

CITY OF WAUCHULA, FLORIDA  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2015

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SEPTEMBER 30, 2015

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CITY OF WAUCHULA, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2015

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City of Wauchula, Florida  
Principal City Officials

September 30, 2015

CITY COMMISSION

Richard Nadaskay, Jr., Mayor  
Neda Cobb, Mayor Pro-Tem  
Sherri Albritton, Commissioner  
Kenneth Lambert, Commissioner  
Peter Preston, Commissioner  
Gary Smith, Commissioner  
Russell Smith, Commissioner

CITY MANAGER

Terry Atchley

CITY ATTORNEY

Thomas A. Cloud

FINANCE DIRECTOR

James Braddock

ASSISTANT CITY MANAGER

Olivia Minshew

POLICE CHIEF

John M. Eason

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Commission  
City of Wauchula, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principles**

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and supplemental schedules of changes in net pension liability and related ratios, contributions, annual money-weighted rate of return on investments, notes to required supplementary information, funding progress and employer contributions and related notes included on pages 3-11, 57-58, 59-62, and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wauchula, Florida's basic financial statements. The other supplemental information on pages 64-67 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act and Rules of the Auditor General of the State of Florida, and is also not a required part of the basic financial statements.

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the City of Wauchula, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

February 12, 2016  
Bradenton, Florida



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wauchula, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,378,929 (net position).
- The government's total net position decreased by \$495,111 during the year.
- GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions continue to impact the City. The related liability at year end is \$5,279,000, which is \$141,000 greater than the prior year. The liability is based on an actuarially calculated amount.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$1,043,421 an increase of \$62,501 in comparison with the prior year. Of this amount, unassigned fund balance represents \$511,481.
- During 2015, the City implemented GASB Statement No. 68, Accounting for Pensions. The result was to restate beginning net position in the Governmental Activities by \$1,106,745 and Business-Type Activities by \$1,696,225.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

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

### **Fiduciary Funds**

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

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

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



**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes should be read in conjunction with the financial statements.

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

#### Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2015 with comparative totals as of September 30, 2014.

	<u>Governmental Activities</u>		<u>Net position Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 3,370,010	\$ 1,611,377	\$ 8,236,632	\$ 5,404,440	\$ 11,606,642	\$ 7,015,817
Capital assets (net of depreciation)	<u>6,353,011</u>	<u>6,541,088</u>	<u>21,373,484</u>	<u>22,415,979</u>	<u>27,726,495</u>	<u>28,957,067</u>
Total assets	9,723,021	8,152,465	29,610,116	27,820,419	39,333,137	35,972,884
Deferred outflows of resources	<u>594,562</u>	<u>-0-</u>	<u>698,185</u>	<u>144,490</u>	<u>1,292,747</u>	<u>144,490</u>
Long-term liabilities outstanding						
Debt	557,861	435,114	4,766,169	5,125,336	5,324,030	5,560,450
Compensated absences	343,765	313,457	252,234	270,868	595,999	584,325
OPEB liability	<u>5,279,000</u>	<u>5,138,000</u>	<u>-0-</u>	<u>-0-</u>	<u>5,279,000</u>	<u>5,138,000</u>
	6,180,626	5,886,571	5,018,403	5,396,204	11,199,029	11,282,775
Other liabilities	<u>160,977</u>	<u>119,179</u>	<u>1,720,748</u>	<u>1,644,350</u>	<u>1,881,725</u>	<u>1,763,529</u>
Total liabilities	6,341,603	6,005,750	6,739,151	7,040,554	13,080,754	13,046,304
Deferred inflows of Resources	1,110,097	-0-	1,056,104	-0-	2,166,201	-0-
Net position:						
Net investment in capital assets	5,795,150	6,105,974	16,501,439	17,222,564	22,296,589	23,328,538
Restricted	503,092	392,066	1,695,465	1,820,880	2,198,557	2,212,946
Unrestricted	<u>(3,432,359)</u>	<u>(4,351,325)</u>	<u>4,316,142</u>	<u>1,880,911</u>	<u>883,783</u>	<u>(2,470,414)</u>
Total net position	<u>\$ 2,865,883</u>	<u>\$ 2,146,715</u>	<u>\$ 22,513,046</u>	<u>\$ 20,924,355</u>	<u>\$ 25,378,929</u>	<u>\$ 23,071,070</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,378,929 at the close of September 30, 2015.

The City's net position include net investment in capital assets of \$22,296,589, which reflect its capital assets (e.g., land, buildings and improvements in infrastructure, machinery, and equipment), net of depreciation, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$2,198,557 represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* is \$883,783.

The following is a summary of the changes in net position for the year ended September 30, 2015, with comparative totals for the year ended September 30, 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 157,512	\$ 159,024	\$ 11,045,867	\$ 10,856,163	\$ 11,203,379	\$ 11,015,187
Operating grants and contributions	65,734	17,349	-0-	-0-	65,734	17,349
Capital grants and contributions	110,162	182,111	649,014	337,213	759,176	519,324
General revenues:						
Taxes	1,690,726	1,698,882	-0-	-0-	1,690,726	1,698,882
Transfers	1,359,529	1,384,043	(1,359,529)	(1,384,043)	-0-	-0-
Other	<u>356,961</u>	<u>337,418</u>	<u>51,942</u>	<u>30,609</u>	<u>408,903</u>	<u>368,027</u>
Total revenues	<u>3,740,624</u>	<u>3,778,827</u>	<u>10,387,294</u>	<u>9,839,942</u>	<u>14,127,918</u>	<u>13,618,769</u>
Expenses:						
General government	2,029,657	1,930,564	-0-	-0-	2,029,657	1,930,564
Police Department	1,316,707	1,222,065	-0-	-0-	1,316,707	1,222,065
Highways and streets	306,206	285,337	-0-	-0-	306,206	285,337
Culture and recreation	460,756	474,358	-0-	-0-	460,756	474,358
Interest on long-term debt	14,875	13,249	-0-	-0-	14,875	13,249
Water	-0-	-0-	1,347,116	1,315,682	1,347,116	1,315,682
Sewer	-0-	-0-	1,502,825	1,570,426	1,502,825	1,570,426
Electric	-0-	-0-	6,330,309	6,356,005	6,330,309	6,356,005
Airport	-0-	-0-	618,581	759,820	618,581	759,820
Sanitation	-0-	-0-	695,997	639,259	695,997	639,259
Total expenses	<u>4,128,201</u>	<u>3,925,573</u>	<u>10,494,828</u>	<u>10,641,192</u>	<u>14,623,029</u>	<u>14,566,765</u>
Change in net position	(387,577)	(146,746)	(107,534)	(801,250)	(495,111)	(947,996)
Net position - Beginning	2,146,715	2,293,461	20,924,355	21,725,605	23,071,070	24,019,066
Prior period adjustment	<u>1,106,745</u>	<u>-0-</u>	<u>1,696,225</u>	<u>-0-</u>	<u>2,802,970</u>	<u>-0-</u>
Net position - Beginning, Restated	<u>3,253,460</u>	<u>2,293,461</u>	<u>22,620,580</u>	<u>21,725,605</u>	<u>25,874,040</u>	<u>24,019,066</u>
Net position - Ending	<u>\$ 2,865,883</u>	<u>\$ 2,146,715</u>	<u>\$ 22,513,046</u>	<u>\$ 20,924,355</u>	<u>\$ 25,378,929</u>	<u>\$ 23,071,070</u>

**Governmental activities:** Governmental activities decreased the City's net position by \$387,577, primarily due to the increase of the Other Post Employment Benefits (OPEB) in the amount of \$141,000, and increases in expenses in the general government, highways and streets, and police departments.

The City had \$333,408 of program revenue. In addition, other key components of revenue were \$1,690,726 of tax revenue classified as general revenues, as well as \$1,359,529 of transfers in. Expenses consisted of \$2,029,657 of general government, \$1,316,707 of police-public safety, highways and streets of \$306,206, culture and recreation of \$460,756, and interest on long-term debt of \$14,875.

Ad valorem taxes decreased from \$568,848 in the prior year to \$556,583 in the current year.

State shared revenues remained relatively stable from the prior year, at \$844,235 in the current year and \$841,512 in the prior year.

**Business-type activities.** Business-type activities decreased the City's net position by \$107,534. Revenues increased by \$547,352 due to charges for services and grants. Expenses decreased \$146,364 from the prior year.

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's general fund reported ending fund balances of \$571,183, a decrease of \$59,453 in comparison with the prior year. \$11,481 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 police department, and storm disaster.

The fund balance of the City's general fund decreased \$59,453. Activity during the current fiscal year included the following key components:

- Total general fund revenues increased by \$89,976 as a result of the following changes: an increase in grants of \$74,999, a decrease in taxes of \$18,219, an increase of \$10,061 in intergovernmental revenue, a decrease in fines and forfeitures of \$2,428, a decrease of \$2,330 for charges for services, and an increase in miscellaneous revenues of \$29,054.
- The general fund expenditures increased by \$432,177 due mainly to increases in general government, police and capital outlay costs.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported ending fund balance of \$472,238, an increase of \$121,954 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues decreased \$148,979 as a result of a decrease in grant revenues of \$160,245. Expenditures decreased \$404,996 due to reduced 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.

### Governmental Fund Budgetary Highlights

#### General Fund

The original budgeted revenues, including other financing sources, were \$3,266,046, which were amended to 3,713,967. The original budgeted expenditures including other financing uses were \$3,266,046 which were amended to \$3,713,967.

