# CITY OF WAUCHULA, FLORIDA

# FINANCIAL STATEMENTS

# AND SUPPLEMENTARY INFORMATION

# SEPTEMBER 30, 2022

CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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# City of Wauchula, Florida
## Principal City Officials

September 30, 2022

**CITY COMMISSION**
Richard Nadaskay, Jr., Mayor
Neda Cobb, Mayor Pro-Tem
Sherri Albritton, Commissioner
Gary Smith, Commissioner
Russell Graylin Smith, Commissioner

**CITY MANAGER**
Terry Atchley

**FINANCE DIRECTOR**
Sandee Braxton

**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 Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida (City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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.

### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; supplemental schedules of changes in net pension liability and related ratios, contributions, notes to required supplementary information, annual money-weighted rate of return on investments; supplemental schedules of changes in the City's net other post-employment benefit liability and related ratios, contributions, and investment returns as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information as listed in the table of contents, and the schedule of expenditures of state financial assistance as required by the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 supplementary 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 May 19, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

May 19, 2023
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, 2022. 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 $35,998,521 (net position).
- The government's total net position increased by $2,221,493 during the year.
- The net post-employment benefit plan liability recognized under GASB Statement No. 75, *Financial Reporting and Accounting for Post-employment Benefit Plans Other Than Pensions* continues to impact the City. The net OPEB liability at year end is $4,729,318, which decreased $1,093,456 over prior year. The liability is based on an actuarially calculated amount. During 2016, the City established an Other Post-employment Benefit (OPEB) Trust Fund to reduce the related liability over time. At September 30, 2022, the trust fund balance was $590,677.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of $4,191,388, an increase of $1,535,246 in comparison with the prior year. Of this amount, unassigned fund balance represents $1,913,089.

### 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 11 and 12 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 13 through 16 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 17 through 20 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 21 and 22 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, 2022 with comparative totals as of September 30, 2021.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | $ 8,023,184 | $ 5,571,952 | $ 10,746,512 | $ 12,283,971 | $ 18,796,696 | $ 17,855,923 |
| Capital assets (net of depreciation) | 10,094,873 | 8,741,463 | 19,767,308 | 21,412,343 | 29,862,181 | 30,153,806 |
| Total assets | 18,118,057 | 14,313,415 | 30,513,820 | 33,696,314 | 48,631,877 | 48,009,729 |
| Deferred outflows of resources | 3,525,723 | 2,036,073 | 3,567,269 | 1,873,452 | 7,092,992 | 3,909,525 |
| Long-term liabilities outstanding | | | | | | |
| Debt | 174,938 | 345,036 | 2,710,323 | 3,257,752 | 2,885,261 | 3,602,788 |
| Lease liability | 17,461 | -0- | 129,644 | -0- | 147,105 | -0- |
| Compensated absences | 306,494 | 295,991 | 205,214 | 141,956 | 511,708 | 437,947 |
| OPEB liability | 2,371,633 | 3,089,916 | 2,357,685 | 2,732,858 | 4,729,318 | 5,822,774 |
| | 2,870,526 | 3,730,943 | 5,402,866 | 6,132,566 | 8,273,392 | 9,863,509 |
| Other liabilities | 2,221,523 | 207,870 | 2,031,614 | 2,559,874 | 4,253,137 | 2,767,744 |
| Total liabilities | 5,092,049 | 3,938,813 | 7,434,480 | 8,692,440 | 12,526,529 | 12,631,253 |
| Deferred inflows of resources | 4,067,927 | 2,924,455 | 3,131,892 | 2,586,518 | 7,199,819 | 5,510,973 |
| Net position: | | | | | | |
| Net investment in capital assets | 9,919,881 | 8,396,427 | 17,064,880 | 18,227,251 | 26,984,761 | 26,623,678 |
| Restricted | 2,251,272 | 966,704 | 2,017,969 | 2,014,655 | 4,269,241 | 2,981,359 |
| Unrestricted | 312,651 | 123,089 | 4,431,868 | 4,048,902 | 4,744,519 | 4,171,991 |
| Total net position | **$ 12,483,804** | **$ 9,486,220** | **$ 23,514,717** | **$ 24,290,808** | **$ 35,998,521** | **$ 33,777,028** |

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 $35,998,521 at the close of September 30, 2022.

The City's net position include net investment in capital assets of $26,984,761, 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, $4,269,241, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* is $4,744,519.

The following is a summary of the changes in net position for the year ended September 30, 2022, with comparative totals for the year ended September 30, 2021.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: Program Revenues: | | | | | | |
| Charges for services | $ 282,589 | $ 253,015 | $ 13,595,173 | $ 11,968,511 | $ 13,877,762 | $ 12,221,526 |
| Operating grants and contributions | 85,606 | 124,634 | 20,321 | 20,212 | 105,927 | 144,846 |
| Capital grants and contributions | 2,676,057 | 423,814 | 302,738 | 453,203 | 2,978,795 | 877,017 |
| General revenues: | | | | | | |
| Taxes | 3,054,974 | 2,751,291 | -0- | -0- | 3,054,974 | 2,751,291 |
| Transfers | 1,732,300 | 1,701,422 | (1,732,300) | (1,701,422) | -0- | -0- |
| Other | 175,403 | 97,114 | (150,197) | 65,918 | 25,206 | 163,032 |
| Total revenues | **8,006,929** | **5,351,290** | **12,035,735** | **10,806,422** | **20,042,664** | **16,157,712** |
| Expenses: | | | | | | |
| General government | 2,203,060 | 2,015,777 | -0- | -0- | 2,203,060 | 2,015,777 |
| Police department | 1,777,699 | 1,632,816 | -0- | -0- | 1,777,699 | 1,632,816 |
| Highways and streets | 483,586 | 440,247 | -0- | -0- | 483,586 | 440,247 |
| Culture and recreation | 531,872 | 527,102 | -0- | -0- | 531,872 | 527,102 |
| Interest on long-term debt | 13,128 | 12,564 | -0- | -0- | 13,128 | 12,564 |
| Water | -0- | -0- | 1,356,922 | 1,258,475 | 1,356,922 | 1,258,475 |
| Sewer | -0- | -0- | 1,701,026 | 1,543,603 | 1,701,026 | 1,543,603 |
| Electric | -0- | -0- | 8,056,438 | 6,219,740 | 8,056,438 | 6,219,740 |
| Airport | -0- | -0- | 777,696 | 724,223 | 777,696 | 724,223 |
| Sanitation | -0- | -0- | 919,744 | 777,103 | 919,744 | 777,103 |
| Total expenses | 5,009,345 | 4,628,506 | 12,811,826 | 10,523,144 | 17,821,171 | 15,151,650 |
| Change in Net Position | 2,997,584 | 722,784 | (776,091) | 283,278 | 2,221,493 | 1,006,062 |
| Net Position - Beginning | 9,486,220 | 8,763,436 | 24,290,808 | 24,007,530 | 33,777,028 | 32,770,966 |
| Net Position - Ending | **$ 12,483,804** | **$ 9,486,220** | **$ 23,514,717** | **$ 24,290,808** | **$ 35,998,521** | **$ 33,777,028** |

**Governmental activities:** Governmental activities increased the City's net position by $2,997,584. Compared to the prior year, revenues increased $2,655,639, primarily due to increases in capital grants and contributions of $2,252,243. Expenses increased over the prior year by $380,839 due largely from increases in general government personnel costs.

**Business-type activities.** Business-type activities decreased the City's net position by $776,091. Revenues increased by $1,229,313. While charges for services increased by $1,626,662, operating and capital grants and contributions decreased by $150,465 along with other revenue which decreased $216,115 largely due to the disposal of capital assets. The increase in charges for services were largely due to increased electricity sales that increased $1,338,988 over prior year. Expenses increased by $2,288,682 compared to the prior year. The increase was largely due to increased purchased power needs which increased the expense by $1,422,098 and increased personnel expense of $741,107.

## 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's general fund reported an ending fund balance of $2,001,868, an increase of $251,167 in comparison with the prior year. $1,913,089 of this total amount constitutes unassigned fund balance. The remainder of fund balance is either non-spendable for inventory or restricted to indicate that it is not available for new spending because it has already been restricted for the police department, culture/recreation, and storm disaster.

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

- Total general fund revenues increased by $1,934,202 as a result of an increase in grants of $1,674,605 and intergovernmental revenues of $199,783.

- The general fund expenditures increased by $1,858,318 due mainly to increases in capital outlay largely related to grants of $1,459,300 and increases in general government expenditures of $325,094 largely related to increased personnel expenditures.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported an ending fund balance of $2,189,520, an increase of $1,284,079 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues increased $774,125 as a result of an increase in grants of $538,610 and taxes of $49,640. Expenditures decreased $183,541 due to expenditures related to downtown development in the CRA area.

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

**Fiduciary funds.** The City's pension trust include defined benefit pension plans and the OPEB trust fund. At year end, assets totaled $23,692,494, which is a decrease from the prior year of $4,575,593. This was mainly due to market results in 2022 compared to 2021. For more information on these plans see Notes 4 and 5.

## Governmental Fund Budgetary Highlights

### General Fund

The original budgeted revenues were $2,535,585, which were amended to $6,258,283. The original budgeted expenditures were $4,273,486, which were amended to $7,996,184. Total other financing sources (uses) were budgeted at $1,737,901 and were not amended.

Actual revenues were less budgeted revenues by $1,651,570 which was largely due to the timing of grant revenues. Actual expenditures were less than budget by $2,175,056 due to general government expenditures being less than anticipated by $2,289,874. Actual other financing sources were $272,319 less than budgeted.

## Special Revenue Fund

The original budgeted revenues of the CRA, including transfers from the City of Wauchula, Florida, were $1,589,082 and were amended during the year to $1,899,033. Original budgeted expenditures were also $2,413,783 and were amended during the year to $2,723,734. Actual revenues were under budget by $182,639 due to grant revenues that were not realized in the current year. Actual expenditures were less than budgeted by $1,948,653 due mainly to less general government expenditures and capital outlay than expected. Transfers in/out were less than the original and final budget by $481,935.

## Capital Assets and Debt Administration

**Capital assets.** The City's capital assets for its governmental-type and business-type activities as of September 30, 2022, amounted to $29,862,181 (net of accumulated depreciation). Capital assets includes land, buildings and improvements, electrical distribution system, sewer system improvements, water system improvements, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included vehicles, park improvements, airport runway rehabilitation, and water system improvements.

### Capital Assets (Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $ 731,652 | $ 793,086 | $ 1,184,493 | $ 1,184,493 | $ 1,916,145 | $ 1,977,579 |
| Building and improvements | 5,384,429 | 5,747,996 | 2,906,605 | 3,353,278 | 8,291,034 | 9,101,274 |
| Electrical distribution system | -0- | -0- | 1,760,281 | 1,924,063 | 1,760,281 | 1,924,063 |
| Water system improvements | -0- | -0- | 10,288,654 | 11,473,498 | 10,288,654 | 11,473,498 |
| Machinery and equipment | 776,297 | 512,580 | 2,214,700 | 2,617,920 | 2,990,997 | 3,130,500 |
| Construction in progress | 3,202,495 | 1,687,801 | 1,412,575 | 859,091 | 4,615,070 | 2,546,892 |
| Total | $ 10,094,873 | $ 8,741,463 | $ 19,767,308 | $ 21,412,343 | $ 29,862,181 | $ 30,153,806 |

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 $3,032,366. The City's debt represents bonds and revenue notes secured solely by specified revenue sources, as well as notes payable and lease liabilities.

### Long-Term Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Bonds payable (net of deferred charges) | $ -0- | $ -0- | $ 1,674,000 | $ 1,894,000 | $ 1,674,000 | $ 1,894,000 |
| Notes payable | 174,938 | 345,036 | 1,036,323 | 1,143,281 | 1,211,261 | 1,488,317 |
| Lease liabilities | 17,461 | -0- | 129,644 | 220,471 | 147,105 | 220,471 |
| Total | $ 192,399 | $ 345,036 | $ 2,839,967 | $ 3,257,752 | $ 3,032,366 | $ 3,602,788 |

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

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

The following factors were considered in preparing the City of Wauchula's budget for the 2023 fiscal year:

- The City of Wauchula experienced an increase in taxable assessed values of over 13%. This increase in property values is estimated to generate $103,277 in additional revenue.
- The property tax millage rate will remain 5.5532 mills in 2023.
- Annual indexing of rates for water, sewer and solid waste services.
- Year 3 of a 3-year plan increasing electric rates.
- The City of Wauchula is restricted in assessing ad valorem tax on only 52% of total property values. Due to government, educational, hospital and other tax-exempt entity property owners, 48% of the properties included in the City limits are not assessed property taxes. Ad valorem tax revenues collected and spent in the General Fund provide only 17% of the monies needed to operate the police department, maintain roads, streets, parks, code enforcement, community redevelopment needs, and other administrative expenses budgeted in the general fund.

