, the City borrowed \$509,883 in accordance with the loan agreement. Payments began in July of 2009 and are due in semi-annual amounts of \$21,906 including interest of 0.71% per annum. The total amount outstanding, including capitalized interest, at September 30, 2017 is \$303,429.

State of Florida Department of Environmental Protection Loan WW250201

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

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

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

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

The City drew funds under the agreement in 2011, 2012, and 2013. The semi-annual loan payments of \$37,966, include interest at 2.82%, 2.57%, and 1.86% for each draw. Payments started on June 15, 2011 and continue until all amounts have been fully paid. The outstanding balance at September 30, 2017 is \$862,463. The City has pledged the revenues of the system for the repayment of the loan.

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

State of Florida Department of Environmental Protection Loan WW250200

On October 29, 2010 the City entered into a financing agreement with the Florida Department of Environmental Protection for the completion of the improvements noted above (companion loan). Semi-annual payments of \$13,647 (including interest at 2.61%) started on June 15, 2011, and will continue until the loan is fully repaid in 2031. The outstanding balance at September 30, 2017 is \$306,460. The City has pledged the revenues of the system for the repayment of the loan.

Future maturities of all notes payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 99,963	\$ 33,332	\$ 133,295
2019	102,082	31,250	133,332
2020	104,253	29,118	133,371
2021	106,477	26,932	133,409
2022	108,756	24,497	133,253
2023 - 2027	580,012	87,863	667,875
2028 - 2031	370,809	25,618	396,427
Total	<u>\$ 1,472,352</u>	<u>\$ 258,610</u>	<u>\$ 1,730,962</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Series 2003 Capital					
Improvement Revenue Note	\$ 141,574	\$ -0-	\$ (76,045)	\$ 65,529	\$ 65,529
2015 Dodge Chargers	72,300	-0-	(17,024)	55,276	17,712
2015 Patrol Cars	107,825	-0-	(25,564)	82,261	26,515
Police Cars	74,412	-0-	(23,993)	50,419	24,767
Animal Control Truck	18,618	-0-	(6,002)	12,616	6,196
2017 Dodge Chargers	-0-	135,500	-0-	135,500	25,620
Compensated absences	224,583	167,489	(134,476)	257,596	64,399
Other post-employment benefits	5,170,000	-0-	(109,000)	5,061,000	217,000
Governmental activity					
Long-term liabilities	<u>\$ 5,809,312</u>	<u>\$ 302,989</u>	<u>\$ (392,104)</u>	<u>\$ 5,720,197</u>	<u>\$ 447,738</u>
Business Type activities:					
Note Payable - T-Hanger -					
Airport	\$ 12,902	\$ -0-	\$ (12,902)	\$ -0-	\$ -0-
2006 Clean Water State					
SRF Revolving Loan 2010	327,555	-0-	(24,126)	303,429	26,683

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Business Type activities (Continued):

SRF Revolving Loan-					
Original 2011	911,974	-0-	(49,511)	862,463	53,748
SRF Revolving Loan-					
Companion 2011	325,175	-0-	(18,715)	306,460	19,533
Capital leases	<u>399,875</u>	<u>-0-</u>	<u>(73,573)</u>	<u>326,302</u>	<u>51,520</u>
	<u>1,977,481</u>	<u>-0-</u>	<u>(178,827)</u>	<u>1,798,654</u>	<u>151,484</u>
Bonds Payable:					
Utility Revenue Bond					
Refunding Series 2011	2,862,000	-0-	(2,862,000)	-0-	-0-
Utility Revenue Bond					
Refunding Series 2016	-0-	2,732,000	-0-	2,732,000	202,000
Compensated absences	<u>193,180</u>	<u>140,277</u>	<u>(148,004)</u>	<u>185,453</u>	<u>46,363</u>
Business-Type Activity					
Long-Term Liabilities	<u>\$ 5,032,661</u>	<u>\$ 2,872,277</u>	<u>\$ (3,188,831)</u>	<u>\$ 4,716,107</u>	<u>\$ 399,847</u>

NOTE 4 – RETIREMENT PLANS

The City has two defined benefit pension plans.