For the year, actual revenues and other financing sources were less than budgeted revenues by \$31,694. Actual expenditures exceeded budget by \$27,759.

### Special Revenue Fund

The original budgeted revenues, including transfers in, were \$495,332 and were amended to \$523,204. Original budgeted expenditures including transfers out were \$495,332 and were amended to \$523,204. Actual revenues and transfers in were under budget by \$32,938, primarily for grant revenues not earned and transfers not received. Actual expenditures were less than budgeted by \$154,892 due mainly to capital projects not being undertaken during the year.

### Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2015, amounted to \$27,726,495 (net of accumulated depreciation). This investment in 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:

- Airport improvements.
- Vehicle purchases.
- Water system improvements.

#### **Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 910,443	\$ 910,443	\$ 1,184,493	\$ 781,749	\$ 2,094,936	\$ 1,692,192
Building and improvements	4,852,844	4,397,749	1,762,521	1,750,220	6,615,365	6,147,969
Electrical distribution system	-0-	-0-	1,482,170	1,665,383	1,482,170	1,665,383
Water system improvements	-0-	-0-	13,801,953	15,013,021	13,801,953	15,013,021
Machinery and equipment	454,310	298,722	2,231,498	2,393,015	2,685,808	2,691,737
Construction in progress	135,414	934,174	910,849	812,591	1,046,263	1,746,765
Total	<u>\$ 6,353,011</u>	<u>\$ 6,541,088</u>	<u>\$ 21,373,484</u>	<u>\$ 22,415,979</u>	<u>\$ 27,726,495</u>	<u>\$ 28,957,067</u>

Additional information on the City's capital assets can be found in note 3.

**Long-Term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$5,324,030. 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds payable (net of deferred charges)	\$ -0-	\$ -0-	\$ 3,040,000	\$ 3,210,000	\$ 3,040,000	\$ 3,210,000
Notes payable	557,861	435,114	1,682,686	1,829,163	2,240,547	2,264,277
Capital leases	-0-	-0-	43,483	86,173	43,483	86,173
Total	<u>\$ 557,861</u>	<u>\$ 435,114</u>	<u>\$ 4,766,169</u>	<u>\$ 5,125,336</u>	<u>\$ 5,324,030</u>	<u>\$ 5,560,450</u>

The City financed the purchase of various vehicles during the year totaling \$221,189.

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, 2016 are \$16,715,417. The total budget for the previous fiscal year end September 30, 2015 was \$15,893,025. The increase of \$822,392 was due to the increased cost of health insurance, a 2% increase in salaries and benefits for the first time in five years and capital costs for replacement of a utility line truck and pickup trucks. The transfer amount from the utility fund to the general fund increased by \$22,102 for the budget year 2015-16. Comparing the utility fund to general fund transfer amount for budget years 2008-2009 to 2011-2012 with budget years 2012-2013 to 2015-2016 an average \$375,000 reduction has been maintained. 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, 2016 fund budgets are \$3,767,650 for the General Fund, \$882,440 for the Community Redevelopment Agency, \$1,163,320 for the airport, \$9,896,274 for the Utility Fund and \$1,005,733 for the Sanitation Fund.

Taxable property values in the City of Wauchula increased from fiscal year September 30, 2014 at \$100,799,333 by \$1,462,503 to \$102,261,836 in fiscal year ended September 30, 2015. The City Commission made no change in the millage rate of 5.6485. The budgeted ad valorem tax revenue reflects a 2% 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 15% 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 were increased by slightly more than 1%. The 2014 BEBR population estimates record the City's population at 5,115. 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.

### **Bulk Power Agreement with Florida Power & Light.**

Efforts to renew an additional 5 year contract with Florida Power & Light for calendar years 2017 to 2022 have been successful. The monthly power cost adjustment formula for fiscal year end September 30, 2015 averaged 0.02475 per kilowatt. This amount was added to the bulk power costs to assure the City recovered bulk power cost and transmission charges incurred to deliver electrical power to the City's substation. Reduction of bulk power costs are automatically passed on to City electrical utility customers in reduced customer billings. The reduction in customer billings may vary according to individual's usage habits and practices.

The City of Wauchula is unique as an electric utility municipality. As a member of the Florida Municipal Electric Association the City's electrical rates are compared monthly with 32 other municipal electric utilities. You can view this monthly comparison report by going to <http://publicpower.com>, click on the "Florida Electric Bill Comparisons" in the quick Links Tab. The chart(s) will demonstrate how Wauchula electric rates compare to neighboring municipal electric utilities such as Ft. Meade and Bartow. These charts have ranked the City of Wauchula in the lower one-third categories since October 2011 when the City switched to Florida Power & Light from Tampa Electric Company.

Remote read electric meters have been installed in both residential and commercial routes throughout the City. This has enhanced the meter reading process by allowing the use of the upgraded handhelds capable of collecting remote read devices as well as improving the accuracy of electrical usage over the older meter devices. The City continues replacing old meters as they fail and as the (3) water line rehabilitation projects are being completed with the remote read technology.

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

### **Bulk Power Agreement with Florida Power & Light – Continued**

The (3) water line rehabilitation projects currently in progress will cost a total of \$1,250,000 enhancing water service to over 200 households and/or businesses in the City. The City's cost after grants provide reimbursement will be \$125,000.

The City has seen increased use of its customer's use of the convenience of online payment of their utility bills. Average monthly payments are another feature of the software the City currently makes available to existing customers. This feature can assist our fixed income customers in budgeting for their annual utility budgets. Customer service is and continues to be the commodity the City offers to its customers and stakeholders in providing the level of services expected.

### **Pension and OPEB (Other Post-Employment Benefits)**

Both General Employee and Police Pension Funds experienced an increase in portfolio balances at fiscal year end September 30, 2015 in spite of the periodic monthly losses in investments, distributions to retirees, employees taking contributed pension fund portions and lump sum distributions. Contributions to the General Fund Employee Pension Fund are from employees and City/employer as well as the profits from investment strategies in the fund's portfolio. The contributions to the Police Pension Fund are the Casualty Loss Premium Tax payment from the state and profitable investment strategies in the pension fund's portfolio.

The City implemented GASB No. 68 in the current year, following the September 30, 2014 implementation of GASB Statement No. 67. The implementation required a prior period adjustment of \$2,802,970, which is reflected in the government-wide statement of activities and the proprietary fund statement of revenues, expenses and changes in fund net position.

A new actuarial valuation of the City's OPEB Plan was conducted for fiscal year end September 30, 2014 with the provision included in Section 23.03 of City of Wauchula Personnel Rules and Regulations providing effective coverage and benefits only for those employees who have retired or expect to retire with a beginning employment date with the City no later than December 31, 1998. The revised OPEB actuarial valuation reduced the unfunded liability for the City's long-term Other Post-Employment Benefits obligations from an original amount of \$11,100,000 to \$5,920,000. In fiscal year end September 30, 2016 the City is scheduled to contribute over \$160,000 to the newly formed OPEB Trust Fund administered by Florida Municipal Trust Fund.

### **Debt Service**

Timely payments have been made on the 2011 Series Utility Refunding Revenue Bond with a beginning balance of \$3,210,000 reducing the September 30, 2015 balance to \$3,040,000. This 17 year term loan carries a fixed interest rate of 3.20% per annum. SRF loans DW250200 and DW250201 provided the funds used to upgrade the Water Treatment Plant and finance the drilling of the Fifth Well at 3<sup>rd</sup> Avenue in 2009-2010. DW250200 was initiated on December 15, 2010. Semi-annual payments of principal and interest of approximately \$13,647 were made on January 1, 2015 and then on July 15, 2015. The balance at September 30, 2015 was \$343,182. 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, 2014 and then on June 15, 2015. Final payment is currently scheduled for December 15, 2030.

#### **DW250201 Loan Balances at September 30, 2015 and varying interest rates**

<b>Loan</b>	<b>9/30/15 unpaid balance</b>	<b>Annual Interest rate</b>
Original Loan	\$ 351,861	2.82%
Amendment #1	535,000	2.57%
Amendment #2	76,285	1.86%
	<u>\$ 963,146</u>	

### *Economic Factors and Next Year's Budgets and Rates*

#### 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, 2015 SRF Loan #62419P has a balance of \$351,163. Final payment is currently scheduled for July 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 7<sup>th</sup> Avenue, Wauchula, Florida 33873.