With the previous factors considered, the City of Wauchula's budgeted revenue and expenditures for the fiscal year ending September 30, 2023 are $21,859,859. The total budget for the previous fiscal year end September 30, 202 was $19,202,072. The transfer amount to the general fund increased by $54,000 for the budget year 2022-23. There are no discernible or detectable deficiencies reported in level of services provided to the City of Wauchula customers while maintaining the level of this traditionally significant transfer.

Taxable property values in the City of Wauchula increased from fiscal year September 30, 2022 at $142,839,728 by $18,597,758 to $161,437,486 in fiscal year ended September 30, 2023.

Pension and OPEB (Other Post-Employment Benefits)

Both General Employee and Police Pension Funds experienced a decrease in portfolio balances at fiscal year-end September 30, 2022. Contributions to the General Fund Employee Pension Fund are from employees and the City (employer) as well as the profits from investment strategies in the fund's portfolio. The contributions to the Police Pension Fund are from the Casualty Loss Premium Tax payment from the state and profitable investment strategies in the pension fund's portfolio.

Although there is currently no requirement to fund the OPEB liability, the City has decided to divert funds budgeted but not needed in this pension fund year to begin to reduce the unfunded liability. The only contributions to the OPEB trust at this time are employer contributions from the City. The City contributed $132,329 to the OPEB trust in fiscal year 2021-2022. During fiscal year 2019-2020 the City began using the funds in the OPEB trust to pay retiree benefits. The total disbursed for 2021-2022 fiscal year was $114,129. Including gains and the prior year balance, the OPEB trust has a funded balance of $590,677.

In order to maintain the funding status of the General Employee Pension Plan at 96%, the annual required contribution computed by Southern Actuarial Services will be 0% for fiscal year 2023. 3.63% will be deposited into the OPEB trust fund to cover future OPEB costs.

## Requests for Information

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

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

| | Governmental Activities | Business-type Activities | Total Activities |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,560,162 | $ 4,156,353 | $ 5,716,515 |
| Receivables, net | 82,509 | 2,108,441 | 2,190,950 |
| Due from other governments | 621,689 | 97,305 | 718,994 |
| Prepaid expenses | 6,011 | 360 | 6,371 |
| Inventory | 21,016 | 596,414 | 617,430 |
| Restricted assets: | | | |
| Cash | 4,144,229 | 3,084,464 | 7,228,693 |
| Net pension assets | 631,630 | 627,916 | 1,259,546 |
| Lease interest receivables | 2,340 | - | 2,340 |
| Lease receivables | 936,191 | - | 936,191 |
| Right-to-use assets | 17,407 | 75,259 | 92,666 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 731,652 | 1,184,493 | 1,916,145 |
| Buildings and improvements | 5,384,429 | 2,906,605 | 8,291,034 |
| Electrical distribution system | - | 1,760,281 | 1,760,281 |
| Water system improvements | - | 10,288,654 | 10,288,654 |
| Machinery and equipment | 776,297 | 2,214,700 | 2,990,997 |
| Construction in progress | 3,202,495 | 1,412,575 | 4,615,070 |
| **Total Assets** | **18,118,057** | **30,513,820** | **48,631,877** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows of pension resources | 2,717,839 | 2,701,856 | 5,419,695 |
| Deferred outflows related to OPEB | 807,884 | 803,133 | 1,611,017 |
| Deferred charge on refunding of debt | - | 62,280 | 62,280 |
| **Total Deferred Outflows of Resources** | **3,525,723** | **3,567,269** | **7,092,992** |
| **LIABILITIES** | | | |
| Accounts payable and other current liabilities | 248,621 | 941,726 | 1,190,347 |
| Accrued interest | - | 23,393 | 23,393 |
| Rate stabilization funds | - | 353,564 | 353,564 |
| Unearned revenue | 1,972,902 | - | 1,972,902 |
| Liabilities payable from restricted assets | - | 712,931 | 712,931 |
| Noncurrent liabilities: | | | |
| Due within one year | 303,903 | 601,600 | 905,503 |
| Due in more than one year | 2,566,623 | 4,801,266 | 7,367,889 |
| **Total Liabilities** | **5,092,049** | **7,434,480** | **12,526,529** |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows of pension earnings | 2,038,735 | 2,026,745 | 4,065,480 |
| Deferred inflows related to OPEB | 1,111,685 | 1,105,147 | 2,216,832 |
| Lease-related inflows of resources | 917,507 | - | 917,507 |
| **Total Deferred Inflows of Resources** | **4,067,927** | **3,131,892** | **7,199,819** |
| **NET POSITION** | | | |
| Net investment in capital assets | 9,919,881 | 17,064,880 | 26,984,761 |
| Restricted | 2,251,272 | 2,017,969 | 4,269,241 |
| Unrestricted | 312,651 | 4,431,868 | 4,744,519 |
| **Total Net Position** | **$ 12,483,804** | **$ 23,514,717** | **$ 35,998,521** |

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| General government | $ 2,203,060 | $ 79,527 | $ - | $ 57,990 |
| Police department | 1,777,699 | 55,122 | 69,249 | 192,294 |
| Highways and streets | 483,586 | 147,940 | 16,357 | 1,309,489 |
| Culture and recreation | 531,872 | - | - | 1,116,284 |
| Interest on long-term debt | 13,128 | - | - | - |
| Total Governmental activities | 5,009,345 | 282,589 | 85,606 | 2,676,057 |
| **Business-type activities:** | | | | |
| Electric | 8,056,438 | 8,373,634 | 10,161 | 36,320 |
| Water | 1,356,922 | 1,164,445 | 5,080 | 177,565 |
| Sewer | 1,701,026 | 2,366,437 | 5,080 | - |
| Airport | 777,696 | 366,585 | - | 88,853 |
| Sanitation | 919,744 | 1,324,072 | - | - |
| Total Business-type activities | 12,811,826 | 13,595,173 | 20,321 | 302,738 |
| **Total government** | **$ 17,821,171** | **$ 13,877,762** | **$ 105,927** | **$ 2,978,795** |

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

Net Position - beginning
Net Position - ending

| Net (expense) Revenue and changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business -type Activities | Total |
| $ (2,065,543) | $ - | $ (2,065,543) |
| (1,461,034) | - | (1,461,034) |
| 990,200 | - | 990,200 |
| 584,412 | - | 584,412 |
| (13,128) | - | (13,128) |
| (1,965,093) | - | (1,965,093) |
| | | |
| - | 363,677 | 363,677 |
| - | (9,832) | (9,832) |
| - | 670,491 | 670,491 |
| - | (322,258) | (322,258) |
| - | 404,328 | 404,328 |
| - | 1,106,406 | 1,106,406 |
| **(1,965,093)** | **1,106,406** | **(858,687)** |
| | | |
| 767,604 | - | 767,604 |
| 553,470 | - | 553,470 |
| 117,747 | - | 117,747 |
| 543,172 | - | 543,172 |
| 533,716 | - | 533,716 |
| 224,497 | - | 224,497 |
| 314,768 | - | 314,768 |
| 7,253 | 14,286 | 21,539 |
| 168,150 | (164,483) | 3,667 |
| 3,230,377 | (150,197) | 3,080,180 |
| 1,732,300 | (1,732,300) | - |
| 4,962,677 | (1,882,497) | 3,080,180 |
| 2,997,584 | (776,091) | 2,221,493 |
| | | |
| 9,486,220 | 24,290,808 | 33,777,028 |
| **$ 12,483,804** | **$ 23,514,717** | **$ 35,998,521** |

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

CITY OF WAUCHULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,560,162 | $ - | $ 1,560,162 |
| Accounts receivables (net of allowance) | 40,032 | 1,278 | 41,310 |
| Other receivables | 21,199 | 20,000 | 41,199 |
| Due from other governmental units | 527,428 | 94,261 | 621,689 |
| Prepaid items | 6,011 | - | 6,011 |
| Inventory | 21,016 | - | 21,016 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 2,034,654 | 2,109,575 | 4,144,229 |
| Total assets | **$ 4,210,502** | **$ 2,225,114** | **$ 6,435,616** |
| **LIABILITIES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 196,620 | $ 11,960 | $ 208,580 |
| Accrued expenses | 39,112 | 929 | 40,041 |
| Unearned revenue | 1,972,902 | - | 1,972,902 |
| Total liabilities | 2,208,634 | 12,889 | 2,221,523 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue | - | 22,705 | 22,705 |
| **FUND BALANCES:** | | | |
| Nonspendable | 27,027 | - | 27,027 |
| Spendable: | | | |
| Restricted | 61,752 | 2,189,520 | 2,251,272 |
| Unassigned | 1,913,089 | - | 1,913,089 |
| Total fund balances | 2,001,868 | 2,189,520 | 4,191,388 |
| Total liabilities, deferred inflows of resources and fund balances | **$ 4,210,502** | **$ 2,225,114** | **$ 6,435,616** |

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

CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

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

| | | |
|---|---|---|
| Fund Balance – Governmental Fund | $ | 4,191,388 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 10,094,873 |
| Lease assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. | | |
| Lease interest receivables | | 2,340 |
| Lease receivables | | 936,191 |
| Right-to-use assets | | 17,407 |
| 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. | | 22,705 |
| 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. | | |
| Notes payable from direct borrowings | | (174,938) |
| Lease liability | | (17,461) |
| Compensated absences | | (306,494) |
| Other postemployment benefits (OPEB) | | (2,371,633) |
| 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. | | 631,630 |
| Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds. | | 2,717,839 |
| Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds. | | (2,038,735) |
| Deferred outflows of resources related to the OPEB plan do not utilize current financial resources and, therefore are not reported in the funds. | | 807,884 |
| Deferred inflows of resources related to the OPEB plan are not available current financial resources and, therefore are not reported in the funds. | | (1,111,685) |
| Deferred inflows of resources related to the lease are not available current financial resources and, therefore are not reported in the funds. | | (917,507) |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | **$** | **12,483,804** |

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, 2022

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ 1,438,821 | $ 543,172 | $ 1,981,993 |
| Charges for services | 180,699 | – | 180,699 |
| Fines and forfeitures | 26,106 | – | 26,106 |
| Intergovernmental revenue | 1,072,981 | – | 1,072,981 |
| Interest | 3,415 | 3,838 | 7,253 |
| Licenses and permits | 10,891 | – | 10,891 |
| Grant revenue | 1,819,279 | 942,384 | 2,761,663 |
| Miscellaneous revenues | 54,521 | 227,000 | 281,521 |
| Total Revenues | 4,606,713 | 1,716,394 | 6,323,107 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | 1,625,646 | 377,234 | 2,002,880 |
| Police department | 1,664,426 | – | 1,664,426 |
| Highways and streets | 229,852 | – | 229,852 |
| Culture/recreation | 375,586 | – | 375,586 |
| Capital outlay | 1,742,392 | 397,847 | 2,140,239 |
| Debt service: | | | |
| Principal retirement | 170,098 | – | 170,098 |
| Interest | 13,128 | – | 13,128 |
| Total Expenditures | 5,821,128 | 775,081 | 6,596,209 |
| **Excess (deficiency) of Revenues (Under) Over Expenditures** | (1,214,415) | 941,313 | (273,102) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Proceeds from sale of capital assets | 76,048 | – | 76,048 |
| Transfers in | 1,732,300 | 342,766 | 2,075,066 |
| Transfers out | (342,766) | – | (342,766) |
| Total Other Financing Sources (Uses) | **1,465,582** | **342,766** | **1,808,348** |
| Net Change in Fund Balances | 251,167 | 1,284,079 | 1,535,246 |
| **FUND BALANCE - Beginning** | 1,750,701 | 905,441 | 2,656,142 |
| **FUND BALANCE - Ending** | **$ 2,001,868** | **$ 2,189,520** | **$ 4,191,388** |

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

CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balance – total governmental fund | $ | 1,535,246 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital expenditures exceed additions to depreciation and loss on disposal. | | 1,353,410 |
| 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. | | |
| Change in lease interest receivables | | 2,340 |
| Change in lease receivables | | 936,191 |
| Change in lease-related inflows of resources | | (917,507) |
| 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 the right-to-use asset. | | 17,407 |
| The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position. | | 170,098 |
| The repayment of lease liabilities consumes current financial resources of governmental funds. However, the transaction has no effect on net position. This amount represents the change in the lease liability. | | (17,461) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in other postemployment benefits. | | 78,205 |
| 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. | | (149,842) |
| 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. | | (10,503) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | **$** | **2,997,584** |