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

Plan Description and Summary of Significant Accounting Policies

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

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

Plan Membership

At the October 1, 2016 valuation date membership consisted of:

Active	69
Retirees	42
Terminated with deferred vested pensions	<u>15</u>
Total	<u>126</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

Wauchula Police Pension Trust Fund – (WPPP)

The Plan is a single employer, defined benefit public employee retirement system plan. The City has established a special pension trust fund into which shall be paid all monies received by the City under the provisions of Chapter 185, Florida Statutes.

Total contributions to the WPPP in 2017 were \$40,646, all of which are from the State. All police employed by the City who have completed one year of continuous service, are qualified as participants in the Police Pension Trust Fund. Participants are entitled to one share in the fund for each full year of service. Participants vest after ten years of service.

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

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

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

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

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

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

Benefit Provisions–WEPP

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

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

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

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

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

Contribution Information

WEPP

WEPP members are required to contribute 10% of their annual covered salary. The City is required to contribute the greater of an actuarially determined rate or 10%. Since the Plan was overfunded, the City elected to allocate most of the current year contributions to the OPEB Trust Fund, as well as reduce the net pension asset. Vesting occurs over a six year period. Total employer contributions were \$6,370 and combined with the OPEB Trust Fund contribution equaled required contributions for the year ended September 30, 2017, on covered payroll of \$2,537,297.

Plan Investments

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

Plan Investments

The plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The City has selected to participate in the FMPTF 60/40 Target Fund. The maximum target asset allocation for equities is 60%. The following was the adopted asset allocation policy as of September 30, 2017:

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

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

As of September 30, 2017, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>WEPP</u>
	<u>WPPP</u>
	<u>60/40</u>
Cash and Money Market	0.4%
FMIVT Broad Market High Quality Bond	15.7%
FMIVT High Quality Growth	8.0%
FMIVT Diversified Value	7.9%
FMIVT Russell 1000 Enhanced Index	23.3%
FMIVT Diversified Small to Mid Cap Equity	11.0%
FMIVT International Equity	10.6%
FMIVT Core Plus Fixed Income	<u>23.1%</u>
	<u>100.0%</u>

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

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

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

The FMIvT Broad Market High Quality Bond Fund has a weighted average maturity of 6.10 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 7.40 years.

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

Rate of Return – For the year ended September 30, 2017 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 13.42% for the WEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability–WEPP

The components of the net pension liability (asset) of the City at September 30, 2017 were as follows:

			\$ 15,081,976
Total Pension Liability			
Plan Fiduciary Net Position			<u>(18,027,396)</u>
Sponsors Net Pension Liability (Asset)			<u>\$ (2,945,420)</u>
Plan Fiduciary Net Position as a Percentage Of Total Pension Liability			119.53%
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance as of September 30, 2016	\$ 14,411,615	\$ (16,469,897)	\$ (2,058,282)
Change due to:			
Service cost	644,200	–0–	644,200
Expected interest growth	1,024,605	(1,131,819)	(107,214)
Unexpected investment income	–0–	(1,038,142)	(1,038,142)
Demographic experience	(856,549)	–0–	(856,549)
Employer contributions	–0–	–0–	–0–
Employee contributions	–0–	(277,978)	(277,978)
Benefit payments & refunds	(849,400)	849,400	–0–
Administrative expenses	–0–	41,040	41,040
Changes in benefit terms	–0–	–0–	–0–
Assumption changes	707,505	–0–	707,505
Balance as of September 30, 2017	<u>\$15,081,976</u>	<u>\$(18,027,396)</u>	<u>\$ (2,945,420)</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

The Sponsor’s net pension liability (asset) was measured as of September 30, 2017.