CITY OF WAUCHULA, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total Activities
<b>ASSETS</b>			
Cash and cash equivalents	\$ 471,074	\$ 1,348,117	\$ 1,819,191
Receivables, net	46,071	1,541,215	1,587,286
Due from other governments	178,748	269,368	448,116
Inventory	16,194	225,089	241,283
Prepaid insurance	12,654	6,818	19,472
Internal balances	-	-	-
Restricted assets:			
Cash	517,036	2,653,039	3,170,075
Net pension asset	2,128,233	2,192,986	4,321,219
Capital assets (net of accumulated depreciation)			
Land	910,443	1,184,493	2,094,936
Buildings and improvements	4,852,844	1,762,521	6,615,365
Electrical distribution system	-	1,482,170	1,482,170
Water system improvements	-	13,801,953	13,801,953
Machinery and equipment	454,310	2,231,498	2,685,808
Construction in progress	135,414	910,849	1,046,263
<b>TOTAL ASSETS</b>	<b>9,723,021</b>	<b>29,610,116</b>	<b>39,333,137</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of pension resources	594,562	563,660	1,158,222
Deferred charge on refunding of debt	-	134,525	134,525
	<b>594,562</b>	<b>698,185</b>	<b>1,292,747</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	160,977	695,095	856,072
Accrued interest	-	68,079	68,079
Rate stabilization funds	-	341,947	341,947
Liabilities payable from restricted assets	-	615,627	615,627
Noncurrent liabilities:			
Due within one year	229,496	307,758	537,254
Due in more than one year	5,951,130	4,710,645	10,661,775
<b>Total Liabilities</b>	<b>6,341,603</b>	<b>6,739,151</b>	<b>13,080,754</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of pension earnings	1,110,097	1,056,104	2,166,201
<b>NET POSITION</b>			
Net investment in capital assets	5,795,150	16,501,439	22,296,589
Restricted	503,092	1,695,465	2,198,557
Unrestricted	(3,432,359)	4,316,142	883,783
<b>TOTAL NET POSITION</b>	<b>\$ 2,865,883</b>	<b>\$ 22,513,046</b>	<b>\$ 25,378,929</b>

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



Net (expense) Revenue and  
changes in Net Position

Governmental Activities	Business -type Activities	Total
\$ (1,943,856)	\$ -	\$ (1,943,856)
(1,197,614)	-	(1,197,614)
(177,692)	-	(177,692)
(460,756)	-	(460,756)
(14,875)	-	(14,875)
<u>(3,794,793)</u>	<u>-</u>	<u>(3,794,793)</u>
-	(285,105)	(285,105)
-	314,216	314,216
-	737,451	737,451
-	154,832	154,832
-	278,659	278,659
-	<u>1,200,053</u>	<u>1,200,053</u>
<u>(3,794,793)</u>	<u>1,200,053</u>	<u>(2,594,740)</u>
556,583	-	556,583
417,561	-	417,561
87,885	-	87,885
297,565	-	297,565
140,244	-	140,244
190,888	-	190,888
266,106	-	266,106
1,602	10,584	12,186
89,253	41,358	130,611
<u>1,359,529</u>	<u>(1,359,529)</u>	<u>-</u>
<u>3,407,216</u>	<u>(1,307,587)</u>	<u>2,099,629</u>
<u>(387,577)</u>	<u>(107,534)</u>	<u>(495,111)</u>
2,146,715	20,924,355	23,071,070
1,106,745	1,696,225	2,802,970
<u>3,253,460</u>	<u>22,620,580</u>	<u>25,874,040</u>
<u>\$ 2,865,883</u>	<u>\$ 22,513,046</u>	<u>\$ 25,378,929</u>

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

CITY OF WAUCHULA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 471,074	\$ -	\$ 471,074
Accounts receivables (net of allowance)	30,014	-	30,014
Other receivables	16,057	-	16,057
Prepays	7,601	5,053	12,654
Due from other funds	-	-	-
Due from other governmental units	168,074	10,674	178,748
Inventory	16,194	-	16,194
Restricted Assets:			
Cash and cash equivalents	35,907	481,129	517,036
Total assets	<u>\$ 744,921</u>	<u>\$ 496,856</u>	<u>\$ 1,241,777</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 86,611	\$ 5,957	\$ 92,568
Accrued expenses	59,443	8,966	68,409
Due to other funds	-	-	-
Total liabilities	<u>146,054</u>	<u>14,923</u>	<u>160,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>27,684</u>	<u>9,695</u>	<u>37,379</u>
<b>FUND BALANCES:</b>			
Nonspendable	23,795	5,053	28,848
Spendable:			
Restricted	35,907	467,185	503,092
Unassigned	511,481	-	511,481
Total fund balances	<u>571,183</u>	<u>472,238</u>	<u>1,043,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 744,921</u>	<u>\$ 496,856</u>	<u>\$ 1,241,777</u>

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

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CITY OF WAUCHULA, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

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

Fund Balance - Governmental Fund	\$ 1,043,421
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,353,011
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.	37,379
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.	(6,180,626)
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.	2,128,233
Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds.	594,562
Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds.	(1,110,097)
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 2,865,883</u>

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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, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,062,028	\$ 266,106	\$ 1,328,134
Charges for services	63,414	-	63,414
Fines and forfeitures	53,394	-	53,394
Intergovernmental revenue	628,697	-	628,697
Interest	887	715	1,602
Licenses and permits	12,477	-	12,477
Grant revenue	108,403	39,992	148,395
Miscellaneous revenues	99,594	14,548	114,142
Total Revenues	<u>2,028,894</u>	<u>321,361</u>	<u>2,350,255</u>
<b>Expenditures:</b>			
Current:			
General government	1,429,319	238,929	1,668,248
Police department	1,214,406	-	1,214,406
Highways and streets	151,900	-	151,900
Culture/recreation	301,988	-	301,988
Capital outlay	401,979	19,973	421,952
Debt service:			
Principal retirement	63,278	35,164	98,442
Interest	9,951	4,924	14,875
Total Expenditures	<u>3,572,821</u>	<u>298,990</u>	<u>3,871,811</u>
Excess (deficiency) of Revenues (Under) Over Expenditures	(1,543,927)	22,371	(1,521,556)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	3,339	-	3,339
Proceeds from issuance of debt	221,189	-	221,189
Transfers In	1,428,851	168,905	1,597,756
Transfers Out	(168,905)	(69,322)	(238,227)
Total Other Financing Sources (Uses)	<u>1,484,474</u>	<u>99,583</u>	<u>1,584,057</u>
Net Change in Fund Balances	(59,453)	121,954	62,501
FUND BALANCE - October 1, 2014	<u>630,636</u>	<u>350,284</u>	<u>980,920</u>
FUND BALANCE - September 30, 2015	<u>\$ 571,183</u>	<u>\$ 472,238</u>	<u>\$ 1,043,421</u>

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

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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, 2015

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

Net changes in fund balance – total governmental fund	\$ 62,501
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 depreciation expense and the loss on asset dispositions exceeds capital outlay included as current year additions to capital assets.	(188,077)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.	98,442
Debt proceeds from the issuance of new debt are recorded in the general fund as another financing source. However, the transaction has no effect on net position.	(221,189)
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.	27,501
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.	(141,000)
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.	4,553
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences.	<u>(30,308)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (387,577)</u></u>

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

CITY OF WAUCHULA, FLORIDA  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
SEPTEMBER 30, 2015

	Business-Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,193,343	\$ -	\$ 154,774	\$ 1,348,117
Receivables (net of allowance)	1,388,673	1,753	150,789	1,541,215
Due from other governments	48,161	221,207	-	269,368
Due from other funds	881,686	-	-	881,686
Prepaid expenses	4,217	2,601	-	6,818
Inventory	222,286	2,803	-	225,089
Total current assets	<u>3,738,366</u>	<u>228,364</u>	<u>305,563</u>	<u>4,272,293</u>
Noncurrent Assets:				
Restricted:				
Cash and cash equivalents	2,653,039	-	-	2,653,039
Total restricted assets	<u>2,653,039</u>	<u>-</u>	<u>-</u>	<u>2,653,039</u>
Net Pension Asset	1,892,699	-	300,287	2,192,986
Capital Assets				
Land	230,084	954,409	-	1,184,493
Buildings and improvements	993,320	6,425,088	-	7,418,408
Electrical distribution system improvements	5,698,773	-	-	5,698,773
Water & sewer system Improvements	27,288,877	-	-	27,288,877
Machinery and equipment	5,010,133	489,008	890,531	6,389,672
Construction in progress	375,119	535,732	-	910,851
Less accumulated depreciation	(21,710,137)	(5,258,842)	(548,611)	(27,517,590)
Total capital assets ( net )	<u>17,886,169</u>	<u>3,145,395</u>	<u>341,920</u>	<u>21,373,484</u>
Total noncurrent assets	<u>22,431,907</u>	<u>3,145,395</u>	<u>642,207</u>	<u>26,219,509</u>
<b>TOTAL ASSETS</b>	<u><b>26,170,273</b></u>	<u><b>3,373,759</b></u>	<u><b>947,770</b></u>	<u><b>30,491,802</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of pension resources	444,594	-	119,066	563,660
Deferred charge on refunding of debt	134,525	-	-	134,525
	<u>579,119</u>	<u>-</u>	<u>119,066</u>	<u>698,185</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	489,043	137,054	6,864	632,961
Accrued expense	49,380	12,754	-	62,134
Due to other funds	-	739,511	142,175	881,686
Rate stabilization funds	341,947	-	-	341,947
Total current liabilities	<u>880,370</u>	<u>889,319</u>	<u>149,039</u>	<u>1,918,728</u>
Current liabilities payable from restricted assets:				
Accrued interest payable	68,079	-	-	68,079
Customer deposits	615,627	-	-	615,627
Long-term debt payable – current	295,400	12,358	-	307,758
Total current liabilities payable from restricted assets	<u>979,106</u>	<u>12,358</u>	<u>-</u>	<u>991,464</u>
Noncurrent liabilities:				
Compensated absences	248,286	-	3,948	252,234
Long-term debt payable	4,445,574	12,837	-	4,458,411
Total noncurrent liabilities	<u>4,693,860</u>	<u>12,837</u>	<u>3,948</u>	<u>4,710,645</u>
<b>TOTAL LIABILITIES</b>	<u><b>6,553,336</b></u>	<u><b>914,514</b></u>	<u><b>152,987</b></u>	<u><b>7,620,837</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of pension earnings	836,457	-	219,647	1,056,104
<b>NET POSITION</b>				
Net investment in capital assets	13,077,116	3,082,403	341,920	16,501,439
Restricted	1,695,465	-	-	1,695,465
Unrestricted	4,587,018	(623,158)	352,282	4,316,142
<b>TOTAL NET POSITION</b>	<u><b>\$ 19,359,599</b></u>	<u><b>\$ 2,459,245</b></u>	<u><b>\$ 694,202</b></u>	<u><b>\$ 22,513,046</b></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, 2015