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2022

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Utility | Airport | Sanitation | Total Enterprise Funds |
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 3,027,605 | $ 271,041 | $ 857,707 | $ 4,156,353 |
| Receivables (net of allowance) | 1,914,196 | 2,626 | 191,619 | 2,108,441 |
| Due from other governments | 82,365 | 14,940 | - | 97,305 |
| Due from other funds | 750,000 | - | - | 750,000 |
| Prepaid expenses | 360 | - | - | 360 |
| Inventory | 512,923 | 46,039 | 37,452 | 596,414 |
| Total current assets | 6,287,449 | 334,646 | 1,086,778 | 7,708,873 |
| Noncurrent Assets: | | | | |
| Restricted: | | | | |
| Cash and cash equivalents | 3,084,464 | - | - | 3,084,464 |
| Total restricted assets | 3,084,464 | - | - | 3,084,464 |
| Net Pension Asset | 522,763 | - | 105,153 | 627,916 |
| Right-to-Use Assets | 75,259 | - | - | 75,259 |
| Capital Assets | | | | |
| Land | 230,084 | 954,409 | - | 1,184,493 |
| Buildings and improvements | 1,003,649 | 9,699,322 | - | 10,702,971 |
| Electrical distribution system improvements | 7,206,105 | - | - | 7,206,105 |
| Water and sewer system Improvements | 33,060,613 | - | - | 33,060,613 |
| Machinery and equipment | 5,236,750 | 510,278 | 989,516 | 6,736,544 |
| Construction in progress | 1,061,484 | 351,091 | - | 1,412,575 |
| Less accumulated depreciation | (32,677,628) | (7,313,929) | (544,436) | (40,535,993) |
| Total capital assets (net) | 15,121,057 | 4,201,171 | 445,080 | 19,767,308 |
| Total noncurrent assets | 18,803,543 | 4,201,171 | 550,233 | 23,554,947 |
| **TOTAL ASSETS** | 25,090,992 | 4,535,817 | 1,637,011 | 31,263,820 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows of pension resources | 2,249,395 | - | 452,461 | 2,701,856 |
| Deferred outflows related to OPEB | 668,638 | - | 134,495 | 803,133 |
| Deferred charge on refunding of debt | 62,280 | - | - | 62,280 |
| | 2,980,313 | - | 586,956 | 3,567,269 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | 789,215 | 44,045 | 23,695 | 856,955 |
| Accrued expense | 68,415 | 13,079 | 3,277 | 84,771 |
| Compensated absences | 138,239 | - | 26,895 | 165,134 |
| Due to other funds | - | 750,000 | - | 750,000 |
| Lease liability - current | 92,955 | - | - | 92,955 |
| Rate stabilization funds | 353,564 | - | - | 353,564 |
| Total current liabilities | 1,442,388 | 807,124 | 53,867 | 2,303,379 |
| Current liabilities payable from restricted assets: | | | | |
| Accrued interest payable | 23,393 | - | - | 23,393 |
| Customer deposits | 712,931 | - | - | 712,931 |
| Long-term debt payable - current | 343,511 | - | - | 343,511 |
| Total current liabilities payable from restricted assets | 1,079,835 | - | - | 1,079,835 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 33,552 | - | 6,528 | 40,080 |
| Net other post-employment benefits liability | 1,962,860 | - | 394,825 | 2,357,685 |
| Lease liability | 36,689 | - | - | 36,689 |
| Long-term debt payable | 2,366,812 | - | - | 2,366,812 |
| Total noncurrent liabilities | 4,399,913 | - | 401,353 | 4,801,266 |
| **TOTAL LIABILITIES** | 6,922,136 | 807,124 | 455,220 | 8,184,480 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows of pension earnings | 1,687,340 | - | 339,405 | 2,026,745 |
| Deferred inflows related to OPEB | 920,076 | - | 185,071 | 1,105,147 |
| | 2,607,416 | - | 524,476 | 3,131,892 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 12,418,629 | 4,201,171 | 445,080 | 17,064,880 |
| Restricted | 2,017,969 | - | - | 2,017,969 |
| Unrestricted | 4,105,155 | (472,478) | 799,191 | 4,431,868 |
| **TOTAL NET POSITION** | **$ 18,541,753** | **$ 3,728,693** | **$ 1,244,271** | **$ 23,514,717** |

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, 2022

| | Business - Type Activities | | | |
|---|---|---|---|---|
| | Utility | Airport | Sanitation | Total Enterprise Funds |
| **Operating Revenues:** | | | | |
| Charges for services and fees | | | | |
| Electric sales | $ 8,373,634 | $ - | $ - | $ 8,373,634 |
| Water sales | 1,164,445 | - | - | 1,164,445 |
| Sewer sales | 2,366,437 | - | - | 2,366,437 |
| Airport fuel | - | 246,350 | - | 246,350 |
| Hanger rental | - | 120,235 | - | 120,235 |
| Sanitation | - | - | 1,324,072 | 1,324,072 |
| **Total Operating Revenues** | **11,904,516** | **366,585** | **1,324,072** | **13,595,173** |
| **Operating Expenses:** | | | | |
| Cost of sales and services | | | | |
| Personal services | 2,436,081 | 952 | 378,931 | 2,815,964 |
| Other operating expenses | 1,553,427 | 345,396 | 429,595 | 2,328,418 |
| Purchased power | 5,146,521 | - | - | 5,146,521 |
| Amortization | 148,873 | - | - | 148,873 |
| Depreciation | 1,755,661 | 431,348 | 111,218 | 2,298,227 |
| **Total Operating Expenses** | **11,040,563** | **777,696** | **919,744** | **12,738,003** |
| **Operating Income (Loss)** | **863,953** | **(411,111)** | **404,328** | **857,170** |
| **Non-Operating Revenues (Expenses)** | | | | |
| Capital grants and contributions | 234,206 | 88,853 | - | 323,059 |
| Interest income | 11,929 | 529 | 1,828 | 14,286 |
| Interest expense | (73,823) | - | - | (73,823) |
| Gain on disposal of capital assets | (249,640) | - | - | (249,640) |
| Other income (expense) | 40,607 | - | 44,550 | 85,157 |
| **Total Non-Operating Items** | **(36,721)** | **89,382** | **46,378** | **99,039** |
| **Income (Loss) Before Transfers** | **827,232** | **(321,729)** | **450,706** | **956,209** |
| **Transfers** | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (1,305,000) | (26,000) | (401,300) | (1,732,300) |
| **Net Transfers** | (1,305,000) | (26,000) | (401,300) | (1,732,300) |
| **Change in Net Position** | **(477,768)** | **(347,729)** | **49,406** | **(776,091)** |
| **Net Position - Beginning** | 19,019,521 | 4,076,422 | 1,194,865 | 24,290,808 |
| **Net Position - Ending** | **$ 18,541,753** | **$ 3,728,693** | **$ 1,244,271** | **$ 23,514,717** |

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, 2022

| | Business - Type Activities | | | |
|---|---|---|---|---|
| | Utility | Airport | Sanitation | Total Enterprise Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Receipts from customers and users | $ 11,533,144 | $ 360,641 | $ 1,307,962 | $ 13,201,747 |
| Payments to suppliers | (6,158,518) | (335,584) | (448,497) | (6,942,599) |
| Payments to employees | (2,234,227) | (952) | (304,498) | (2,539,677) |
| **Net cash provided (used) by operating activities** | **3,140,399** | **24,105** | **554,967** | **3,719,471** |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Advances (to) from other funds | 41,628 | - | - | 41,628 |
| Subsidy from other governments | (1,137,615) | 31,999 | - | (1,105,616) |
| Transfers in (out) | (1,305,000) | (26,000) | (401,300) | (1,732,300) |
| **Net cash provided (used) by noncapital financing activities** | **(2,400,987)** | **5,999** | **(401,300)** | **(2,796,288)** |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Payment of interest | (66,348) | - | - | (66,348) |
| Payment of debt principal | (326,958) | - | - | (326,958) |
| Payment on leases | (94,488) | - | - | (94,488) |
| Capital grants proceeds received | 316,023 | - | - | 316,023 |
| Proceeds from sales of capital assets | 65,137 | - | 44,550 | 109,687 |
| Capital expenditures | (1,107,487) | - | (24,099) | (1,131,586) |
| **Net cash provided (used) by capital and related financing activities** | **(1,214,121)** | **-** | **20,451** | **(1,193,670)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest received on investments | 11,929 | 529 | 1,828 | 14,286 |
| **Net cash provided (used) by investing activities** | **11,929** | 529 | **1,828** | **14,286** |
| Net increase (decrease) in cash and cash equivalents | (462,780) | 30,633 | 175,946 | (256,201) |
| Cash and cash equivalents at beginning of year | 6,574,849 | 240,408 | 681,761 | 7,497,018 |
| **Cash and cash equivalents at end of year** | **$ 6,112,069** | **$ 271,041** | **857,707** | **$ 7,240,817** |
| Cash and cash equivalents | $ 3,027,605 | $ 271,041 | $ 857,707 | $ 4,156,353 |
| Restricted: | | | | |
| Cash and cash equivalents | 3,084,464 | - | - | 3,084,464 |
| | **$ 6,112,069** | **$ 271,041** | **857,707** | **$ 7,240,817** |

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, 2022

| | Business - Type Activities | | | |
|---|---|---|---|---|
| | Utility | Airport | Sanitation | Total Enterprise Funds |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** | | | | |
| OPERATING INCOME (LOSS) | $ 863,953 | $ (411,111) | $ 404,328 | $ 857,170 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Amortization expense | 148,873 | - | - | 148,873 |
| Depreciation expense | 1,755,661 | 431,348 | 111,218 | 2,298,227 |
| Non cash pension expense | 19,363 | - | (30,592) | (11,229) |
| Non cash OPEB expense | 132,574 | - | 91,684 | 224,258 |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | (412,054) | (5,944) | (16,110) | (434,108) |
| Inventory | (58,909) | (32,960) | (7,937) | (99,806) |
| Prepaid expenses | (360) | - | - | (360) |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 627,821 | 42,336 | (6,867) | 663,290 |
| Accrued expenses | (27,122) | 436 | (4,098) | (30,784) |
| Customer deposits | 40,682 | - | - | 40,682 |
| Compensated absences | 49,917 | - | 13,341 | 63,258 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | **$ 3,140,399** | **$ 24,105** | **$ 554,967** | **$ 3,719,471** |

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2022

| | Pension Trust Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 72 |
| Investments | 23,658,422 |
| Employer receivables | 14,752 |
| Employee receivables | 19,248 |
| **TOTAL ASSETS** | **23,692,494** |
| **NET POSITION** | |
| Held in trust for pension benefits | 23,101,817 |
| Restricted for post-employment benefits other than pension | 590,677 |
| | **$ 23,692,494** |

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Pension Trust Funds |
|---|---|
| **ADDITIONS** | |
| **Contributions:** | |
| Employer | $ 360,391 |
| Plan members | 364,817 |
| Other income | 49,115 |
| Total Contributions | 774,323 |
| **Investment earnings:** | |
| Net increase in the fair value of investments | (3,643,111) |
| Total Investment Earnings | (3,643,111) |
| **Total Additions** | **(2,868,788)** |
| **DEDUCTIONS** | |
| Pension benefits paid | 1,526,648 |
| OPEB refunds | 114,129 |
| Administrative expenses | 66,028 |
| **Total Deductions** | **1,706,805** |
| **Change in Net Position** | (4,575,593) |
| **Net Position - Beginning** | **28,268,087** |
| **Net Position - Ending** | **$ 23,692,494** |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The City of Wauchula, Florida (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 City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Wauchula, Florida. 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.

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.

The accounting policies of the City of Wauchula conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments.

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Government-wide financial statements include a statement of net position and a statement of activities. The statement of net position reports all financial and capital resources of the City's governmental and business-type activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

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

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

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

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

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

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

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The City reports the following fund types:

**Governmental Funds**

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

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

**Proprietary Funds**

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

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

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

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

**Fiduciary Funds**

Trust Funds
Trust funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include pension and OPEB trust funds. Pension and OPEB trust funds are accounted for essentially the same as a proprietary fund since capital maintenance is critical. The City uses Fiduciary Funds for the City of Wauchula – Employee Pension Plan, the City of Wauchula Police Pension Trust Fund and the OPEB Trust Fund.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### D. CASH AND INVESTMENTS

The City invests in certificates of deposit and short-term investments such as money market accounts. All cash and investment accounts are with financial institutions qualified under laws and regulations of the State of Florida. Deposits whose values exceeded the limits of Federal depository insurance were entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes. The City does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2022, the City had only time deposits, demand deposits and short-term money market accounts.