Actuarial Assumptions–WEPP

The total pension liability, net pension liability (asset), and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30, 2017. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan’s target asset allocation as of September 30, 2017 are summarized in the following table:

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension Liability (Asset)	\$ (864,662)	\$ (2,945,420)		\$ (4,647,379)

Changes of Assumptions

Since the prior measurement date, the mortality basis was changed from a 2015 projection of RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

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

For the year ended September 30, 2017 the Sponsor will recognize a pension expense of \$307,404. At September 30, 2017 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Balance as of September 30, 2016	\$ 3,544,483	\$ 2,655,654
Change due to:		
Amortization payments	(608,029)	(600,673)
Investment gain/loss	-0-	1,038,142
Demographic gain/loss	-0-	856,549
Assumption changes	<u>707,505</u>	<u>-0-</u>
Total change	<u>99,476</u>	<u>1,294,018</u>
Balance as of September 30, 2017	<u>\$ 3,643,959</u>	<u>\$ 3,949,672</u>

**CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – RETIREMENT PLANS – CONTINUED

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

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 608,031	\$ (606,671)
2019	\$ 608,027	\$ (582,852)
2020	\$ 318,473	\$ (582,852)
2021	\$ 318,473	\$ (543,756)
2022	\$ 318,473	\$ (336,126)
Thereafter	\$ 1,472,484	\$ (1,303,415)

The following financial statements present the combining statement of fiduciary net position by pension trust fund as of and for the year ended September 30, 2017.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ -0-	\$ 72	\$ -0-	\$ 72
Investments	18,027,396	2,817,230	330,840	21,175,466
Receivable – Employer	6,370	-0-	2,564	8,934
Receivable – Employee	8,934	-0-	-0-	8,934
Total Assets	<u>\$ 18,042,700</u>	<u>\$ 2,817,302</u>	<u>\$ 333,404</u>	<u>\$ 21,193,406</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 18,042,700</u>	<u>\$ 2,817,302</u>	<u>\$ 333,404</u>	<u>\$ 21,193,406</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 6,370	\$ -0-	\$ 156,129	\$ 162,499
Plan members	279,082	-0-	-0-	279,082
Other income	-0-	40,646	-0-	40,646
Total Contributions	<u>285,452</u>	<u>40,646</u>	<u>156,129</u>	<u>482,227</u>
Investment earnings:				
Net increase in the fair value of investments	<u>2,169,961</u>	<u>329,616</u>	<u>24,159</u>	<u>2,523,736</u>
Total Investing Additions	<u>2,169,961</u>	<u>329,616</u>	<u>24,159</u>	<u>2,523,736</u>
Total Additions	2,455,413	370,262	180,288	3,005,963

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – RETIREMENT PLANS – CONTINUED

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
DEDUCTIONS				
Benefits	849,400	-0-	-0-	849,400
Administrative expenses	<u>41,039</u>	<u>6,088</u>	<u>6,446</u>	<u>53,573</u>
Total Deductions	<u>890,439</u>	<u>6,088</u>	<u>6,446</u>	<u>902,973</u>
Change in net position	<u>1,564,974</u>	<u>364,174</u>	<u>173,842</u>	<u>2,102,990</u>
Net Position – beginning	<u>16,477,726</u>	<u>2,453,128</u>	<u>159,562</u>	<u>19,090,416</u>
Net Position – ending	<u>\$ 18,042,700</u>	<u>\$ 2,817,302</u>	<u>\$ 333,404</u>	<u>\$ 21,193,406</u>

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

	<u>September 30, 2017</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level:				
Mutual Funds and Short-Term Investments	\$ 84,041	\$ 84,041	\$ -0-	\$ -0-
FMIvT Broad Market High Quality Bond	3,335,135	-0-	3,335,135	-0-
FMIvT Core Plus Fixed Income	4,910,390	-0-	-0-	4,910,390
FMIvT High Quality Growth	1,687,420	-0-	1,687,420	-0-
FMIvT Diversified Value	1,668,891	-0-	1,668,891	-0-
FMIvT Russell 100 Enhanced Index	4,933,221	-0-	4,933,221	-0-
FMIvT Diversified Small to Mid Cap Equity	2,320,038	-0-	2,320,038	-0-
FMIvT International Equity	<u>2,236,330</u>	<u>-0-</u>	<u>2,236,330</u>	<u>-0-</u>
Total Investments	<u>\$ 21,175,466</u>	<u>\$ 84,041</u>	<u>\$ 16,181,035</u>	<u>\$ 4,910,390</u>