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
<b>Operating Revenues:</b>				
Charges for services				
Electric sales	\$ 7,067,760	\$ –	\$ –	\$ 7,067,760
Water sales	895,350	–	–	895,350
Sewer sales	1,817,041	–	–	1,817,041
Airport fuel	–	204,375	–	204,375
Hanger rental	–	86,685	–	86,685
Sanitation	–	–	974,656	974,656
Total Operating Revenues	<u>9,780,151</u>	<u>291,060</u>	<u>974,656</u>	<u>11,045,867</u>
<b>Operating Expenses:</b>				
Cost of sales and services				
Personal services	1,807,721	–	331,013	2,138,734
Operating	1,466,870	264,529	354,593	2,085,992
Purchased power	4,118,158	–	–	4,118,158
Depreciation	1,635,912	352,469	7,136	1,995,517
Total Operating Expenses	<u>9,028,661</u>	<u>616,998</u>	<u>692,742</u>	<u>10,338,401</u>
Operating Income ( Loss)	<u>751,490</u>	<u>(325,938)</u>	<u>281,914</u>	<u>707,466</u>
<b>Non-Operating Revenues ( Expenses)</b>				
Interest income	10,450	77	57	10,584
Interest expense	(151,589)	(1,583)	(3,255)	(156,427)
Capital grants and contributions	166,661	482,353	–	649,014
Other income(expense)	41,358	–	–	41,358
Total Non-Operating Items	<u>66,880</u>	<u>480,847</u>	<u>(3,198)</u>	<u>544,529</u>
Income ( Loss) Before Transfers	<u>818,370</u>	<u>154,909</u>	<u>278,716</u>	<u>1,251,995</u>
<b>Transfers</b>				
Transfers in	290,505	–	12,672	303,177
Transfers out	(1,354,701)	(106,809)	(201,196)	(1,662,706)
Net Transfers	<u>(1,064,196)</u>	<u>(106,809)</u>	<u>(188,524)</u>	<u>(1,359,529)</u>
Change in Net Position	<u>(245,826)</u>	<u>48,100</u>	<u>90,192</u>	<u>(107,534)</u>
Net Position – Beginning, as previously stated	18,107,994	2,411,145	405,216	20,924,355
Prior period adjustment–Note 1	1,497,431	–	198,794	1,696,225
Net Position – Beginning, as restated	<u>19,605,425</u>	<u>2,411,145</u>	<u>604,010</u>	<u>22,620,580</u>
Net Position – Ending	<u>\$ 19,359,599</u>	<u>\$ 2,459,245</u>	<u>\$ 694,202</u>	<u>\$ 22,513,046</u>

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, 2015

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 9,709,819	\$ 300,442	\$ 880,027	\$ 10,890,288
Payments to suppliers	(5,646,423)	(129,976)	(347,729)	(6,124,128)
Payments to employees	(1,824,651)	-	(327,977)	(2,152,628)
Net cash provided (used) by operating activities	2,238,745	170,466	204,321	2,613,532
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Advances (to) from other funds	(619,518)	174,173	142,175	(303,170)
Transfers in (out)	(1,064,196)	(106,809)	(188,524)	(1,359,529)
Net cash provided (used) by noncapital financing activities	(1,683,714)	67,364	(46,349)	(1,662,699)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Payment of interest	(141,624)	(1,583)	(3,255)	(146,462)
Payment of debt principal	(347,473)	(11,694)	-	(359,167)
Capital grants proceeds received	197,651	295,564	-	493,215
Proceeds from sales of capital assets	10,368	-	-	10,368
Capital expenditures	(338,444)	(614,588)	-	(953,032)
Net cash provided (used) by capital and related financing activities	(619,522)	(332,301)	(3,255)	(955,078)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	10,450	77	57	10,584
Net cash provided (used) by investing activities	10,450	77	57	10,584
Net increase (decrease) in cash and cash equivalents	(54,041)	(94,394)	154,774	6,339
Cash and cash equivalents at beginning of year	3,900,423	94,394	-	3,994,817
Cash and cash equivalents at end of year	<u>\$ 3,846,382</u>	<u>\$ -</u>	<u>154,774</u>	<u>\$ 4,001,156</u>
 Cash and cash equivalents	 \$ 1,193,343	 \$ -	 \$ 154,774	 \$ 1,348,117
Restricted:				
Cash and cash equivalents	2,653,039	-	-	2,653,039
	<u>\$ 3,846,382</u>	<u>\$ -</u>	<u>154,774</u>	<u>\$ 4,001,156</u>

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, 2015

	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)	\$ 751,490	\$ (325,938)	\$ 281,914	\$ 707,466
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,635,912	352,469	7,136	1,995,517
Non cash pension expense	(3,405)	-	(912)	(4,317)
(Increase) decrease in assets:				
Accounts receivable	8,084	9,382	(94,629)	(77,163)
Inventory	(66,679)	1,284	-	(65,395)
Other assets	(350)	-	-	(350)
Increase (decrease) in liabilities:				
Accounts payable	5,634	133,269	6,864	145,767
Accrued expenses	9,057	-	-	9,057
Customer deposits	(78,416)	-	-	(78,416)
Compensated absences	(22,582)	-	3,948	(18,634)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,238,745</u>	<u>\$ 170,466</u>	<u>\$ 204,321</u>	<u>\$ 2,613,532</u>

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

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CITY OF WAUCHULA, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2015

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	Pension Trust Funds
ASSETS	
Cash	\$          72
Investments	18,049,439
Employer receivables	40,344
Employee receivables	<u>3,136</u>
 TOTAL ASSETS	 <u>18,092,991</u>
 NET POSITION	
Held in trust for pension benefits	 <u><u>\$  18,092,991</u></u>

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

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CITY OF WAUCHULA, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 259,317
Plan members	261,069
Other income	38,960
Total Contributions	<u>559,346</u>
Investment earnings:	
Net increase in the fair value of investments	<u>26,337</u>
Total Investment Earnings	<u>26,337</u>
Total Additions	585,683
DEDUCTIONS	
Benefits paid	1,377,672
Administrative expenses	53,310
Total Deductions	<u>1,430,982</u>
Change in Net Position	(845,299)
Net Position – Beginning	<u>18,938,290</u>
Net Position – Ending	<u>\$ 18,092,991</u>

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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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 and the Wauchula Police Pension Trust Fund.

The City has elected not to follow all applicable Financial and Accounting Standards Board pronouncements issued after November 30, 1989.

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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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, 2015, the City had only time deposits, demand deposits and short-term money market accounts. Pension trust investments are stated at market value.

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. 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.



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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. 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.

G. 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, 2015 the reserve for bad debts in the general fund was \$3,567, the utility fund was \$101,768, the airport fund was \$1,526, and the sanitation fund was \$10,045.

H. 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 \$1,000 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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. CAPITAL ASSETS – CONTINUED

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

I. 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. 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 qualify for reporting in this category. On the governmental funds balance sheet, unavailable revenue is classified as deferred inflows 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.

J. 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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. 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.

L. 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.

M. 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.

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. FUND BALANCE - CONTINUED

Spendable Fund Balance:

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

The City uses restricted amounts first when both restricted and unrestricted fund balance 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	\$ 23,795	\$ 5,053	\$ 28,848
Spendable:			
Restricted:			
Storm disaster	7,384	-0-	7,384
Law enforcement education	16,546	-0-	16,546
Police Department	11,977	-0-	11,977
Community Redevelopment activities	-0-	467,185	467,185
Total Restricted	<u>35,907</u>	<u>467,185</u>	<u>503,092</u>
Committed	-0-	-0-	-0-
Assigned	-0-	-0-	-0-
Unassigned	511,481	-0-	511,481
Total Fund Balance	<u>\$ 571,183</u>	<u>\$ 472,238</u>	<u>\$ 1,043,421</u>

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. 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, 2015 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 2015 is included in the accompanying financial statements since taxes do not meet the necessary criteria.

The property tax calendar is as follows:

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

O. 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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. BUDGETARY INFORMATION – CONTINUED

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. During the year ended September 30, 2015 the general fund expenditures exceeded the budget by \$27,759. The excess was funded from reserves.