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

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

### E. FAIR VALUE

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

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

In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The three categories within the hierarchy are as follows:

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### E. FAIR VALUE - CONTINUED

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

### F. CASH AND CASH EQUIVALENTS

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

### G. INVENTORIES

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

### H. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type 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, 2022 the reserve for bad debts in the general fund was $5,920, the utility fund was $154,827, the airport fund was $2,282 and the sanitation fund was $27,964.

### I. CAPITAL ASSETS

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### I. CAPITAL ASSETS - CONTINUED

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

| Assets | Years |
|---|---|
| Buildings and improvements | 20 - 50 |
| Machinery and equipment | 5 - 15 |
| Electrical distribution system | 20 - 50 |
| Water system improvements | 20 - 50 |

### J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category. A deferred inflow of pension earnings and OPEB resources are reported in the government-wide and proprietary fund statement of net position. Additionally, lease-related inflows of resources are reported in the government-wide statement of net position.

On the governmental funds' balance sheet, unavailable revenue is also 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.

### K. COMPENSATED ABSENCES

The City's 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 funds only if they have matured. Liquidation of these liabilities is made through either the general fund or the utility fund.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### L. LONG-TERM OBLIGATIONS

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

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

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

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

### N. NET POSITION

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

### O. FUND BALANCE

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

The City classified governmental fund balances are as follows:

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### O. 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 are available, unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does have a formal minimum fund balance policy to maintain general fund reserves at a minimum of 17% of general fund operating expenditure appropriations.

| | General Fund | CRA Fund | TOTALS |
|---|---|---|---|
| Nonspendable | $ 27,027 | $ -0- | $ 27,027 |
| Spendable: | | | |
| Restricted: | | | |
| Storm disaster | 7,492 | -0- | 7,492 |
| Law enforcement trust | 30,384 | -0- | 30,384 |
| Police Department | 23,876 | -0- | 23,876 |
| Community Redevelopment activities | -0- | 2,189,520 | 2,189,520 |
| Total Restricted | 61,752 | 2,189,520 | 2,251,272 |
| Committed | -0- | -0- | -0- |
| Assigned | -0- | -0- | -0- |
| Unassigned | 1,913,089 | -0- | 1,913,089 |
| Total Fund Balance | $ 2,001,868 | $ 2,189,520 | $ 4,191,388 |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### P. PROPERTY TAXES

Property taxes are levied on November 1 of each year and are due and payable upon receipt of the notice of levy. The Hardee County, Florida Tax Collector's Office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2022 was 5.5532 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 2022 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 |

### Q. BUDGETARY INFORMATION

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

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

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of an ordinance.

4. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department must be approved by the City Commission. Appropriations lapse at the end of the fiscal year.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, CRA Fund, Electric, Water and Sewer System, and Airport Fund.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Q. BUDGETARY INFORMATION - CONTINUED

6. Budgets for the General Fund, CRA Fund and Enterprise Funds are adopted on the accrual basis.

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

### R. INSURANCE

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

### S. ESTIMATES

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

### T. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

Effective October 1, 2021, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB No. 87), which requires lessees recognize certain lease assets and liabilities for leases that previously were classified as operating leases based on the foundational principle that leases are financings of the right-to-use an underlying asset. Similarly, GASB No. 87, also requires lessors to recognize certain lease assets and deferred inflows of resources for leases meeting the same recognition principles. Accordingly, the City recognized lease interest receivables, lease receivables, right-to-use assets, lease liabilities and lease-related deferred inflows of resources in the Statement of Net Position.

The implementation of this new standard required the initial recognition in the governmental activities of right-to-use assets of $21,097 and a lease liability of $21,097 and in business-type activities right-to-use assets of $224,132 and a lease liability of $224,132 as of October 1, 2021. The implementation of this new standard also required the initial recognition of lease interest receivables of $2,427, lease receivables of $976,559, and lease related deferred inflows of resources of $976,559 in the governmental activities. The adoption of GASB No. 87 had no effect on net position or fund balance, as previously reported.

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – governmental funds and changes in net position of governmental activities as reported in the

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

government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this difference are as follows:

| | |
|---|---|
| Capital additions recorded as expenditures in the general fund | $ 2,140,239 |
| Loss on disposal | (145,550) |
| Depreciation expense | (641,279) |
| | **$ 1,353,410** |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS

### A. CASH AND INVESTMENTS

At year-end, the City's carrying amount of deposits was $12,945,208 and the bank balance was $13,330,839. All deposits were in State Certified Qualified Public Depositories.

### B. RESTRICTED ASSETS

Restricted assets are cash and cash equivalents (all of which are held in Qualified Public Depositories), as provided for by resolutions adopted by the City for the issuance of Revenue Bonds and as designated by the Commission or imposed by the source of proceeds. Restricted assets held at September 30, 2022 included the following:

| | |
|---|---|
| General Fund: | |
| Storm disaster contributions | $ 7,492 |
| Law enforcement trust | 30,384 |
| Police Department | 23,876 |
| ARPA | 1,972,902 |
| **Total General Fund** | **$ 2,034,654** |
| Special Revenue Fund: | |
| Community redevelopment | $ 2,109,575 |
| **Total Special Revenue Fund** | **$ 2,109,575** |
| Utility Fund: | |
| Impact fees | $ 526,383 |
| Debt service | 259,871 |
| Capital improvement | 1,231,715 |
| Rate stabilization | 353,564 |
| Utility deposits | 712,931 |
| **Total Utility Fund** | **$ 3,084,464** |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### C. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 793,086 | $ - | $ (61,434) | $ - | $ 731,652 |
| Construction in progress | 1,687,801 | 1,514,694 | - | - | 3,202,495 |
| Total capital assets, not being depreciated | 2,480,887 | 1,514,694 | (61,434) | - | 3,934,147 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 13,125,916 | 204,517 | (400,712) | - | 12,929,721 |
| Machinery and equipment | 2,173,146 | 421,028 | (124,137) | - | 2,470,037 |
| Total capital assets being depreciated | 15,299,062 | 625,545 | (524,849) | - | 15,399,758 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (7,377,920) | (483,968) | 316,596 | - | (7,545,292) |
| Machinery and equipment | (1,660,566) | (157,311) | 124,137 | - | (1,693,740) |
| Total accumulated depreciation | (9,038,486) | (641,279) | 440,733 | - | (9,239,032) |
| Total capital assets, being depreciated, net | 6,260,576 | (15,734) | (84,116) | - | 6,160,726 |
| Governmental activities capital assets, net | $ 8,741,463 | $ 1,498,960 | $ (145,550) | $ - | $ 10,094,873 |

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

| | |
|---|---|
| General government | $ 179,038 |
| Police department | 76,639 |
| Highways and streets | 250,097 |
| Culture and recreation | 135,505 |
| | $ 641,279 |

Lease activity for governmental activities for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Additions | Modifications and Remeasurements | Subtractions | Ending Balance |
|---|---|---|---|---|---|
| Lease assets | | | | | |
| Equipment | $ - | $ 21,097 | $ - | $ - | $ 21,097 |
| Copiers | - | 4,106 | - | - | 4,106 |
| Total lease assets | - | 25,203 | - | - | 25,203 |
| Less accumulated amortization | | | | | |
| Equipment | - | (7,539) | - | - | (7,539) |
| Copiers | - | (257) | - | - | (257) |
| Total capital assets being depreciated | - | (7,796) | - | - | (7,796) |
| Right-to-use assets | $ - | $ 17,407 | $ - | $ - | $ 17,407 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### C. CAPITAL ASSETS - CONTINUED

Capital asset activity for business-type activities for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,184,493 | $ - | $ - | $ - | $ 1,184,493 |
| Construction in progress | 859,091 | 553,484 | - | - | 1,412,575 |
| Total capital assets, not being depreciated | 2,043,584 | 553,484 | - | - | 2,597,068 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 10,702,971 | - | - | - | 10,702,971 |
| Electrical distribution system | 7,147,865 | 60,470 | (2,230) | - | 7,206,105 |
| Water System improvements | 32,938,412 | 122,201 | - | - | 33,060,613 |
| Machinery and equipment | 7,400,767 | 231,815 | (896,038) | - | 6,736,544 |
| Total capital assets being depreciated | 58,190,015 | 414,486 | (898,268) | - | 57,706,233 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (7,349,693) | (446,673) | - | - | (7,796,366) |
| Electrical distribution system | (5,223,802) | (224,253) | 2,231 | - | (5,445,824) |
| Water System improvements | (21,464,914) | (1,307,045) | - | - | (22,771,959) |
| Machinery and equipment | (4,782,847) | (320,256) | 581,259 | - | (4,521,844) |
| Total accumulated depreciation | (38,821,256) | (2,298,227) | 583,490 | - | (40,535,993) |
| Total capital assets, being depreciated, net | 19,368,759 | (1,883,741) | (314,778) | - | 17,170,240 |
| Business-type activities capital assets, net | 21,412,343 | (1,330,257) | (314,778) | - | 19,767,308 |

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

| Business-Type Activities | |
|---|---|
| Utility Fund | $ 1,755,661 |
| Sanitation | 111,218 |
| Airport | 431,348 |
| | **$ 2,298,227** |

Lease activity for business-type activities for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Additions | Modifications and Remeasurements | Subtractions | Ending Balance |
|---|---|---|---|---|---|
| Lease assets | | | | | |
| Vehicle | $ - | $ 224,132 | $ - | $ - | $ 224,132 |
| Total lease assets | - | 224,132 | - | - | 224,132 |
| Less accumulated amortization | | | | | |
| Vehicle | - | (148,873) | - | - | (148,873) |
| Total capital assets being depreciated | - | (148,873) | - | - | (148,873) |
| Right-to-use assets | $ - | $ 75,259 | $ - | $ - | $ 75,259 |

### D. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to and from accounts represent amounts paid for by one fund on behalf of another. This is due to certain purchases being paid for out of the general fund, which are then reimbursed by the appropriate funds. In addition, the Airport Fund has borrowed monies from the Utility Fund in previous periods for capital improvements.

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

The outstanding balance is $750,000 as of September 30, 2022.

Inter-fund transfers represent payments in lieu of taxes and insurance proceeds received in the general fund, which were then transferred to the appropriate fund. The composition of inter-fund balances as of September 30, 2022 are as follows:

The composition of Inter-fund transfers during the year are as follows:

| | Transfers in: | |
|---|---|---|
| | General | CRA |
| Transfers out: | | |
| General Fund | $ -0- | $ 342,766 |
| Utility | $ 1,305,000 | $ -0- |
| Airport | $ 26,000 | $ -0- |
| Sanitation | $ 401,300 | $ -0- |

### E. LESSOR LEASE AGREEMENTS

The City is engaged in three lease agreements allowing lessees to lease space on City towers or utility poles.

The first lease agreement commenced in January 2012 with an initial lease term of five years with one additional five-year renewal. The lease, which was renewed after the initial lease term expires in December 2023 and monthly rental revenue is $2,253 over the remaining lease periods.

The second lease agreement commenced in April 2018 with an initial lease term of five years with four additional five-year renewals. The lease, including all renewal periods expire in June 2056 and monthly rental revenue ranges from $1,450 to $2,002 over the total lease periods.

The third lease agreement commenced in June 2021 with an initial lease term of five years with six additional five-year renewals. The lease, including all renewal periods expire in June 2056 and monthly rental revenue ranges from $1,450 to $3,354 over the total lease periods.

Lease-related revenue for governmental activities for the year ended September 30, 2022 was as follows:

| | Year Ending September 30, 2022 |
|---|---|
| Lease revenue | |
| Equipment | $ 59,052 |
| Total lease revenue | 59,052 |
| Interest revenue | 28,610 |
| Variable and other revenue | - |
| Total lease-related revenue | $ 87,662 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### E. LESSOR LEASE AGREEMENTS - CONTINUED

Expected future minimum reductions of the lease receivable are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 39,273 | $ 27,550 | $ 66,823 |
| 2024 | 20,249 | 26,554 | 46,803 |
| 2025 | 13,934 | 26,110 | 40,044 |
| 2026 | 15,012 | 25,684 | 40,696 |
| 2027 | 17,461 | 25,193 | 42,654 |
| 2028-2032 | 101,557 | 117,465 | 219,022 |
| 2033-2037 | 137,195 | 99,702 | 236,897 |
| 2038-2042 | 181,154 | 75,999 | 257,153 |
| 2043-2047 | 119,556 | 52,331 | 171,887 |
| 2048-2052 | 148,220 | 33,330 | 181,550 |
| 2053-2057 | 142,580 | 8,349 | 150,929 |
| Total future receipts | $ 936,191 | $ 518,267 | $ 1,454,458 |

### F. LONG-TERM DEBT

#### Governmental Activities - Notes Payable from Direct Borrowings

2017 Dodge Chargers
On January 3, 2017, the City borrowed $135,500 from Wauchula State Bank to finance the purchase of three police vehicles. The note bears interest at 2.80% per annum and required annual payments of $29,447, which includes interest. The note matured in January 2022.