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

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYEMENT BENEFIT PLAN

Plan Description

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

Employees hired prior to January 1, 1999:

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

Employees hired after January 1, 1999:

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

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

The Plan has adopted Governmental Accounting Standards Board (GASB No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*.

Plan Membership – At September 30, 2017, membership in the Plan consisted of the following:

Current Retirees	35
Active Employees	<u>71</u>
	<u>106</u>

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Plan Description – Continued

Contributions – Through 2015, the City’s OPEB benefits were unfunded. Effective October 1, 2015, the City established an Other Post-Employment Benefit Trust (Trust) of which the assets are held with the Florida Municipal Pension Trust (FMPT). Annual contributions to the OPEB Trust are not required and are determined annually by the City Commissioners. During the year ended September 30, 2017, the City contributed \$156,129 to the OPEB Trust. For the year ended September 30, 2017, the City’s average contribution rate was 6.15 percent of covered-employee payroll. Plan members are not required to contribute to the Plan.

Investments

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

The City has selected to participate in the FMPTF OPEB 50/50 Fund. The following was the adopted asset allocation policy as of September 30, 2017:

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

As of September 30, 2017, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>OPEB 50/50</u>
Cash and Money Market	0.2%
FMIvT Broad Market High Quality Bond	18.9%
FMIvT High Quality Growth	6.0%
FMIvT Diversified Value	6.7%
FMIvT Russell 1000 Enhanced Index	23.1%
FMIvT Diversified Small to Mid Cap Equity	8.2%
FMIvT International Equity	8.1%
FMIvT Core Plus Fixed Income	<u>28.8%</u>
	<u>100.0%</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Investments – Continued

There were no changes in the investment policy during the year ended September 30, 2017. For all other investment disclosures, including fair value and risk, see Note 4.

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

Rate of Return – For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

As of September 30, 2017, the Plan did not have any receivables.

Allocated Insurance Contracts

As of September 30, 2017, the Plan did not have any allocated insurance contracts.

Reserves

As of September 30, 2017, the Plan did not have any reserves.

Net OPEB Liability of the City as Reported Under GASB No. 45

Annual OPEB Cost and Net OPEB Obligations – The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation (NOO):

<u>Description</u>	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 417,000
Interest on NOO	207,000
Adjustment to (ARC)	<u>(447,000)</u>
Annual OPEB Cost (Expense)	177,000
Estimated Employer Contributions	(280,000)
Interest on Employer Contributions	<u>(6,000)</u>
Increase (decrease) in NOO	(109,000)
Net OPEB Obligation at beginning of year	<u>5,170,000</u>
Net OPEB Obligation at end of year	<u>\$ 5,061,000</u>

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Contributed	Estimated Net OPEB Obligation
9/30/17	\$ 177,000	\$ 280,000	162%	\$ 5,061,000
9/30/16	\$ 177,000	\$ 280,000	162%	\$ 5,170,000
9/30/15	\$ 362,000	\$ 217,000	61%	\$ 5,279,000

The funded status and funding progress as of September 30, 2017 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/13	\$ -0-	\$ 8,100,000	\$ 8,100,000	0.00%	\$ 2,399,000	337.4%
10/01/14	\$ -0-	\$ 5,921,000	\$ 5,921,000	0.00%	\$ 2,284,000	259.2%
10/01/16	\$ 157,000	\$ 3,794,000	\$ 3,637,000	4.14%	\$ 2,351,000	154.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions and the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made for the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear trend information, (when available), about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. Projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