P. 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.

Q. 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.

R. CHANGE IN ACCOUNTING PRINCIPLE

During 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which was issued to establish financial reporting requirements for most governments that provide employees with pension coverage. Additionally, the statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the Pension Plan. The implementation of this standard increased the beginning net position at September 30, 2014 as reported in the statement of activities by \$1,106,745 for the governmental activities and \$1,696,225 for business-type activities and proprietary funds which is the recognition of the City's defined benefit pension plan net pension asset at September 30, 2014.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**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	\$ 557,861
Compensated absences	343,765
Other post-employment benefits	5,279,000
	<u>\$ 6,180,626</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – governmental fund 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	\$ 425,229
Depreciation expense	(613,306)
Loss on asset disposition, net of proceeds	-0-
	<u>\$ (188,077)</u>

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

At year-end, the City’s carrying amount of deposits was \$4,989,266 and the bank balance was \$5,338,615. 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:

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

<u>RESTRICTED CASH:</u>	<u>CASH</u>
General fund:	
Storm disaster contributions	\$ 7,384
Law enforcement trust	16,546
Wauchula police	11,977
TOTAL GENERAL FUND	<u>\$ 35,907</u>
Special Revenue Fund:	
Restricted:	
CRA	<u>\$ 481,129</u>

Proprietary Fund Types

RESTRICTED CASH AND CASH EQUIVALENTS:

ELECTRIC, WATER, AND SEWER SYSTEM	
Impact fees	\$ 517,190
Capital improvement	1,208,706
Rate stabilization	311,515
Utility deposits	615,627
TOTAL ELECTRIC, WATER AND SEWER SYSTEM	<u>\$ 2,653,039</u>

B. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 910,443	\$ -0-	\$ -0-	\$ -0-	\$ 910,443
Construction in progress	934,174	103,270	-0-	(902,030)	135,414
Total capital assets, not being depreciated	<u>1,844,617</u>	<u>103,270</u>	<u>-0-</u>	<u>(902,030)</u>	<u>1,045,857</u>
Capital assets, being depreciated:					
Buildings and improvements	8,551,154	47,891	-0-	902,030	9,501,075
Machinery and equipment	2,952,726	274,068	(71,810)	-0-	3,154,984
Total capital assets being depreciated	11,503,880	321,959	(71,810)	902,030	12,656,059
Less accumulated depreciation for:					
Buildings and improvements	(4,153,405)	(494,826)	-0-	-0-	(4,648,231)
Machinery and equipment	(2,654,004)	(118,480)	71,810	-0-	(2,700,674)
Total accumulated depreciation	<u>(6,807,409)</u>	<u>(613,306)</u>	<u>71,810</u>	<u>-0-</u>	<u>(7,348,905)</u>
Total capital assets, being depreciated, net	<u>4,696,471</u>	<u>(291,347)</u>	<u>-0-</u>	<u>902,030</u>	<u>5,307,154</u>
Governmental activities capital assets, net	<u>\$ 6,541,088</u>	<u>\$ (188,077)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,353,011</u>



CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

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

General government	\$ 211,446
Police Department	92,463
Highways and streets	153,075
Culture and recreation	<u>156,322</u>
	<u>\$ 613,306</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 781,749	\$ 195,433	\$ -0-	\$ 207,311	\$ 1,184,493
Construction in progress	<u>812,591</u>	<u>685,374</u>	<u>-0-</u>	<u>(587,116)</u>	<u>910,849</u>
Total capital assets, not being depreciated	<u>1,594,340</u>	<u>880,807</u>	<u>-0-</u>	<u>(379,805)</u>	<u>2,095,342</u>
Capital assets, being depreciated:					
Buildings and improvements	7,026,287	12,316	-0-	379,805	7,418,408
Electrical distribution system	5,690,208	8,565	-0-	-0-	5,698,773
Water and sewer system improvements	27,266,216	22,661	-0-	-0-	27,288,877
Machinery and equipment	<u>6,360,999</u>	<u>28,673</u>	<u>-0-</u>	<u>-0-</u>	<u>6,389,672</u>
Total capital assets being depreciated	46,343,710	72,215	-0-	379,805	46,795,730
Less accumulated depreciation for:					
Buildings and improvements	(5,276,067)	(379,820)	-0-	-0-	(5,655,887)
Electrical distribution system	(4,024,825)	(191,778)	-0-	-0-	(4,216,603)
Water and sewer system improvements	(12,253,195)	(1,233,729)	-0-	-0-	(13,486,924)
Machinery and equipment	<u>(3,967,984)</u>	<u>(190,190)</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,158,174)</u>
Total accumulated depreciation	<u>(25,522,071)</u>	<u>(1,995,517)</u>	<u>-0-</u>	<u>-0-</u>	<u>(27,517,588)</u>
Total capital assets, being depreciated, net	<u>20,821,639</u>	<u>(1,923,302)</u>	<u>-0-</u>	<u>379,805</u>	<u>19,278,142</u>
Business-type activities capital assets, net	<u>\$ 22,415,979</u>	<u>\$ (1,042,495)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 21,373,484</u>

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

<b>Business-Type Activities</b>	
Electric	\$ 817,956
Water	408,978
Sewer	408,978
Sanitation	7,136
Airport	<u>352,469</u>
	<u>\$ 1,995,517</u>

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

The composition of interfund balances as of September 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility	Airport	\$ 739,511
Utility	Sanitation	142,175
		<u>\$ 881,686</u>

Interfund transfers:

<u>Transfers in:</u>					
	<u>General</u>	<u>Special Revenue</u>	<u>Utility</u>	<u>Airport</u>	<u>Sanitation</u>
Transfers out:					
General Fund		\$ 168,905			
Special Revenue	\$ 69,322				
Utility	\$ 1,342,029				\$ 12,672
Airport	\$ 17,500		\$ 89,309		
Sanitation			\$ 201,196		

D. Leases

The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$105,684 with accumulated depreciation of \$31,705 at September 30, 2015. 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, 2015.

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Leases – Continued

Year Ending September 30,	Business-Type Activities
2016	\$ 22,329
2017	<u>22,329</u>
Total Minimum lease payments	44,658
Less: Amount representing interest	<u>(1,175)</u>
Present value of minimum lease payments	<u>\$ 43,483</u>

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, 2015, the principal balance outstanding was \$214,786. 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, but if no demand is made then the note is due in five annual payments of \$19,918 beginning November 7, 2015. 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.

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, 2015, the principal balance outstanding was \$97,505.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

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, 2015, the principal balance outstanding was \$24,381.

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>
2016	\$ 143,555	\$ 19,070	\$ 162,625
2017	148,921	13,704	162,625
2018	140,154	8,200	148,354
2019	77,916	4,557	82,473
2020	47,315	1,759	49,074
Total	<u>\$ 557,861</u>	<u>\$ 47,290</u>	<u>\$ 605,151</u>

Business Type Activities

Utility Refunding Revenue Bond, Series 2011

On December 20, 2011, the City issued the \$3,497,000 Utility Refunding Revenue Bond, Series 2011 for the purpose of financing the cost of refunding the outstanding 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 3.20%. Maturities vary from \$124,000 to \$267,000 from October 1, 2012 to October 1, 2028. The reacquisition price exceeded the net carrying amount of the old debt by \$169,402, 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 \$1,872,803 in future debt service costs and an economic gain of \$517,171 in net present value savings between the 2001A and 2001B Series, and the Utility Refunding Revenue Bond, series 2011.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-Term Debt - Continued

Future maturities of all revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 178,000	\$ 94,432	\$ 272,432
2017	181,000	88,688	269,688
2018	188,000	82,784	270,784
2019	191,000	76,720	267,720
2020	198,000	70,496	268,496
2021 - 2025	1,098,000	250,720	1,348,720
2026 - 2029	<u>1,006,000</u>	<u>65,856</u>	<u>1,071,856</u>
Total	<u>\$ 3,040,000</u>	<u>\$ 729,696</u>	<u>\$ 3,769,696</u>

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 note matures on September 28, 2017. The total amount outstanding on the note at September 30, 2015 was \$25,195.

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, 2015 is \$351,163.

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

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, 2015 is \$963,146. The City has pledged the revenues of the system for the repayment of the loan.

State of Florida Department of Environmental Protection Loan WW250200

On October 29, 2010 the City entered into a financing agreement with the Florida Department of Environmental Protection for the completion of the improvements noted above (companion loan). Semi-annual payments of \$13,647 (including interest at 2.61%) started on June 15, 2011, and will continue until the loan is fully repaid in 2031. The outstanding balance at September 30, 2015 is \$343,182. The City has pledged the revenues of the system for the repayment of the loan.

Converted Revolving Line-of-Credit Promissory Note

On February 8, 2011 the City converted the outstanding balance in the line-of-credit with Wauchula State Bank to a term loan. The City paid \$1,875 monthly, including interest at 4.74%. The note was paid off in 2015.

Future maturities of all notes payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 108,238	\$ 36,957	\$ 145,195
2017	110,734	34,312	145,046
2018	99,964	31,953	131,917
2019	102,082	29,835	131,917
2020	104,253	27,665	131,918
2021 – 2025	555,754	103,832	659,586
2026 – 2030	555,148	41,385	596,533
2031	46,513	572	47,085
Total	<u>\$ 1,682,686</u>	<u>\$ 306,511</u>	<u>\$ 1,989,197</u>

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Series 2003 Capital					
Improvement Revenue Note	\$ 285,114	\$ -0-	\$ (70,328)	\$ 214,786	\$ 73,487
2015 Dodge Cars	-0-	88,689	-0-	88,689	16,379
2015 Patrol Cars	-0-	132,500	-0-	132,500	24,752
Police Cars	120,000	-0-	(22,495)	97,505	23,146
Animal Control Truck	30,000	-0-	(5,619)	24,381	5,791
Compensated absences	313,457	163,249	(132,941)	343,765	85,941
Other post employment benefits	<u>5,138,000</u>	<u>141,000</u>	<u>-0-</u>	<u>5,279,000</u>	<u>-0-</u>
Governmental activity					
Long-term liabilities	<u>\$ 5,886,571</u>	<u>\$ 525,438</u>	<u>\$ (231,383)</u>	<u>\$ 6,180,626</u>	<u>\$ 229,496</u>
<b>Business Type activities:</b>					
Note Payable – T-Hanger –					
Airport	\$ 36,889	\$ -0-	\$ (11,694)	\$ 25,195	\$ 12,358
Note Payable – WSB	43,544	-0-	(43,544)	-0-	-0-
2006 Clean Water State					
Revolving Loan 2010	374,767	-0-	(23,604)	351,163	26,308
Revolving Loan–Original					
2011	1,013,012	-0-	(49,866)	963,146	51,026
Revolving Loan–Companion					
2011	360,951	-0-	(17,769)	343,182	18,545
Capital leases	<u>86,173</u>	<u>-0-</u>	<u>(42,690)</u>	<u>43,483</u>	<u>21,521</u>
	<u>1,915,336</u>	<u>-0-</u>	<u>(189,167)</u>	<u>1,726,169</u>	<u>129,758</u>
<b>Bonds Payable:</b>					
Utility Revenue Bond					
Refunding Series 2011	3,210,000	-0-	(170,000)	3,040,000	178,000
Compensated absences	<u>270,868</u>	<u>164,734</u>	<u>(183,368)</u>	<u>252,234</u>	<u>-0-</u>
<b>Business-Type Activity</b>					
Long-Term Liabilities	<u>\$ 5,396,204</u>	<u>\$ 164,734</u>	<u>\$ (542,535)</u>	<u>\$ 5,018,403</u>	<u>\$ 307,758</u>

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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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, 2014 valuation date membership consisted of:

Active	69
Retirees	43
Terminated with deferred vested pensions	<u>14</u>
Total	126

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 2015 were \$38,960, 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.