2019 Patrol Cars
On January 7, 2019, the City borrowed $150,000 from First National Bank of Wauchula to finance the purchase of three police vehicles. The note bears interest at 3.99% per annum and required annual payments of $33,700, which includes interest. The note matured in January 2024.

2020 Patrol Cars
On August 19,2020, the City borrowed $150,096 from First National Bank of Wauchula to finance the purchase of three police vehicles. The note bears interest at 3.99% per annum and is due in annual payments of $33,707, which includes interest. The note matures in August 2025 and is secured by the vehicles. At September 30, 2022, the principal balance outstanding was $93,548.

2021 Patrol Cars
On August 31,2021, the City borrowed $100,516 from First National Bank of Wauchula to finance the purchase of two police vehicles. The note bears interest at 3.99% per annum and is due in annual payments of $22,585, which includes interest. The note matures in August 2026 and is secured by the vehicles. At September 30, 2022, the principal balance outstanding was $81,390.

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Governmental Activities - Notes Payable from Direct Borrowings - Future Maturities

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

| Year ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 49,226 | 7,067 | 56,293 |
| 2024 | 51,205 | 5,089 | 56,294 |
| 2025 | 53,252 | 3,030 | 56,282 |
| 2026 | 21,255 | 889 | 22,144 |
| Total | $ 174,938 | $ 16,075 | $ 191,013 |

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

#### Governmental Activities - Lease Liability

The City has entered into various lease agreements as a lessee for financing copiers and equipment.

The first lease agreement commenced in July 2020 for a postage meter with a lease term of five years. The lease expires in June 2026 and requires monthly payments of $168. The lease liability is determined using a discount rate of 4.00%.

The second lease agreement commenced in November 2020 for laptops with a lease term of four years. The lease expires in November 2023 and requires annual payments of $5,842. The lease liability is determined using a discount rate of 7.95%.

The third lease agreement commenced in July 2022 for a copier with a lease term of four years. The lease expires in June 2026 and requires monthly payments of $92. The lease liability is determined using a discount rate of 4.00%.

Lease expense was reported as follows:

| | Year Ending September 30, 2022 |
|---|---|
| Lease expense | |
| Equipment | $ 7,539 |
| Copier | 257 |
| Total amortization expense | 7,796 |
| Interest on lease liabilities | 929 |
| Variable lease expense | - |
| Total lease expense | $ 8,725 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Governmental Activities - Lease Liability - Continued

The maturity schedule is as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 8,044 | $ 928 | $ 8,972 |
| 2024 | 4,136 | 379 | 4,515 |
| 2025 | 2,972 | 157 | 3,129 |
| 2026 | 2,309 | 39 | 2,348 |
| Total future payments | $ 17,461 | $ 1,503 | $ 18,964 |

#### Business-Type Activities - Bonds

Utility Refunding Revenue Bond, Series 2016

On October 3, 2016, the City issued Series 2016 Utility Refunding Revenue Note for $2,732,000. The purpose of the note was to refund the Utility Refunding Revenue Bond, Series 2011 which refunded Utility Revenue Bonds, Series 2001A and Series 2001B. The bond and the interest thereon are payable from and secured by a prior lien and pledge of the net revenues derived by the City from the operation of its combined water, sewer and electric system. Interest on the bond is payable semi-annually at 2.02%. Maturities vary from $202,000 to $254,000 from October 1, 2018 to October 1, 2028. The reacquisition price exceeded the net carrying amount of the old debt by $124,560, which was reported as a deferred outflow of resources and amortized over the life of the new debt. The refunding resulted in a reduction of $166,674 in future debt service costs and an economic gain of $145,519 in net present value savings between the Utility Refunding Revenue Bond, Series 2011 and the Series 2016 Utility Refunding Revenue Note.

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

Future maturities of the revenue bonds are as follows:

| Year ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 225,000 | 33,815 | 258,815 |
| 2024 | 229,000 | 29,270 | 258,270 |
| 2025 | 234,000 | 24,644 | 258,644 |
| 2026 | 239,000 | 19,917 | 258,917 |
| 2027 - 2029 | 747,000 | 30,381 | 777,381 |
| Total | $ 1,674,000 | $ 138,027 | $ 1,812,027 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Business-Type Activities - Notes Payable from Direct Borrowings

State of Florida Department of Environmental Protection Loan WW62419P

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

During 2006 and 2007, the City borrowed $509,883 in accordance with the loan agreement. Payments began in July of 2009 and are due in semi-annual amounts of $21,906 including interest of 0.71% per annum. The total amount outstanding, including capitalized interest, at September 30, 2022 is $177,546.

State of Florida Department of Environmental Protection Loan WW250201

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

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

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

On February 9, 2010, the original agreement was amended to increase project funding to $3,652,106. Of this amount, $2,550,000 is "Principal Forgiveness" by the state and federal governments. The City drew funds under the agreement in 2011, 2012, and 2013. The semi-annual loan payments of $37,966, include interest at 2.82%, 2.57%, and 1.86% for each draw. Payments started on June 15, 2011 and continue until all amounts have been fully paid. The outstanding balance at September 30, 2022 is $575,548. 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, 2022 is $205,248. The City has pledged the revenues of the system for the repayment of the loan.

State of Florida Department of Environmental Protection Loan WW250150

On October 29, 2010 the City entered into a financing agreement with the Florida Department of Environmental Protection for the planning phase of drinking water improvements. The original agreement had project funding of $180,000 of which $75,000 is principal forgiveness by state and federal governments. During 2020, the original agreement was amended to include design activities. Amendment 1 increased the total project funding to $721,600 and total principal forgiveness of $360,800.

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Business-Type Activities - Notes Payable from Direct Borrowings - Continued

State of Florida Department of Environmental Protection Loan WW250150 - Continued

Semi-annual payments of $20,265 (including interest at 1.64%) commence on February 15, 2023, and will continue until the loan is fully repaid in 2031. The outstanding balance at September 30, 2022 is $77,981. The City has pledged the revenues of the system for the repayment of the loan and a loan debt service account is required.

Default Remedies on State of Florida Department of Environmental Protection Loans

Loans by the State of Florida Department Environmental Protection (SRF Revolving Loans) define events of default as failure to make any monthly loan deposits or semi-annual loan payments for a period of 30 days; failure to comply with the loan agreement; bankruptcy or insolvency; or failure to give immediate written notice of default when a default has continued for 30 days. State Revolving Fund loans provide for a number of remedies providing finance-related consequences in an event of default. The Florida Department of Environmental Protection may:

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

#### Business-Type Activities - Notes Payable from Direct Borrowings - Future Maturities

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

| Year ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 118,511 | 21,953 | 140,464 |
| 2024 | 120,927 | 19,437 | 140,364 |
| 2025 | 123,503 | 16,861 | 140,364 |
| 2026 | 126,144 | 14,219 | 140,363 |
| 2027 | 128,849 | 11,515 | 140,364 |
| 2028 - 2031 | 418,389 | 18,835 | 437,224 |
| **Total** | **$ 1,036,323** | **$ 102,820** | **$ 1,139,143** |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Business-Type Activities - Lease Liability

The City has entered into two lease agreements as a lessee for financing vehicles.

The first lease agreement commenced in November 2015 with a lease term of seven years. The lease expires in September 2023 and requires annual payments of $58,568. The lease liability is determined using a discount rate of 2.16%.

The second lease agreement commenced in April 2019 with a lease term of five years. The lease expires in April 2024 and requires annual payments of $37,770. The lease liability is determined using a discount rate of 2.91%.

Lease expense was reported as follows:

| | Year Ending September 30, 2022 |
|---|---|
| Lease expense | |
| Vehicles | $ 148,873 |
| Total amortization expense | 148,873 |
| Interest on lease liabilities | 3,983 |
| Variable lease expense | - |
| Total lease expense | $ 152,856 |

The maturity schedule is as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 92,955 | $ 3,383 | $ 96,338 |
| 2024 | 36,689 | 1,082 | 37,771 |
| Total future payments | $ 129,644 | $ 4,465 | $ 134,109 |

#### Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Notes payable from direct borrowings | | | | | |
| 2017 Dodge Chargers | $ 28,624 | $ - | $ (28,624) | $ - | $ - |
| 2019 Dodge Chargers | 93,525 | - | (93,525) | - | - |
| 2020 Dodge Chargers | 122,371 | - | (28,823) | 93,548 | 29,973 |
| 2021 Patrol Cars | 100,516 | - | (19,126) | 81,390 | 19,253 |
| Total | 345,036 | - | (170,098) | 174,938 | 49,226 |
| Lease liability | - | 25,111 | (7,650) | 17,461 | 8,044 |
| Compensated absences | 295,991 | 215,950 | (205,447) | 306,494 | 246,633 |
| Other post employment benefits | 3,089,916 | 350,216 | (1,068,499) | 2,371,633 | - |
| Governmental activity Long term liabilities | $ 3,730,943 | $ 591,277 | $ (1,451,694) | $ 2,870,526 | $ 303,903 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### F. LONG-TERM DEBT - CONTINUED

#### Changes in Long-Term Liabilities - Continued

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type activities** | | | | | |
| Notes payable from direct borrowings | | | | | |
| SRF Revolving Loan WW62419P | $ 203,440 | $ - | $ (25,894) | $ 177,546 | $ 27,646 |
| SRF Revolving Loan WW250201 | 635,306 | - | (59,758) | 575,548 | 61,210 |
| SRF Revolving Loan WW250200 | 226,554 | - | (21,306) | 205,248 | 22,337 |
| SRF Revolving Loan WW250150 | 77,981 | - | - | 77,981 | 7,318 |
| Total | 1,143,281 | - | (106,958) | 1,036,323 | 118,511 |
| Bonds payable: | | | | | |
| Utility Revenue Bond Refunding Series 2016 | 1,894,000 | - | (220,000) | 1,674,000 | 225,000 |
| Capital leases | 220,471 | - | (220,471) | - | - |
| Lease liability | - | 224,132 | (94,488) | 129,644 | 92,955 |
| Compensated absences | 141,956 | 211,407 | (148,149) | 205,214 | 165,134 |
| Other post employment benefits | 2,732,858 | 182,924 | (558,097) | 2,357,685 | - |
| Business-type activity Long term liabilities | $ 6,132,566 | $ 618,463 | $ (1,348,163) | $ 5,402,866 | $ 601,600 |

## 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, 2021 valuation date membership consisted of:

| | |
|---|---|
| Active | 69 |
| Retirees | 42 |
| Terminated with deferred vested pensions | 14 |
| Total | 125 |

NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Police Pension Trust Fund – (WPPP)

The Plan is a single employer, defined benefit public employee retirement system plan. The City has established a special pension trust fund into which shall be paid all monies received by the City under the provisions of Chapter 185, Florida Statutes. Total contributions to the WPPP in 2021 were $49,032, all of which are from the State. All police employed by the City who have completed one year of continuous service, are qualified as participants in the Police Pension Trust Fund. Participants are entitled to one share in the fund for each full year of service. Participants vest after ten years of service.

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

(a) The Board of Trustees shall pay all costs and expenses of management and operation for the fiscal year.

(b) The Board of Trustees shall set aside as much income as it considers advisable as a reserve for expenses for the then current fiscal year.

(c) After deducting the monies called for by Subsection (a) and (b), the remaining monies shall be allocated and credited to the share accounts of the respective participants.

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

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

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

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

Benefit Provisions-WEPP

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.

## NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Police Pension Trust Fund – (WPPP) – Continued

Benefit Provisions-WEPP - Continued

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 60.

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 final compensation. 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.

Vesting occurs after 6 years of service for general employees and 10 years for police officers. Participants who retire at age 50 or later with at least 6 years of service receive a $100 monthly supplemental life annuity.

Wauchula Employee Pension Plan – (WEPP)

Contribution Information

WEPP members are required to contribute 10% of their annual covered salary. The City is required to contribute the greater of an actuarially determined rate or 10%. Total employer contributions were $228,062 which exceeded required contributions for the year ended September 30, 2022, on covered payroll of $2,999,018.