In the October 1, 2016 OPEB actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (discount rate), which includes inflation at 2.75%. The actuarial assumptions also included:

- **Mortality**
 Sex-distinct mortality rates set forth in the RP-2000 mortality table for annuitants and non-annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service.
- **Disability**
 For police officers, age and gender-based rates of disability were assumed, ranging from 0.179% for males and 0.075% for females at age 25, 0.290% for males and 0.096% for females at age 35, 0.795% for males and 0.162% for females at age 45, and 1.030% for males and 0.040% for females at age 55. For all other participants, age and gender-based rates of disability were assumed, ranging from 0.075% for males and 0.035% for females at age 25, 0.096% for males and 0.054% for females at age 35, 0.162% for males and 0.085% for females at age 45, and 0.400% for males and 0.180% for females at age 55.
- **Permanent Withdrawal from Active Status**
 For police officers, the termination rates are age-based, ranging from 5.00% at age 25, 3.00% at age 35, and 0.00% at age 45. For all other participants, the termination rates are age-based, ranging from 7.10% at age 25, 4.20% at age 35, 1.80% at age 45, 0.80% at age 55, and 0.00% at age 60.
- **Retirement**
 For police officers, 20% are assumed to retire at each of ages 55 through 57, 30% are assumed to retire at each of ages 58 and 59, and 100% are assumed to retire at age 60. For all other participants, 10% are assumed to retire at each of ages 55 through 59 and 100% are assumed to retire at age 60. Regardless of the foregoing, participants who have earned at least 30 years of service are assumed to retire immediately.
- **Healthcare Cost Trend Rates**
 The cost of health insurance has been assumed to increase in accordance with the following rates, compounded annually:

<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>
2016/17	8.00%	2019/20	6.50%	2022/23	5.00%
2017/18	7.50%	2020/21	6.00%	and	
2018/19	7.00%	2021/22	5.50%	Thereafter	

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Actuarial Methods and Assumptions – Continued

- **Implied Health Insurance Subsidy**
The implied health insurance subsidy for a 60-year old retiree for the period October 1, 2016 through September 30, 2017 is assumed to be \$4,500 per year for those who elect single coverage and an additional \$5,700 per year for those who elect spousal coverage. The implied subsidy has been assumed to increase in accordance with the healthcare cost trend rates.
- **Age-Related Morbidity**
The cost of covered medical services has been assumed to increase with age at the rate of 3.50% per annum.
- **Retiree Contributions**
Retirees electing post-employment healthcare coverage have been assumed to make monthly contributions equal to the premium charged to the active employees, less the explicit health insurance subsidy that is provided by the City and less the \$100 subsidy that is provided under the City-sponsored pension plan.
- **Future Participation Rates**
25% of eligible employees were assumed to elect the City's health insurance coverage for themselves for life upon retirement or disability, with 80% of such retirees electing spousal coverage as well. For this purpose, husbands are assumed to be three years older than wives.
- **COBRA Assumption**
Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, and it is assumed that the COBRA premium to be paid by the participant fully covers the cost of providing healthcare coverage during the relevant period.

Net OPEB Liability of the City as Reported Under GASB No. 74

In the current fiscal year, the City implemented GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. The information below is presented for disclosures required by this statement. The net OPEB liability presented below is not reflected in the City's government-wide financial statements. This will be done when the City implements GASB Statement No. 75 next fiscal year.