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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 4 – RETIREMENT PLANS – CONTINUED

- (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 (WEPP/WPPP) – 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 (WEPP/WPPP) – Investments are reported at market value based on quoted prices at month end. Investment income is recognized when earned. Gains and losses on sale and exchanges of securities are recognized on the transaction date.

Benefit Provisions–WEPP

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

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

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 4 – RETIREMENT PLANS – CONTINUED

Benefit Provisions–WEPP – Continued

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%. The City contributed 10% for the year ended September 30, 2015. Vesting occurs over a six year period. Total employer contributions were \$259,317 and equaled required contributions for the year ended September 30, 2015, on covered payroll of \$2,565,524. For the year ended September 30, 2014, the employer contributions were \$263,324 and equaled required contributions on covered payroll of \$2,650,632. For the year ended September 30, 2013, employer contributions were \$317,323, which exceeded required contributions, on covered payroll of \$2,414,871.

Plan Investments

Pension 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. Separate accounts are maintained for each employer group.

Plan Investments

Both plans follow 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, 2015:

<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%

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 - RETIREMENT PLANS - CONTINUED

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, 2015, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	WEPP WPPP <u>60/40</u>
Cash and Money Market	0.8%
FMIvT Broad Market High Quality Bond	16.8%
FMIvT High Quality Growth	7.9%
FMIvT Diversified Value	7.5%
FMIvT Russell 1000 Enhanced Index	22.9%
FMIvT Diversified Small to Mid Cap Equity	11.7%
FMIvT International Equity	9.4%
FMIvT Core Plus Fixed Income	<u>23.0%</u>
	<u>100.0%</u>

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 AA/V4. The equities are in portfolios which are not rated.

Interest Rate Risk - 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 5.98 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 5.41 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, 2015 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was .13% for the WEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 4 – RETIREMENT PLANS – CONTINUED

Plan Investments – Continued

The City's pension plans have the following balances with the FMPTF at September 30, 2015:

Wauchula Employee Pension Fund	<u>\$ 15,880,148</u>
Police Pension Fund	<u>\$ 2,169,291</u>

Net Pension Liability-WEPP

The components of the net pension liability of the City at September 30, 2015 were as follows:

Total Pension Liability	\$ 11,559,055
Plan Fiduciary Net Position	<u>(15,880,274)</u>
Sponsors Net Pension Liability	<u>\$ (4,321,219)</u>
Plan Fiduciary Net Position as a Percentage Of Total Pension Liability	137.38%

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of September 30, 2014	\$ 13,114,642	\$ (16,490,294)	\$ (3,375,652)
Change due to:			
Service cost	397,481	-0-	397,481
Expected interest growth	1,189,323	(1,469,271)	(279,948)
Unexpected investment income	-0-	1,447,778	1,447,778
Demographic experience	(1,115,993)	-0-	(1,115,993)
Employer contributions	-0-	(262,201)	(262,201)
Employee contributions	-0-	(262,201)	(262,201)
Benefit payments & refunds	(846,093)	1,108,162	262,069
Administrative expenses	-0-	47,753	47,753
Assumption changes	<u>(1,180,305)</u>	<u>-0-</u>	<u>(1,180,305)</u>
Balance as of September 30, 2015	<u>\$ 11,559,055</u>	<u>\$ (15,880,274)</u>	<u>\$ (4,321,219)</u>

The Sponsor's net pension liability was measured as of October 1, 2014.

Actuarial Assumptions-WEPP

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2015. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE 4 - RETIREMENT PLANS - CONTINUED

Actuarial Assumptions - Continued

Investment rate of return (3.60% for inflation)	9.08%
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 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	
Large Cap	7.14%
Small Cap	8.45%
International	8.43%
Fixed Income	
Core Bonds	2.48%
Multi-Sector	<u>2.20%</u>
Total or weighted arithmetic average	5.48%

Discount Rate

The discount rate used to measure the total pension liability was 9.08%. 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

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 4 – RETIREMENT PLANS – CONTINUED

Discount Rate – Continued

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 9.08%, as well 1% higher and 1% lower than the current rate:

	1% Decrease 8.08%	Current Discount Rate 9.08%	1% Increase 10.08%
Net Pension Liability	\$ (3,051,257)	\$ (4,321,219)	\$ (5,393,632)

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$253,332. At September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2014	\$ -0-	\$ 71,282
Change due to:		
Amortization payments	(289,556)	(201,379)
Investment gain/loss	1,447,778	-0-
Demographic gain/loss	-0-	1,115,993
Assumption changes	-0-	1,180,305
Total change	1,158,222	2,094,919
Balance as of September 30, 2015	\$ 1,158,222	\$ 2,166,201

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>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 289,556	\$ (201,378)
2017	\$ 289,556	\$ (201,378)
2018	\$ 289,556	\$ (201,376)
2019	\$ 289,554	\$ (183,557)
2020	\$ -0-	\$ (183,557)

CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 4 – RETIREMENT PLANS – CONTINUED

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, 2015.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

	Employee Pension Fund	Police Pension Fund	Total
<b>ASSETS</b>			
Cash	\$ -0-	\$ 72	\$ 72
Investments	15,880,148	2,169,291	18,049,439
Receivable – Employer	1,384	38,960	40,344
Receivable – Employee	3,136	-0-	3,136
Total Assets	<u>\$ 15,884,668</u>	<u>\$ 2,208,323</u>	<u>\$ 18,092,991</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -0-	\$ -0-	\$ -0-
Due to others	-0-	-0-	-0-
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 15,884,668</u>	<u>\$ 2,208,323</u>	<u>\$ 18,092,991</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	Employee Pension Fund	Police Pension Fund	Total
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 259,317	\$ -0-	\$ 259,317
Plan members	261,069	-0-	261,069
Other income	-0-	38,960	38,960
Total Contributions	<u>520,386</u>	<u>38,960</u>	<u>559,346</u>
Investment earnings:			
Net increase in the fair value of investments	<u>21,493</u>	<u>4,844</u>	<u>26,337</u>
Total Investing Additions	<u>21,493</u>	<u>4,844</u>	<u>26,337</u>
Total Additions	541,879	43,804	585,683
<b>DEDUCTIONS</b>			
Benefits	1,201,584	176,088	1,377,672
Administrative expenses	<u>47,753</u>	<u>5,557</u>	<u>53,310</u>
Total Deductions	<u>1,249,337</u>	<u>181,645</u>	<u>1,430,982</u>
Change in net position	<u>(707,458)</u>	<u>(137,841)</u>	<u>(845,299)</u>
Net Position – beginning	<u>16,592,126</u>	<u>2,346,164</u>	<u>18,938,290</u>
Net Position – ending	<u>\$ 15,884,668</u>	<u>\$ 2,208,323</u>	<u>\$ 18,092,991</u>

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE 5 - POST EMPLOYMENT BENEFIT PLAN**

Plan Description - The City of Wauchula has established a single employer post-retirement plan, 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 prior to January 1, 1999 - Continued:

- 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.

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 subject to change by approval of the City Commissioners.

Funding Policy - Currently, the City's OPEB benefits are unfunded. There is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in qualified public depositories. As such, no stand alone report is issued. Payments for benefits come from the City's General Fund. During 2015, the City provided contributions of \$217,000 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees.



CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**NOTE 5 – POST EMPLOYMENT BENEFIT PLAN – CONTINUED**

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:

<u>Description</u>	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 601,000
Interest on NOO	205,000
Adjustment to (ARC)	<u>(444,000)</u>
Annual OPEB Cost (Expense)	362,000
Estimated Employer Contributions	(217,000)
Interest on Employer Contributions	<u>(4,000)</u>
Increase (decrease) in NOO	141,000
Net OPEB Obligation at beginning of year	<u>5,138,000</u>
Net OPEB Obligation at end of year	<u>\$ 5,279,000</u>

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 was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Amount Contributed</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Estimated Net OPEB Obligation</u>
9/30/15	\$ 362,000	\$ 217,000	61%	\$ 5,279,000
9/30/14	\$ 363,000	\$ 217,000	61%	\$ 5,138,000
9/30/13	\$ 687,000	\$ 166,000	24%	\$ 4,996,000

The funded status and funding progress as of September 30, 2015 was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) – Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b-a]/c)</u>
10/01/09	\$-0-	\$ 11,504,000	\$ 11,504,000	0.00%	\$ 2,786,000	412.9%
10/01/13	\$-0-	\$ 8,100,000	\$ 8,100,000	0.00%	\$ 2,399,000	337.6%
10/01/14	\$-0-	\$ 5,921,000	\$ 5,921,000	0.00%	\$ 2,284,000	259.2%

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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE 5 – POST EMPLOYMENT BENEFIT PLAN – CONTINUED**

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.