Plan Investments

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

The plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The City has selected to participate in the FMPTF 60/40 Target Fund. The maximum target asset allocation for equities is 60%. The following was the adopted asset allocation policy as of September 30, 2022:

| Asset Class | Total Allocation |
|---|---|
| Equities | 60% |
| Large Cap | 25% |
| Small Cap | 14% |
| International | 21% |
| Fixed Income | 40% |
| Core Bonds | 15% |
| Core Plus | 15% |
| Core Real Estate | 10% |

## NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Employee Pension Plan – (WEPP) – Continued

Plan Investments - 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, 2022, the asset allocations for the various investment models were as follows:

| Asset Allocation and Model/Percentage | WEPP<br>WPPP<br>60/40 |
|---|---|
| Cash and Money Market | 1.0% |
| FMIvT Broad Market High Quality Bond | 14.9% |
| FMIvT Diversified Large Cap | 22.2% |
| FMIvT Diversified Small to Mid Cap Equity | 14.0% |
| FMIvT Core Real Estate | 16.5% |
| FMIvT International Equity | 16.9% |
| FMIvT Core Plus Fixed Income | 14.5% |
| | 100.0% |

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

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

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

The FMIvT Broad Market High Quality Bond Fund has a weighted average maturity of 6.70 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 8.92 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, 2022 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was -13.21% for the WEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Employee Pension Plan - (WEPP) - Continued

Net Pension Liability (Asset)-WEPP

The components of the net pension liability (asset) of the City at September 30, 2022 were as follows:

| | |
|---|---|
| Total Pension Liability | $ 18,813,800 |
| Less Fiduciary Net Position | (20,073,346) |
| Net Pension Liability (Asset) | $ (1,259,546) |
| Plan Fiduciary Net Position as a Percentage Of Total Pension Liability (Asset) | 106.69% |

| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|---|---|---|---|
| Balance as of September 30, 2021 | $ 18,443,731 | $ (23,503,907) | $ (5,060,176) |
| Change due to: | | | |
| Service cost | 750,905 | - | 750,905 |
| Expected interest growth | 1,311,129 | (1,633,258) | (322,129) |
| Unexpected investment income | - | 4,714,615 | 4,714,615 |
| Demographic experience | (801,206) | - | (801,206) |
| Employer contributions | - | (229,950) | (229,950) |
| Employee contributions | - | (360,424) | (360,424) |
| Benefit payments & refunds | (890,759) | 890,759 | - |
| Administrative expenses | - | 48,819 | 48,819 |
| Changes in benefit terms | - | - | - |
| Assumption changes | - | - | - |
| Balance as of September 30, 2022 | $18,813,800 | $(20,073,346) | $ (1,259,546) |

The Sponsor's net pension liability (asset) was measured as of September 30, 2022.

Actuarial Assumptions-WEPP

The total pension liability, net pension liability (asset), and certain sensitivity information are based on an actuarial valuation performed as of October 1, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2022. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Investment rate of return (2.77% for inflation) | 7.00% |
| Projected salary increases | 5.00% per annum |
| COLA | None assumed |

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

Pre-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees,

## NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Employee Pension Plan - (WEPP) - Continued

Actuarial Assumptions -WEPP - Continued
with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year; post-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year.

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, 2022 are summarized in the following table:

| Long-Term Expected Asset Class | Real Rate of Return |
|---|---|
| Equities | |
| Large Cap | 4.60% |
| Small Cap | 5.50% |
| International | 6.70% |
| Fixed Income | |
| Core Bonds | 1.60% |
| Core Plus | 2.10% |
| Core Real Estate | 5.00% |
| Total or weighted arithmetic average | 4.38% |

Discount Rate

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

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

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

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---|---|---|---|
| Net Pension Liability (Asset) | $ (1,263,072) | $ (1,259,546) | $ (3,332,294) |

NOTE 4 - RETIREMENT PLANS - CONTINUED

Wauchula Employee Pension Plan - (WEPP) - Continued

Changes of Assumptions

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

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

For the year ended September 30, 2022 the City recognized pension expense of 368,563. At September 30, 2022 the City 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, 2021 | $ 2,060,321 | $ (4,368,123) |
| Change due to: | | |
| Amortization payments | (1,355,241) | (1,103,849) |
| Investment gain/loss | 4,714,615 | - |
| Demographic gain/loss | - | 801,206 |
| Assumption changes | - | - |
| Total change | 3,359,374 | (302,643) |
| Balance as of September 30, 2022 | $ 5,419,695 | $ (4,065,480) |

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

| Year ended September 30: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2023 | $ 1,355,243 | $ (1,084,803) |
| 2024 | $ 1,292,975 | $ (1,084,803) |
| 2025 | $ 1,192,008 | $ (974,726) |
| 2026 | $ 1,188,487 | $ (432,435) |
| 2027 | $ 245,564 | $ (310,065) |
| Thereafter | $ 415,418 | $ (178,648) |

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, 2022.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

| | Employee Pension Fund | Police Pension Fund | OPEB Trust Fund | Total |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ - | $ 72 | $ - | $ 72 |
| Investments | 20,073,346 | 3,001,386 | 583,690 | 23,658,422 |
| Receivable - Employer | 7,765 | - | 6,987 | 14,752 |
| Receivable - Employee | 19,248 | - | - | 19,248 |
| Total Assets | $ 20,100,359 | $ 3,001,458 | $ 590,677 | $ 23,692,494 |

NOTE 4 - RETIREMENT PLANS - CONTINUED

NET POSITION

| | | | | |
|---|---|---|---|---|
| Held in trust for pension benefits | $ 20,100,359 | $ 3,001,458 | $ - | $ 23,101,817 |
| Restricted for OPEB Benefits | - | - | 590,677 | 590,677 |
| Total Net Position | $ 20,100,359 | $ 3,001,458 | $ 590,677 | $ 23,692,494 |

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

| | Employee Pension Fund | Police Pension Fund | OPEB Trust Fund | Total |
|---|---|---|---|---|
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer | $ 228,062 | $ - | $ 132,329 | $ 360,391 |
| Plan members | 364,817 | - | - | 364,817 |
| Other income | 83 | 49,032 | - | 49,115 |
| Total Contributions | 592,962 | 49,032 | $ 132,329 | 774,323 |
| Investment earnings: | | | | |
| Net change in the fair value of investments | (3,081,356) | (474,744) | (87,011) | (3,643,111) |
| Total Additions | (2,488,394) | (425,712) | 45,318 | (2,868,788) |
| DEDUCTIONS | | | | |
| Pension benefits paid | 890,842 | 635,806 | - | 1,526,648 |
| OPEB refunds | - | - | 114,129 | 114,129 |
| Administrative expenses | 48,819 | 8,558 | 8,651 | 66,028 |
| Total Deductions | 939,661 | 644,364 | 122,780 | 1,706,805 |
| Change in net position | (3,428,055) | (1,070,076) | (77,462) | (4,575,593) |
| Net Position - beginning | 23,528,414 | 4,071,534 | 668,139 | 28,268,087 |
| Net Position - ending | $ 20,100,359 | $ 3,001,458 | $ 590,677 | $ 23,692,494 |

Fair Value Measurements

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

| | September 30, 2022 | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments by fair value level: | | | | |
| Mutual Funds/Short-Term Investments | $ 231,915 | $ 231,915 | $ - | $ - |
| FMIvT Broad Market High Quality Bond | 3,554,873 | - | 3,554,873 | - |
| FMIvT Core Plus Fixed Income | 3,458,488 | - | - | 3,458,488 |
| FMIvT Diversified Large Cap | 5,237,577 | - | 5,237,577 | - |
| FMIvT Diversified Small to Mid Cap | 3,292,334 | - | 3,292,334 | - |
| FMIvT International Equity | 3,985,432 | - | 3,985,432 | - |
| FMIvT Core Real Estate | 3,897,803 | - | - | 3,897,803 |
| Total Investments | $ 23,658,422 | $ 231,915 | $ 16,070,216 | $ 7,356,291 |

## NOTE 4 - RETIREMENT PLANS - CONTINUED

Fair Value Measurements - Continued

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

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

## NOTE 5 - OTHER POST-EMPLOYEMENT BENEFIT PLAN

### Plan Description

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

Employees hired prior to January 1, 1999:

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

Employees hired after January 1, 1999:

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

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

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

## NOTE 5 - OTHER POST-EMPLOYEMENT BENEFIT PLAN - CONTINUED

Plan Membership – At September 30, 2022, membership in the Plan consisted of the following:

| | |
|---|---|
| Current Retirees | 36 |
| Active Employees | 74 |
| | 110 |

Contributions – Through 2015, the City's OPEB benefits were unfunded. Effective October 1, 2015, the City established an Other Post-Employment Benefit Trust (Trust) of which the assets are held with the Florida Municipal Pension Trust (FMPT). Annual contributions to the OPEB Trust are not required and are determined annually by the City Commissioners. During the year ended September 30, 2022, the City contributed $132,329 to the OPEB Trust. For the year ended September 30, 2022, the City's average contribution rate was 4.07 percent of covered-employee payroll of $3215,689. Plan members are not required to contribute to the Plan.

### Investments

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

The City has selected to participate in the FMPTF OPEB 50/50 Fund. The following was the adopted asset allocation policy as of September 30, 2022:

| Asset Class | Total Allocation |
|---|---|
| Equities | 50% |
| Large Cap | 29% |
| Small Cap | 8% |
| International | 13% |
| Fixed Income | 50% |
| Core Bonds | 20% |
| Core Plus | 20% |
| Core Real Estate | 10% |

As of September 30, 2022, the asset allocations for the various investment models were as follows:

| Asset Allocation and Model/Percentage | OPEB 50/50 |
|---|---|
| Cash and Money Market | 0.2% |
| FMIvT Broad Market High Quality Bond | 20.0% |
| FMIvT Core Plus Fixed Income | 19.3% |
| FMIvT Diversified Large Cap | 19.7% |
| FMIvT Diversified Small to Mid Cap Equity | 10.6% |
| FMIvT International Equity | 14.7% |
| FMIvT Core Real Estate | 15.5% |
| | 100.0% |

## NOTE 5 - OTHER POST-EMPLOYEMENT BENEFIT PLAN - CONTINUED

There were no changes in the investment policy during the year ended September 30, 2022. For all other investment disclosures, including fair value and risk, see Note 4.

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

Rate of Return – For the year ended September 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.33 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Receivables

As of September 30, 2022, the Plan did not have any receivables.

### Allocated Insurance Contracts

As of September 30, 2022, the Plan did not have any allocated insurance contracts.

### Reserves

As of September 30, 2022, the Plan did not have any reserves.

### Net OPEB Liability

The components of the net OPEB liability of the City at September 30, 2022, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 5,313,008 |
| Plan fiduciary net position | (583,690) |
| City's net OPEB liability | **$ 4,729,318** |

| | |
|---|---|
| Plan fiduciary net position as a percentage of the total OPEB liability | 10.99% |

The City's net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2021.

Actuarial Assumptions –The total OPEB liability was determined by an actuarial valuation as of October 1, 2021 in which the individual entry age normal cost method was used. The actuarial valuation's determination of the OPEB liability, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate: 4.82% per annum; this rate was used to discount all future benefit payments and is based on a blend of the expected long-term return on assets (for benefits payments during the first six years after the valuation date) and a yield on 20-year Grade AA/Aa or higher municipal bonds of 4.77% per annum (for benefit payments beyond the first six years after the valuation date); the expected long-term return on assets was determined by the Asset Consulting Group and the municipal bond yield is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

## NOTE 5 - OTHER POST-EMPLOYMENT BENEFIT PLAN - CONTINUED

### Net OPEB Liability - Continued

- Expected Long-Term Return on Assets: 6.50% per annum (2.62% per annum is attributable to long-term inflation).
- Salary Increases: 3.00% per annum.
- Cost-of-Living Increases: Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.
- Healthcare Cost Trend Rates: Increases in healthcare costs are assumed to be 8.00% for the 2021-22 fiscal year graded down by 0.50% per year to 5.00% for the 2027-28 and later fiscal years.
- Age-Related Morbidity: Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
- Mortality basis: Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020.
- Retirement: 10% of eligible general employees are assumed to retire at each of ages 55 through 59 and 100% of eligible general employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately.
- Disability: Assumed disability uses age and gender based rates; general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55.
- Employment Termination: Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% at age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35, to 0.00% at age 45.
- Coverage Election: 25% of eligible employees are assumed to elect medical coverage under the City's health insurance plan for life upon retirement or disability and 80% of those electing coverage are also assumed to elect coverage for their spouse.
- Spouses and Dependents: Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
- COBRA: Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
- Changes in Implied Monthly Subsidy: The implied monthly subsidy at age 60 for the 2021-22 fiscal year was changed from $428.00 to $425.00 for the retiree and from $535.00 to $550.00 for the retiree's spouse.
- Changes in Assumptions: Since the prior measurement date, the discount rate was increased from 2.53% per annum to 4.82% per annum and the healthcare cost trend rates were increased from 6.50% for the 2021-22 fiscal year graded down to 5.00% for the 2024/25 and later fiscal years.