The components of the net OPEB liability of the City at September 30, 2017, were as follows:

Total OPEB liability	\$ 5,035,077
Plan fiduciary net position	(330,840)
City's net OPEB liability	<u>\$ 4,704,237</u>

Plan fiduciary net position as a percentage of the total OPEB liability 6.57%

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Actuarial Assumptions -The total OPEB liability was determined by an actuarial valuation as of October 1, 2016 in which the individual entry age normal cost method was used. The actuarial valuation's determination of the OPEB liability, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- **Discount Rate**
3.22% per annum; this rate was used to discount all future benefit payments and is based on a blend of the expected long-term return on assets for benefits payments during the first 14 years after the valuation date) and a yield on 20-year Grade AA/Aa or higher municipal bonds of 2.80% per annum (for benefit payments beyond the first 14 years after the valuation date); both the expected long-term return on assets and the municipal bond rate were determined as of the valuation date by the Asset Consulting Group.
- **Expected Long-Term Return on Assets**
6.50% per annum (2.99% per annum is attributable to long-term inflation).
- **Salary Increases**
3.00% per annum.
- **Cost-of-Living Increases**
Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.
- **Healthcare Cost Trend Rates**
Increases in healthcare costs are assumed to be 8.00% for the 2016-17 fiscal year graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years.
- **Age-Related Morbidity**
Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
- **Mortality basis**
With respect to general employees, sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB; with respect to police officers, sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB.
- **Retirement**
10% of eligible general employees are assumed to retire at each of ages 55 through 59 and 100% of eligible general employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately.

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

- **Disability**
 Assumed disability uses age and gender based rates; general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55.
- **Employment Termination**
 Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% at age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35, to 0.00% at age 45.
- **Coverage Election**
 25% of eligible employees are assumed to elect medical coverage under the City's health insurance plan for life upon retirement or disability and 80% of those electing coverage are also assumed to elect coverage for their spouse.
- **Spouses and Dependents**
 Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
- **COBRA**
 Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
- **Changes**
 No assumptions were changed since the prior measurement date.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2017 are summarized in the following table:

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

CITY OF WAUCHULA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

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

There was no change in the discount rate since the end of the prior fiscal year.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current discount rate:

	<u>1% Decrease</u> <u>2.22%</u>	<u>Current Discount</u> <u>Rate</u> <u>3.22%</u>	<u>1% Increase</u> <u>4.22%</u>
Net OPEB liability	\$ 5,588,884	\$ 4,704,237	\$ 3,995,162

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

	<u>1% Decrease</u> <u>7.00%</u>	<u>Current Discount</u> <u>Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
Net OPEB liability	\$ 3,973,327	\$ 4,704,237	\$ 5,619,957

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

NOTE 6 – CONTINGENCIES

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

NOTE 7 – COMMITMENTS

The City has entered into long term construction contracts for the completion of various projects. The total commitment at September 30, 2017 is approximately \$2,955,000 of which all is expected to be funded by grant awards the City has received.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,106,825	\$ 1,182,135	\$ 1,171,733	\$ (10,402)
Charges for services	78,959	78,959	87,029	8,070
Fines and forfeitures	53,600	53,600	62,251	8,651
Intergovernmental revenue	653,500	661,955	687,088	25,133
Interest	1,330	1,330	1,029	(301)
Licenses and permits	12,500	12,500	11,667	(833)
Grant revenue	41,349	1,225,139	1,197,101	(28,038)
Miscellaneous revenues	54,349	59,004	94,481	35,477
Total Revenues	<u>2,002,412</u>	<u>3,274,622</u>	<u>3,312,379</u>	<u>37,757</u>
Expenditures				
General government	1,383,943	1,426,816	1,298,993	127,823
Police department	1,243,791	1,248,446	1,219,663	28,783
Highways and streets	199,823	179,822	171,539	8,283
Culture/recreation	308,187	308,187	268,771	39,416
Capital outlay	480,000	1,791,524	1,664,198	127,326
Debt service	122,544	122,544	122,537	7
Total expenditures	<u>3,738,288</u>	<u>5,077,339</u>	<u>4,745,701</u>	<u>331,638</u>
Excess of revenues over (under) expenditures	(1,735,876)	(1,802,717)	(1,433,322)	369,395
Other Financing Sources (Uses)				
Proceeds from sales of assets	266,000	266,000	-	(266,000)
Proceeds from issuance of debt	135,000	135,000	135,500	500
Transfers In	1,546,146	1,612,987	1,616,824	3,837
Transfers Out	(211,270)	(211,270)	(210,798)	472
Total Other Financing Sources (Uses)	<u>1,735,876</u>	<u>1,802,717</u>	<u>1,541,526</u>	<u>(261,191)</u>
Net Change in Fund Balances	-	-	108,204	108,204
Fund Balance – October 1, 2016	<u>960,365</u>	<u>960,365</u>	<u>960,365</u>	-
Fund Balance – September 30, 2017	<u>\$ 960,365</u>	<u>\$ 960,365</u>	<u>\$ 1,068,569</u>	<u>\$ 108,204</u>