In the October 1, 2014 OPEB actuarial valuation, the projected unit credit cost method was used. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% discount rate. The actuarial assumptions also included:

- **Mortality**  
Sex-distinct mortality rates set forth in the RP-2000 mortality table for annuitants and non-annuitants.
- **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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE 5 – POST EMPLOYMENT BENEFIT PLAN – CONTINUED**

Actuarial Methods and Assumptions – Continued

- **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>
2014/15	7.50%	2017/18	6.00%	2019/20	5.00%
2015/16	7.00%	2018/19	5.50%	Thereafter	5.00%
2016/17	6.50%				

- **Implied Health Insurance Subsidy**

The implied health insurance subsidy for a 60-year old retiree for the period October 1, 2014 through September 30, 2015 is assumed to be \$2,700 per year for those who elect single coverage and additional \$2,700 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 3.00% 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.

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CITY OF WAUCHULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**NOTE 5 – POST EMPLOYMENT BENEFIT PLAN – CONTINUED**

Since the completion of the previous valuation, the following actuarial methods or assumptions in the October 1, 2014 valuation were changed:

1. The assumed interest (or discount) rate was decreased from 7.50% per annum to 7.00% per annum.
2. The assumed increase in future salaries for those employees with less than five years of service was decreased from 7.40% per year to 5.00% per year.
3. The mortality basis was changed from the RP-2000 Mortality Table, projected to 2007 by Scale AA, to the RP-2000 Mortality Table, projected to 2015 by Scale AA.

**NOTE 6 – CONTINGENCIES**

The City from time to time 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, 2015 is approximately \$1,572,200 of which approximately \$1,421,100 will be funded by grant awards the City has received. The remaining approximately \$151,100 will be paid for by the City.

## 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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,047,225	\$ 1,065,612	\$ 1,062,028	\$ (3,584)
Charges for services	51,620	62,854	63,414	560
Fines and forfeitures	52,275	60,104	53,394	(6,710)
Intergovernmental revenue	629,500	653,925	628,697	(25,228)
Interest	850	850	887	37
Licenses and permits	12,150	12,150	12,477	327
Grant revenue	36,584	113,079	108,403	(4,676)
Miscellaneous revenues	67,042	118,998	99,594	(19,404)
<b>Total Revenues</b>	<b>1,897,246</b>	<b>2,087,572</b>	<b>2,028,894</b>	<b>(58,678)</b>
<b>Expenditures</b>				
General government	1,348,194	1,387,589	1,429,319	(41,730)
Police department	1,146,843	1,202,220	1,214,406	(12,186)
Highways and streets	182,859	157,138	151,900	5,238
Culture/recreation	280,392	300,301	301,988	(1,687)
Capital outlay	64,508	424,578	401,979	22,599
Debt service	73,230	73,236	73,229	7
<b>Total expenditures</b>	<b>3,096,026</b>	<b>3,545,062</b>	<b>3,572,821</b>	<b>(27,759)</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,198,780)</b>	<b>(1,457,490)</b>	<b>(1,543,927)</b>	<b>(86,437)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sales of assets	-	-	3,339	3,339
Proceeds from issuance of debt	-	221,189	221,189	-
Transfers In	1,368,800	1,405,206	1,428,851	23,645
Transfers Out	(170,020)	(168,905)	(168,905)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,198,780</b>	<b>1,457,490</b>	<b>1,484,474</b>	<b>26,984</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(59,453)</b>	<b>(59,453)</b>
<b>Fund Balance - October 1, 2014</b>	<b>630,636</b>	<b>630,636</b>	<b>630,636</b>	<b>-</b>
<b>Fund Balance - September 30, 2015</b>	<b>\$ 630,636</b>	<b>\$ 630,636</b>	<b>\$ 571,183</b>	<b>\$ (59,453)</b>

**Note 1 - Budgetary Basis**

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

**Note 2 - Excess of expenditures over appropriations**

During the year, the City exceeded the general budget expenditures. The excess was funded through reserves.

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 257,477	\$ 266,106	\$ 266,106	\$ -
Interest	500	500	715	215
Grant revenue	44,000	59,215	39,992	(19,223)
Miscellaneous revenues	14,400	14,400	14,548	148
Total Revenues	316,377	340,221	321,361	(18,860)
<b>EXPENDITURES</b>				
General government	241,744	263,724	238,929	24,795
Capital outlay	142,000	147,892	19,973	127,919
Debt service	40,088	40,088	40,088	-
Total Expenditures	423,832	451,704	298,990	152,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,455)	(111,483)	22,371	133,854
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	178,955	182,983	168,905	(14,078)
Transfers out	(71,500)	(71,500)	(69,322)	2,178
Total Other Financing Sources (Uses)	107,455	111,483	99,583	(11,900)
Net change in Fund Balances	-	-	121,954	121,954
FUND BALANCE – October 1, 2014	350,284	350,284	350,284	-
FUND BALANCE – September 30, 2015	<u>\$ 350,284</u>	<u>\$ 350,284</u>	<u>\$ 472,238</u>	<u>\$ 121,954</u>

**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>9/30/15</u>	<u>9/30/14</u>
Total Pension Liability		
Service Cost	\$ 397,481	\$ 430,765
Expected Interest Growth	1,189,323	1,006,348
Demographic gain/loss	(1,115,993)	-0-
Employee Contributions	-0-	-0-
Benefit Payments, Including Refunds	(846,093)	(710,097)
Administrative Expenses	-0-	-0-
Changes in Benefit Terms	-0-	-0-
Assumption Changes	(1,180,305)	-0-
Net Change in Total Pension Liability	(1,555,587)	727,016
Total Pension Liability - Beginning	<u>13,114,642</u>	<u>12,387,626</u>
Total Pension Liability - Ending (a)	<u>\$ 11,559,055</u>	<u>\$ 13,114,642</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 262,201	\$ 256,383
Contributions - Employee	262,201	256,383
Investment Income	21,493	1,326,542
Benefit Payments, Including Refunds of Employee Contributions	(1,108,162)	(816,267)
Administrative Expense	<u>(47,753)</u>	<u>(30,160)</u>
Net Change in Plan Fiduciary Net Position	(610,020)	992,881
Plan Fiduciary Net Position - Beginning	<u>16,490,294</u>	<u>15,497,413</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,880,274</u>	<u>\$ 16,490,294</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (4,321,219)</u>	<u>\$ (3,375,652)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.38%	121.37%
Covered Employee Payroll	\$ 2,483,561	\$ 2,232,223
Net Pension Liability as a Percentage of Covered Employee Payroll	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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	\$ 262,201	\$ 256,383	\$ 308,530	\$ 351,847	\$ 339,900	\$ 386,579	\$ 285,942	\$ 271,886	\$ 255,913	\$ 285,248
Contributions in Relation to the Actuarially Determined Contributions	262,201	256,383	308,530	351,847	339,900	386,579	285,942	271,886	255,913	285,248
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 2,483,561	\$ 2,232,223	\$ 2,232,223	\$ 2,232,223	\$ 2,654,735	\$ 2,611,789	\$ 2,785,962	\$ 2,728,782	\$ 2,429,576	\$ 2,327,024
Contributions as a Percentage of Covered Employee Payroll	10.56%	6.11%	13.82%	15.8%	12.8%	14.8%	10.3%	9.96%	10.53%	12.25%

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

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SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>DATE</u>	<u>PERCENTAGE</u>
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%
09/30/07	12.16%
09/30/06	7.52%

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
WEPP

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Employers reporting date: 09/30/15  
Measurement date: 09/30/15  
Valuation Date: 10/01/14

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:	9.08% per annum (3.60% 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 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.
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 assumed increase in future salaries was decreased from an average of 7.40% per year to 5.00% per year, the mortality basis was updated from a 2007 projection of the RP-2000 Mortality Table to a 2015 projection, and the discount rate was increased from 8.07% per annum to 9.08% per annum.