## NOTE 5 - OTHER POST-EMPLOYMENT BENEFIT PLAN - CONTINUED

### Net OPEB Liability - Continued

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2022 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.82 percent (increased from 2.53% in the prior year). The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Balance as of September 30, 2021 | $ 6,485,421 | $ (662,647) | $ 5,822,774 |
| Changes due to: | | | |
| Service cost | 72,366 | - | 72,366 |
| Expected interest growth | 310,942 | (32,131) | 278,811 |
| Unexpected investment income | - | 119,142 | 119,142 |
| Differences between expected and actual experience | 54,170 | - | 54,170 |
| Employer contributions | - | (130,834) | (130,834) |
| Employee contributions | - | - | - |
| Benefit payments & refunds | (114,129) | 114,129 | - |
| Administrative expenses | - | 8,651 | 8,651 |
| Changes in benefit terms | - | - | - |
| Assumption changes | (1,495,762) | - | (1,495,762) |
| Balance as of September 30, 2022 | $ 5,313,008 | $ (583,690) | $ 4,729,318 |

## NOTE 5 - OTHER POST-EMPLOYMENT BENEFIT PLAN - CONTINUED

### Net OPEB Liability - Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.82 percent) or 1-percentage-point higher (5.82 percent) than the current discount rate:

| | 1% Decrease 3.82% | Current Discount Rate 4.82% | 1% Increase 5.82% |
|---|---|---|---|
| Net OPEB liability | $ 5,464,977 | $ 4,729,318 | $ 4,126,884 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 7.0 percent) than the current healthcare cost trend rates:

| | 1% Decrease | Current Discount 8.00% graded down to 5.00% | 1% Increase |
|---|---|---|---|
| Net OPEB liability | $ 4,115,936 | $ 4,729,318 | $ 5,470,045 |

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

### Payable to the OPEB Plan

At September 30, 2022, the City did not have any outstanding contributions payable to the Plan required for the year ended September 30, 2022.

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

For the year ended September 30, 2022, the City recognized OPEB expense of $276,887. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Balance as of September 30, 2021 | $ 1,776,544 | $ (1,142,850) |
| Change due to: | | |
| Amortization payments | (338,839) | (421,780) |
| Investment gain/loss | 119,142 | - |
| Demographic gain/loss | 54,170 | - |
| Assumption changes | - | 1,495,762 |
| Total change | (165,527) | 1,073,982 |
| Balance as of September 30, 2022 | $ 1,611,017 | $ (2,216,832) |

## NOTE 5 - OTHER POST-EMPLOYMENT BENEFIT PLAN - CONTINUED

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

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

| Year ended September 30: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2023 | $ 338,298 | $ (421,782) |
| 2024 | $ 338,297 | $ (419,777) |
| 2025 | $ 338,227 | $ (419,776) |
| 2026 | $ 338,229 | $ (403,745) |
| 2027 | $ 245,686 | $ (299,584) |
| Thereafter | $ 12,280 | $ (252,168) |

## NOTE 6 - CONTINGENCIES

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

## NOTE 7 - COMMITMENTS

The City has entered into long term construction contracts for the completion of various projects. The total commitment at September 30, 2022 is approximately $813,000 of which most is expected to be funded by grant awards the City has received.

# REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 1,429,218 | $ 1,429,218 | $ 1,438,821 | $ 9,603 |
| Charges for services | 151,727 | 151,727 | 180,699 | 28,972 |
| Fines and forfeitures | 45,550 | 45,550 | 26,106 | (19,444) |
| Intergovernmental revenue | 814,000 | 814,000 | 1,072,981 | 258,981 |
| Interest | 1,940 | 1,940 | 3,415 | 1,475 |
| Licenses and permits | 12,000 | 12,000 | 10,891 | (1,109) |
| Grant revenue | 50,150 | 3,772,848 | 1,819,279 | (1,953,569) |
| Miscellaneous revenues | 31,000 | 31,000 | 54,521 | 23,521 |
| **Total Revenues** | 2,535,585 | 6,258,283 | 4,606,713 | (1,651,570) |
| **Expenditures** | | | | |
| General government | 1,516,230 | 3,915,520 | 1,625,646 | 2,289,874 |
| Police department | 1,567,017 | 1,607,785 | 1,664,426 | (56,641) |
| Highways and streets | 257,637 | 257,637 | 229,852 | 27,785 |
| Culture/recreation | 388,323 | 388,323 | 375,586 | 12,737 |
| Capital outlay | 303,500 | 1,586,140 | 1,742,392 | (156,252) |
| Debt service | 240,779 | 240,779 | 183,226 | 57,553 |
| Total expenditures | 4,273,486 | 7,996,184 | 5,821,128 | 2,175,056 |
| **Excess of revenues over (under) expenditures** | (1,737,901) | (1,737,901) | (1,214,415) | 523,486 |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from sales of assets | - | - | 76,048 | 76,048 |
| Proceeds from issuance of debt | - | - | - | - |
| Transfers In | 2,068,600 | 2,068,600 | 1,732,300 | (336,300) |
| Transfers Out | (330,699) | (330,699) | (342,766) | (12,067) |
| Total Other Financing Sources (Uses) | 1,737,901 | 1,737,901 | 1,465,582 | (272,319) |
| Net Change in Fund Balances | - | - | 251,167 | 251,167 |
| **Fund Balance - October 1, 2021** | 1,750,701 | 1,750,701 | 1,750,701 | - |
| **Fund Balance - September 30, 2022** | **$ 1,750,701** | **$ 1,750,701** | **$ 2,001,868** | **$ 251,167** |

**Note 1 - Budgetary Basis**
The general fund budget is adopted on a basis consistent with generally accepted accounting principles.

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 492,032 | $ 543,232 | $ 543,172 | $ (60) |
| Interest | 700 | 700 | 3,838 | 3,138 |
| Grant revenue | 1,054,500 | 1,313,251 | 942,384 | (370,867) |
| Miscellaneous revenues | 41,850 | 41,850 | 227,000 | 185,150 |
| Total Revenues | 1,589,082 | 1,899,033 | 1,716,394 | (182,639) |
| **EXPENDITURES** | | | | |
| General government | 787,596 | 787,596 | 377,234 | 410,362 |
| Capital outlay | 1,626,187 | 1,936,138 | 397,847 | 1,538,291 |
| Total Expenditures | 2,413,783 | 2,723,734 | 775,081 | 1,948,653 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (824,701) | (824,701) | 941,313 | 1,766,014 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sales of assets | 150,000 | 150,000 | - | (150,000) |
| Transfers in | 674,701 | 674,701 | 342,766 | (331,935) |
| Total Other Financing Sources (Uses) | 824,701 | 824,701 | 342,766 | (481,935) |
| Net change in Fund Balances | - | - | 1,284,079 | 1,284,079 |
| **FUND BALANCE - October 1, 2021** | 905,441 | 905,441 | 905,441 | - |
| **FUND BALANCE - September 30, 2022** | **$ 905,441** | **$ 905,441** | **$ 2,189,520** | **$ 1,284,079** |

Note 1 - Budgetary Basis
The special revenue fund budget is adopted on a basis consistent with generally accepted accounting principles.

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Total pension liability | | | | | | | | | |
| Service cost | $ 430,765 | $ 397,481 | $ 632,364 | $ 644,200 | $ 685,722 | $ 716,988 | $ 695,964 | $ 734,403 | $ 750,905 |
| Expected interest growth | 1,006,348 | 1,189,323 | 823,513 | 1,024,605 | 1,074,934 | 1,116,945 | 1,201,329 | 1,257,637 | 1,311,129 |
| Demographic gain/loss | – | (1,115,993) | (580,470) | (856,549) | (339,093) | (115,371) | (265,122) | 110,449 | (801,206) |
| Employee contributions | – | – | – | – | – | – | – | – | – |
| Benefit payments, including refunds | (710,097) | (846,093) | (929,139) | (849,400) | (814,712) | (903,232) | (844,451) | (1,030,634) | (890,759) |
| Administrative expenses | – | – | – | – | – | – | – | – | – |
| Changes in benefit terms | – | – | – | – | – | 406,441 | – | – | – |
| Assumption changes | – | (1,180,305) | 2,906,292 | 707,505 | – | – | – | (326,442) | – |
| Net change in total pension liability | 727,016 | (1,555,587) | 2,852,560 | 670,361 | 606,851 | 1,221,771 | 787,720 | 745,413 | 370,069 |
| Total pension liability – Beginning | 12,387,626 | 13,114,642 | 11,559,055 | 14,411,615 | 15,081,976 | 15,688,827 | 16,910,598 | 17,698,318 | 18,443,731 |
| Total pension liability – Ending (a) | $ 13,114,642 | $ 11,559,055 | $ 14,411,615 | $ 15,081,976 | $ 15,688,827 | $ 16,910,598 | $ 17,698,318 | $ 18,443,731 | $ 18,813,800 |
| Plan fiduciary net position | | | | | | | | | |
| Contributions – Employer | 256,383 | 262,201 | 13,515 | 277,978 | 208,949 | 133,519 | 4,783 | 155,637 | 229,950 |
| Contributions – Employee | 256,383 | 262,201 | 271,126 | – | 293,056 | 304,838 | 322,149 | 328,953 | 360,424 |
| Investment Income | 1,326,542 | 21,493 | 1,283,244 | 2,169,961 | 1,344,711 | 1,001,891 | 1,263,532 | 3,890,857 | (3,081,357) |
| Benefit payments, including refunds of employee contributions | (816,267) | (1,108,162) | (929,139) | (849,400) | (814,712) | (903,232) | (844,451) | (1,030,634) | (890,759) |
| Administrative expense | (30,160) | (47,753) | (49,123) | (41,040) | (48,967) | (43,798) | (42,731) | (47,839) | (48,819) |
| Net change in plan fiduciary net position | 992,881 | (610,020) | 589,623 | 1,557,499 | 983,037 | 493,218 | 703,282 | 3,296,974 | (3,430,561) |
| Plan fiduciary net position – Beginning | 15,497,413 | 16,490,294 | 15,880,274 | 16,469,897 | 18,027,396 | 19,010,433 | 19,503,651 | 20,206,933 | 23,503,907 |
| Plan fiduciary net position – Ending (b) | $ 16,490,294 | $ 15,880,274 | $ 16,469,897 | $ 18,027,396 | $ 19,010,433 | $ 19,503,651 | $ 20,206,933 | $ 23,503,907 | $ 20,073,346 |
| Net pension liability (asset) – Ending (a) – (b) | $ (3,375,652) | $ (4,321,219) | $ (2,058,282) | $ (2,945,420) | $ (3,321,606) | $ (2,593,053) | $ (2,508,615) | $ (5,060,176) | $ (1,259,546) |
| Plan fiduciary net position as a percentage of the total pension liability | 125.74% | 137.38% | 114.28% | 119.53% | 121.17% | 115.33% | 114.17% | 127.44% | 106.69% |
| Covered employee payroll | $ 2,232,223 | $ 2,483,561 | $ 2,590,078 | $ 2,537,297 | $ 2,685,252 | $ 2,817,015 | $ 2,775,343 | $ 2,944,531 | $ 2,999,018 |
| Net pension liability as a percentage of covered employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 124,441 | $ 136,396 | $ 144,844 | $ 195,961 | $ 198,198 | $ 94,657 | $ 133,084 | $ 160,430 | $ 152,963 | $ - |
| Contributions in relation to the actuarially determined contributions | 308,530 | 256,383 | 262,201 | 13,515 | - | 208,949 | 133,519 | 4,783 | 155,637 | 229,950 |
| Contribution deficiency (excess) | $ 184,089 | $ 119,987 | $ 117,357 | $ (182,446) | $ (198,198) | $ 114,292 | $ 435 | $ (155,647) | $ 2,674 | $ 229,950 |
| Covered employee payroll | 2,232,223 | 2,232,223 | 2,483,561 | 2,590,078 | 2,537,297 | 2,685,252 | 2,817,015 | 2,775,343 | 2,944,531 | 2,999,018 |
| Contributions as a percentage of covered employee payroll | 13.82% | 11.49% | 10.56% | 0.52% | 0.00% | 7.78% | 4.74% | 0.17% | 5.29% | 7.67% |

| | |
|---|---|
| Employers reporting date: | September 30, 2022 |
| Measurement date: | September 30, 2022 |
| Valuation Date: | October 1, 2021 |