Note 1 – Budgetary Basis

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

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 332,853	\$ 332,853	\$ 332,109	\$ (744)
Interest	750	750	1,277	527
Grant revenue	350,000	350,000	16,948	(333,052)
Miscellaneous revenues	14,400	14,400	17,242	2,842
Total Revenues	698,003	698,003	367,576	(330,427)
EXPENDITURES				
General government	1,056,534	1,056,534	369,334	687,200
Capital outlay	328,750	328,750	139,003	189,747
Debt service	40,089	40,089	40,088	1
Total Expenditures	1,425,373	1,425,373	548,425	876,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	(727,370)	(727,370)	(180,849)	546,521
OTHER FINANCING SOURCES (USES)				
Transfers in	727,370	727,370	210,798	(516,572)
Transfers out	-	-	(66,841)	(66,841)
Total Other Financing Sources (Uses)	727,370	727,370	143,957	(583,413)
Net change in Fund Balances	-	-	(36,892)	(36,892)
FUND BALANCE – October 1, 2016	642,478	642,478	642,478	-
FUND BALANCE – September 30, 2017	\$ 642,478	\$ 642,478	\$ 605,586	\$ (36,892)

Note 1 – Budgetary Basis

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

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

Last 10 Fiscal Years*

	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Total Pension Liability				
Service Cost	\$ 644,200	\$ 632,364	\$ 397,481	\$ 430,765
Expected Interest Growth	1,024,605	823,513	1,189,323	1,006,348
Demographic Gain/Loss	(856,549)	(580,470)	(1,115,993)	-0-
Employee Contributions	-0-	-0-	-0-	-0-
Benefit Payments, Including Refunds	(849,400)	(929,139)	(846,093)	(710,097)
Administrative Expenses	-0-	-0-	-0-	-0-
Changes in Benefit Terms	-0-	-0-	-0-	-0-
Assumption Changes	<u>707,505</u>	<u>2,906,292</u>	<u>(1,180,305)</u>	<u>-0-</u>
Net Change in Total Pension Liability	670,361	2,852,560	(1,555,587)	727,016
Total Pension Liability - Beginning	<u>14,411,615</u>	<u>11,559,055</u>	<u>13,114,642</u>	<u>12,387,626</u>
Total Pension Liability - Ending (a)	<u>\$ 15,081,976</u>	<u>\$ 14,411,615</u>	<u>\$ 11,559,055</u>	<u>\$ 13,114,642</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 277,978	\$ 13,515	\$ 262,201	\$ 256,383
Contributions - Employee	-0-	271,126	262,201	256,383
Investment Income	2,169,961	1,283,244	21,493	1,326,542
Benefit Payments, Including Refunds of Employee Contributions	(849,400)	(929,139)	(1,108,162)	(816,267)
Administrative Expense	<u>(41,040)</u>	<u>(49,123)</u>	<u>(47,753)</u>	<u>(30,160)</u>
Net Change in Plan Fiduciary Net Position	1,557,499	589,623	(610,020)	992,881
Plan Fiduciary Net Position - Beginning	<u>16,469,897</u>	<u>15,880,274</u>	<u>16,490,294</u>	<u>15,497,413</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 18,027,396</u>	<u>\$ 16,469,897</u>	<u>\$ 15,880,274</u>	<u>\$ 16,490,294</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,945,420</u>	<u>\$ (2,058,232)</u>	<u>\$ (4,321,219)</u>	<u>\$ (3,375,652)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	119.53%	114.28%	137.38%	121.37%
Covered Employee Payroll	\$ 2,537,297	\$ 2,590,078	\$ 2,483,561	\$ 2,232,223
Net Pension Liability as a Percentage of Covered Employee Payroll	0%	0%	0%	0%