CITY OF WAUCHULA, FLORIDA  
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
POST-EMPLOYMENT HEALTH BENEFITS OTHER THAN PENSION  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4)/(5)
10/01/09	\$-0-	\$ 11,504,000	0.00%	\$ 11,504,000	\$ 2,786,000	412.9%
10/01/13	\$-0-	\$ 8,100,000	0.00%	\$ 8,100,000	\$ 2,399,000	337.6%
10/01/14	\$-0-	\$ 5,921,000	0.00%	\$ 5,921,000	\$ 2,284,000	259.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Estimated OPEB Obligation
2013	\$ 687,000	\$ 166,000	24%	\$ 4,996,000
2014	\$ 363,000	\$ 217,000	61%	\$ 5,138,000
2015	\$ 362,000	\$ 217,000	61%	\$ 5,279,000

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	10/01/14
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar payment
Remaining Amortization Period	15 years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment rate of return	4%
Initial Per Capita Cost Trend Rate	7.5% for 2014/15
	graded to 5.50% for 2018/19
Ultimate Per Capita Cost Trend Rate	5%

## OTHER SUPPLEMENTAL INFORMATION

CITY OF WAUCHULA, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

State Grantor/Pass-Through Grantor/ Project	CSFA Number	Pass-Through Entity Identifying Number	Expenditures
STATE FINANCIAL ASSISTANCE			
Florida Department of Transportation			
Small County Outreach Program	55.009	ARV72	\$ 66,715
Aviation Development Grants	55.004	AQ123	6,000
Aviation Development Grants	55.004	ARP49	32,100
Aviation Development Grants	55.004	AQ384	381,055
Total Florida Department of Transportation			<u>485,870</u>
Florida Department of Environmental Protection			
Small County Outreach Program	37.039	LP25010	73,247
Small County Outreach Program	37.039	LP25011	97,781
Total Florida Department of Environmental Protection			<u>171,028</u>
Total Expenditures of State Financial Assistance			<u>\$ 656,898</u>

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

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CITY OF WAUCHULA, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Wauchula and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – CONTINGENCIES**

Grant monies received and distributed by the City of Wauchula are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City of Wauchula does not believe that such allowances, if any, would have a material effect on the financial position of the City. As of February 12, 2016, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

CITY OF WAUCHULA, FLORIDA  
 DETAIL SCHEDULE OF REVENUE AND EXPENSES  
 ELECTRIC, WATER AND SEWER SYSTEM  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	ELECTRIC	WATER	SEWER	TOTAL
Operating Revenue:				
Charges for services and fees	\$ 7,067,760	\$ 895,350	\$ 1,817,041	\$ 9,780,151
Total Operating Revenue	<u>7,067,760</u>	<u>895,350</u>	<u>1,817,041</u>	<u>9,780,151</u>
Operating Expenses:				
Personal services	762,392	495,985	549,344	1,807,721
Other operating expenses	628,589	441,449	396,832	1,466,870
Purchased power	4,118,158	-	-	4,118,158
Depreciation and amortization	817,956	408,978	408,978	1,635,912
Total Operating Expenses	<u>6,327,095</u>	<u>1,346,412</u>	<u>1,355,154</u>	<u>9,028,661</u>
Operating Income (Loss)	740,665	(451,062)	461,887	751,490
Non-operating Revenues (Expenses):				
Capital grants and contributions	-	166,661	-	166,661
Other revenue(expense)	5,184	2,592	33,582	41,358
Interest revenue	144	18	10,288	10,450
Interest expense	(3,214)	(704)	(147,671)	(151,589)
Total Non-operating Revenue (Expenses)	<u>2,114</u>	<u>168,567</u>	<u>(103,801)</u>	<u>66,880</u>
Income (loss) before operating transfers	742,779	(282,495)	358,086	818,370
Operating transfers in	(1,354,701)	-	-	(1,354,701)
Operating transfers out	<u>290,505</u>	<u>-</u>	<u>-</u>	<u>290,505</u>
Net Income (Loss)	<u>\$ (321,417)</u>	<u>\$ (282,495)</u>	<u>\$ 358,086</u>	<u>\$ (245,826)</u>

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



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CITY OF WAUCHULA, FLORIDA  
SCHEDULE OF INSURANCE COVERAGE

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<u>INSURANCE COMPANY/GROUP</u> <u>DESCRIPTION OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u> Per occurrence:
<u>Southwest Florida Intergovernmental Risk Management Association</u>	
General liability	\$ 2,000,000/\$6,000,000 (member aggregate)
Public officials and errors and omissions Liability	\$ 2,000,000/\$6,000,000 (member aggregate)
Auto liability	\$ 2,000,000
Workers' compensation	Statutory limits
Property	\$ 500,000 (plus excess coverage with a limit of \$25,113,226)
Employee Benefits Liability	\$ 2,000,000/\$6,000,000 (member aggregate)
Money and securities	\$ 500,000
Forgery/Alteration	\$ 500,000
Employee dishonesty	\$ 500,000
Pollution	\$ 1,000,000 and \$21,000,000 aggregate
Airport liability	\$ 2,000,000
Sexual misconduct	\$ 2,000,000/\$ 6,000,000 (aggregate)
Sexual harassment	\$ 2,000,000/\$ 6,000,000 (aggregate)

Policy Period

For all coverage's listed above, the policy period is October 1, 2014 to October 1, 2015.

## OTHER REPORTS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE RULES OF THE AUDITOR GENERAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER

INDEPENDENT ACCOUNTANT'S REPORT  
ON INVESTMENT COMPLIANCE

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

To the Honorable City Commission  
City of Wauchula, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2016.

**Internal Control Over Financial Reporting**

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

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

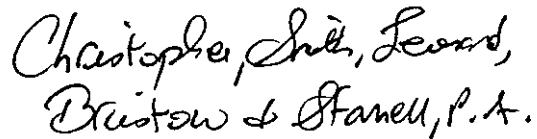
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of This Report

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

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

February 12, 2016  
Bradenton, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE RULES OF THE AUDITOR GENERAL

To the Honorable City Commission  
City of Wauchula, Florida

Report on compliance for Each Major Federal Program

We have audited the City of Wauchula, Florida's compliance with the types of compliance requirements described in the *Department of Financial Services State Project Compliance Supplement* that could have a direct and material effect on each of the City's major State projects for the year ended September 30, 2015. The City's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Chapter 10.550 Rules of the Auditor General*. Those standards and Chapter 10.550 Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of City of Wauchula, Florida's compliance.

Opinion on Each Major State Project

In our opinion, the City of Wauchula, Florida, complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2015.



## Report on Internal Control over Compliance

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

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

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

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

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

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

February 12, 2016  
Bradenton, Florida

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CITY OF WAUCHULA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Section I - Summary of Auditors' Results

Financial Statements

Type of Auditor's report issued: Unqualified Opinion

Internal Control over financial reporting:

Material Weakness(es) identified?      yes   x   no

Significant deficiency(s) identified not considered to be material weakness(es)?      yes   x   none reported

Noncompliance material to basic financial statements noted?      yes   x   no

State Financial Assistance

Internal Control over major projects:

Material weakness(es) identified?      yes   x   no

Significant deficiency(s) identified not considered to be material weakness(es)?      yes   x   none reported

Type of auditor's report issued on compliance for major projects: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General Chapter 10.557      yes   x   no

Identification of Major State Projects:

CSFA Number

Aviation Development Grants 55.004

Dollar threshold used to distinguish between Type A and Type B programs:     \$197,069

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CITY OF WAUCHULA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Section II – Financial Statement Findings

See the Management Letter for this information.

PRIOR YEAR FINDINGS

See the Management Letter for this information.

Section III – State Project Award Findings and Questioned Costs

No matters were reported.

PRIOR YEAR FINDINGS

N/A – No single audit in prior year.



MANAGEMENT LETTER

To the Honorable City Commission  
City of Wauchula, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Wauchula, Florida as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated February 12, 2016.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550 Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 12, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, unless the comment was continued as noted below under the heading Prior Year Findings and Recommendations.

**Prior Year Findings and Recommendations**

2013-1 Year End Adjustments

Comment

Although improvement was made from the previous year, various adjustments were required to correctly reflect the City's financial position and results of operations. Management has reviewed and approved all of these adjustments or was involved in the process of determining the adjustments.

### Recommendation

We suggest that the City continue its efforts to improve the monthly closing process and reconciliations of all balance sheet accounts be performed monthly. Financial statement review procedures might reduce the need for year end corrections.

### Official Title and Legal Authority

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

### Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Wauchula, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Wauchula, Florida was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Wauchula's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. As part of this assessment, we noted the following unfavorable trend at September 30, 2015.

- The City's other post retirement health insurance plan unfunded liability results in negative unrestricted net position in the governmental activities.

### Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Wauchula, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

### Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

2015 - 1 Budgetary Controls

Comment

The City exceeded its general fund budgeted expenditures in the current year. The excesses were funded from reserves.

Recommendation

The City should closely monitor its budget and ensure all spending is within the adopted budget. In addition, the City should amend its budget for expenditures not contemplated in the original adopted budget.

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

**Purpose of this Letter**

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

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

February 12, 2016  
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT  
ON INVESTMENT COMPLIANCE

To the Honorable City Commission  
City of Wauchula, Florida

We have examined the City of Wauchula, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

February 12, 2016  
Bradenton, Florida



#### 2013-1 Year End Adjustments

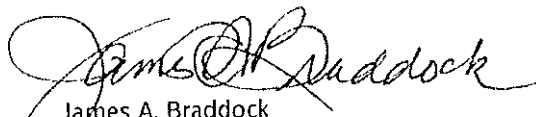
Significant progress has been made from the previous year in the need for adjustments to correctly reflect the City's financial position and results of operations. Through training and development of new accounting staff we expect to improve timely posting of month end and year end adjusting entries.

#### Financial Condition

Discussions with Commission regarding the establishment of an OPEB trust fund were successful. Beginning October 2015 the City began making contributions estimated to total \$156,000 at FYE 9/30/2016. Contributions to the newly formed OPEB trust Fund should improve the unfunded OPEB liability of the City going forward.

#### 2015-1 Budgetary Controls

Concerted efforts to avoid the reoccurrence of the City exceeding General Fund budgeted expenditures in the FY 2015-2016 year have resulted in a meeting of all directors and supervisors during the second Monday of every month to review by fund and department the budget status of expenditures in each department. Budgeted revenue and expense reports are sent to every director and supervisor the week before the monthly meeting. Accounts showing negative variances or potential negative variances are reviewed in detail by finance department and discussed with supervisors at the meeting to avoid excessive budget adjustments at year end.

  
James A. Braddock  
Finance Director  
City of Wauchula