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

**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF CONTRIBUTIONS
WEPP**

GENERAL EMPLOYEES' PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially Determined Contribution	\$ -0-	\$ 13,515	\$ 262,201	\$ 256,383	\$ 308,530	\$ 351,847	\$ 339,900	\$ 386,579	\$ 285,942	\$ 271,886
Contributions in Relation to the Actuarially Determined Contributions	<u>-0-</u>	<u>13,515</u>	<u>262,201</u>	<u>256,383</u>	<u>308,530</u>	<u>351,847</u>	<u>339,900</u>	<u>386,579</u>	<u>285,942</u>	<u>271,886</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 2,537,297	\$ 2,590,078	\$ 2,483,561	\$ 2,232,223	\$ 2,232,223	\$ 2,232,223	\$ 2,654,735	\$ 2,611,789	\$ 2,785,962	\$ 2,728,782
Contributions as a Percentage of Covered Employee Payroll	0%	0.52%	10.56%	11.49%	13.82%	15.8%	12.8%	14.8%	10.3%	9.96%

CITY OF WAUCHULA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
WEPP

Employers reporting date: 09/30/17
Measurement date: 09/30/17
Valuation Date: 10/01/16

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

Actuarial assumptions

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

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

Cost-of-living increases: None assumed

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

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

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

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

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

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

Non-investment expenses: 1.75% of covered payroll

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

Changes: Since the prior measurement date, the mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

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

SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>DATE</u>	<u>PERCENTAGE</u>
09/30/17	13.42%
09/30/16	8.26%
09/30/15	.13%
09/30/14	8.65%
09/30/13	12.02%
09/30/12	17.43%
09/30/11	1.24%
09/30/10	9.16%
09/30/09	2.19%
09/30/08	-12.62%

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

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

	2017
Total OPEB liability	
Service cost	\$ 89,281
Interest	158,996
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(122,410)
Net change in total OPEB liability	125,867
Total OPEB liability – Beginning	4,909,210
Total OPEB liability – Ending	\$ 5,035,077
Plan fiduciary net position	
Contributions – Employer	\$ 155,734
Interest	15,006
Net investment income	9,152
Benefit payments	-
Administrative expense	(6,445)
Net change in plan fiduciary net position	173,447
Plan fiduciary net position – Beginning	157,393
Plan fiduciary net position – Ending	\$ 330,840
City's net OPEB liability	\$ 4,704,237
Plan fiduciary net position as a percentage of the total OPEB liability	6.57%
Covered-employee payroll	\$ 2,537,297
City's net OPEB liability as a percentage of covered-employee payroll	185.40%

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

Notes to Schedule:

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

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

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

	2017
Actuarially determined contribution	\$ 155,734
Contributions in relation to the actuarially determined contribution	156,129
Contribution deficiency (excess)	\$ (395)
Covered-employee payroll	\$ 2,537,297
Contributions as a percentage of covered-employee payroll	6.15%

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

Notes to Schedule:

Valuation Date: October 1, 2016
Measurement Date: September 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Discount rate	3.22% per annum
Expected long-term return on assets	6.50% per annum (2.99% attributable to long-term inflation)
Salary increases	3.00% per annum
Inflation	Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare trend rate
Healthcare cost trend rates	8.00% for the 2016/17 fiscal year, graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age
Mortality	With respect to general employees, sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB; with respect to police officers, sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB
Retirement	10% of eligible employees are assumed to retire at each ages of 55 through 59 and 100% of eligible employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately
Disability	Assumed disability uses age and gender based rates: general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55
Employment termination	Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% as age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35 to 0.00% at age 45