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

Actuarial assumptions

| | |
|---|---|
| Discount rate: | 7.00% per annum (2.62% 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: | Pre-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year; post-retirement mortality is based on the sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year. |
| 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 of assumptions: | There were no changes of assumptions since the prior measurement date. |

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

## SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

| Year Ended | PERCENTAGE |
|---|---|
| 09/30/22 | -13.21% |
| 09/30/21 | 19.54% |
| 09/30/20 | 6.57% |
| 09/30/19 | 5.34% |
| 09/30/18 | 7.53% |
| 09/30/17 | 13.42% |
| 09/30/16 | 8.26% |
| 09/30/15 | 0.13% |
| 09/30/14 | 8.65% |
| 09/30/13 | 12.02% |

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

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

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Total OPEB liability | | | | | | |
| Service cost | $ 89,281 | $ 91,285 | $ 76,135 | $ 100,915 | $ 109,968 | $ 72,366 |
| Interest | 158,996 | 191,473 | 157,853 | 126,785 | 167,555 | 310,942 |
| Changes of benefit terms | - | - | - | - | - | - |
| Differences between expected and actual experience | - | (871,543) | 951,050 | 193,790 | (414,919) | 54,170 |
| Changes of assumptions | - | (349,655) | (39,687) | 1,187,996 | 147,769 | (1,495,762) |
| Benefit payments | (122,410) | - | (120,565) | (125,871) | (129,990) | (114,129) |
| Net change in total OPEB liability | 125,867 | (938,440) | 1,024,786 | 1,483,615 | (119,617) | (1,172,413) |
| Total OPEB liability - Beginning | 4,909,210 | 5,035,077 | 4,096,637 | 5,121,423 | 6,605,038 | 6,485,421 |
| Total OPEB liability - Ending | **$ 5,035,077** | **$ 4,096,637** | **$ 5,121,423** | **$ 6,605,038** | **$ 6,485,421** | **$ 5,313,008** |
| Plan fiduciary net position | | | | | | |
| Contributions - Employer | $ 155,734 | $ 84,107 | $ 171,258 | $ 181,903 | $ 121,775 | $ 130,834 |
| Interest | 15,006 | 23,975 | 17,409 | 34,101 | 14,564 | 32,131 |
| Net investment income | 9,152 | (2,713) | 10,017 | (354) | 80,159 | (119,142) |
| Benefit payments | - | - | (120,565) | (125,871) | (129,990) | (114,129) |
| Administrative expense | (6,445) | (6,869) | (6,949) | (7,017) | (7,133) | (8,651) |
| Net change in plan fiduciary net position | 173,447 | 98,500 | 71,170 | 82,762 | 79,375 | (78,957) |
| Plan fiduciary net position - Beginning | 157,393 | 330,840 | 429,340 | 500,510 | 583,272 | 662,647 |
| Plan fiduciary net position - Ending | **$ 330,840** | **$ 429,340** | **$ 500,510** | **$ 583,272** | **$ 662,647** | **$ 583,690** |
| City's net OPEB liability | **$ 4,704,237** | **$ 3,667,297** | **$ 4,620,913** | **$ 6,021,766** | **$ 5,822,774** | **$ 4,729,318** |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.57% | 10.48% | 9.77% | 8.83% | 10.22% | 10.99% |
| Covered-employee payroll | $ 2,537,297 | $ 2,685,252 | $ 3,136,162 | $ 2,973,961 | $ 3,038,830 | $ 3,125,689 |
| City's net OPEB liability as a percentage of covered-employee payroll | 185.40% | 136.57% | 147.34% | 202.48% | 191.61% | 151.30% |

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

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

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 155,734 | $ 84,107 | $ 171,258 | $ 181,903 | $ 121,775 | $ 130,834 |
| Contributions in relation to the actuarially determined contribution | 155,734 | 84,107 | 171,258 | 181,903 | 121,775 | 130,834 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 2,537,297 | $ 2,685,252 | $ 3,136,162 | $ 2,973,961 | $ 3,038,830 | $ 3,215,689 |
| Contributions as a percentage of covered-employee payroll | 6.14% | 3.13% | 5.46% | 6.12% | 4.01% | 4.07% |

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

Notes to Schedule:
Valuation Date: October 1, 2021
Measurement Date: September 30, 2022

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Discount rate | 4.82% per annum |
| Expected long-term return on assets | 6.50% per annum (2.62% attributable to long-term inflation) |
| Salary increases | 3.00% per annum |
| Inflation | Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates |
| Healthcare cost trend rates | Increases in healthcare costs are assumed to be 8.00% for the 2021/22 fiscal year graded down by 0.50% per year to 5.00% for the 2027/28 and later fiscal years |
| Age-related morbidity | Healthcare costs are assumed to increase at the rate of 3.50% for each year of age |
| Mortality | Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020 |
| Retirement | 10% of eligible general employees are assumed to retire at each ages of 55 through 59 and 100% of eligible general employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately |
| Disability | Assumed disability uses age and gender based rates: general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55 |
| Employment termination | Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% as age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35 to 0.00% at age 45 |
| Changes in assumptions | Since the prior measurement date, the discount rate was increased from 2.53% per annum to 4.82% per annum; and the healthcare cost trend rates were increased from 6.50% for the 2021/22 fiscal year graded down to 5.00% for the 2024/25 and later fiscal years |
| Changes in implied monthly subsidy | The implied monthly subsidy at age 60 for the 2021/22 fiscal year was changed from $428.00 to $425.00 for the retiree and from $535.00 to $550.00 for the retiree 's spouse |

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

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 9.90% | 5.59% | 4.43% | 5.15% | 14.08% | -15.33% |

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

# OTHER SUPPLEMENTARY INFORMATION

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| Grantor / Pass-Through Grantor / State Project | CSFA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Expenditures |
|---|---|---|---|---|
| **STATE PROJECTS** | | | | |
| **Florida Department of Transportation** | | | | |
| Small County Outreach Program (SCOP) | 55.009 | G1U87 | $ - | $ 57,075 |
| Small County Outreach Program (SCOP) | 55.009 | GOZ04 | - | 1,225,565 |
| Small County Outreach Program (SCOP) | 55.009 | G2858 | - | 590 |
| Total County Outreach Program (SCOP) | | | - | 1,283,230 |
| Total Florida Department of Transportation | | | - | 1,283,230 |
| **Florida Department of Economic Opportunity** | | | | |
| Regional Community Development and Infrastructure | 40.042 | D0176 | - | 39,900 |
| Total Florida Department of Economic Opportunity | | | - | 39,900 |
| **Total Expenditures of State Financial Assistance** | | | $ - | $ 1,323,130 |

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

## NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Wauchula, Florida (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the City's operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are recognized following the cost principles contained in Chapter 10.550 Rules of the Auditor General wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## NOTE C - CONTINGENCIES

Grant monies received and distributed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such allowances, if any, would have a material effect on the financial position of the City. As of May 19, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

CITY OF WAUCHULA, FLORIDA
DETAIL SCHEDULE OF REVENUES AND EXPENSES
ELECTRIC, WATER AND SEWER SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | ELECTRIC | WATER | SEWER | TOTAL |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Charges for services and fees | $ 8,373,634 | $ 1,164,445 | $ 2,366,437 | $ 11,904,516 |
| Total Operating Revenues | 8,373,634 | 1,164,445 | 2,366,437 | 11,904,516 |
| Operating Expenses: | | | | |
| Personal services | 1,234,542 | 516,407 | 685,132 | 2,436,081 |
| Other operating expenses | 719,095 | 362,786 | 471,546 | 1,553,427 |
| Purchased power | 5,146,521 | - | - | 5,146,521 |
| Amortization | 74,437 | 37,218 | 37,218 | 148,873 |
| Depreciation | 877,831 | 438,915 | 438,915 | 1,755,661 |
| Total Operating Expenses | 8,052,426 | 1,355,326 | 1,632,811 | 11,040,563 |
| Operating Income (Loss) | 321,208 | (190,881) | 733,626 | 863,953 |
| Non-operating Revenues (Expenses): | | | | |
| Capital grants and contributions | 46,481 | 182,645 | 5,080 | 234,206 |
| Interest income | - | - | 11,929 | 11,929 |
| Interest expense | (4,012) | (1,596) | (68,215) | (73,823) |
| Other income (expense) | (124,820) | (62,410) | (21,803) | (209,033) |
| Total Non-operating Revenue (Expenses) | (82,351) | 118,639 | (73,009) | (36,721) |
| Income (loss) before transfers | 238,857 | (72,242) | 660,617 | 827,232 |
| Transfers out | (652,500) | (326,250) | (326,250) | (1,305,000) |
| Change in Net Position | $ (413,643) | $ (398,492) | $ 334,367 | $ (477,768) |

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

| INSURANCE COMPANY/GROUP<br>DESCRIPTION OF COVERAGE | LIMITS OF COVERAGE |
|---|---|
| World Risk Management, LLC | Per occurrence: |
| General liability | $ 2,000,000 |
| Personal/Advertising Injury | $ 2,000,000 |
| Law enforcement | $ 2,000,000 |
| Public officials and errors and omissions Liability | $ 2,000,000/$6,000,000 (member aggregate) |
| Auto liability | $ 2,000,000 |
| Workers' compensation | Florida statutory limits |
| Property | Based on valuation with a limit of $47,138,000 |
| Employee Benefits Liability | $ 2,000,000 |
| Money and securities | $ 500,000 |
| Forgery/Alteration | $ 500,000 |
| Employee dishonesty | $ 500,000 |
| Sexual misconduct | $ 2,000,000/$ 3,000,000 (member aggregate) |
| Sexual harassment | $ 2,000,000/$ 6,000,000 (member aggregate) |
| Inverse Condemnation – Per Claim | $ 100,000/$ 100,000 (member aggregate) |
| Bert Harris Act – Per Claim | $ 300,000/$ 300,000 (member aggregate) |
| Non-Monetary Damages – Per Claim | $ 100,000/$ 100,000 (member aggregate) |
| Cyber Liability | $ 1,000,000/$ 1,000,000 (member aggregate)<br>$ 10,000,000 (pool annual aggregate) |
| Terrorism & Sabotage | $ 25,000,000 |
| Active Shooter & Malicious Attack | $ 2,000,000 (occurrence and pool annual aggregate) |

Policy Period: For all coverage's listed above, the policy period is October 1, 2021 to October 1, 2022.

# 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 CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2023.

### Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 or significant deficiencies may exist that have not been identified.



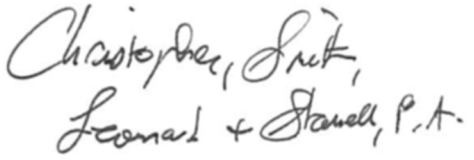
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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 & STANELL, P.A.

May 19, 2023
Bradenton, Florida

## 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

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

### Report on Compliance for Each Major State Project

#### *Opinion on Each Major State Project*

We have audited City of Wauchula, Florida's (City) compliance with the types of compliance requirements identified as subject to audit in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2022. 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.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2022.

#### *Basis for Opinion on Each Major State Project*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's state projects.

#### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists.



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The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state projects as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

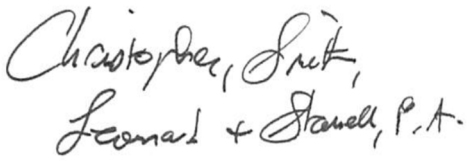
## Report on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 & STANELL, P.A.

May 19, 2023
Bradenton, Florida

## Section I – Summary of Auditors' Results

**Financial Statements**

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements were Prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ___ yes __x__ no |
| Significant deficiency(ies) identified? | ___ yes __x__ none reported |
| Noncompliance material to financial statements noted? | ___ yes __x__ no |

**State Financial Assistance**

| | |
|---|---|
| Internal control over major State projects: | |
| Material weakness(es) identified? | ___ yes __x__ no |
| Significant deficiency(ies) identified? | ___ yes __x__ none reported |
| Type of auditor's report issued on compliance for major State projects: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General? | ___ yes __x__ no |

| **Identification of Major State Projects:** | **CSFA Number** |
|---|---|
| Small County Outreach Program (SCOP) | 55.009 |
| Dollar threshold used to distinguish between Type A and Type B projects: | $396,939 |

## Section II – Financial Statement Findings

No matters were reported.

## PRIOR YEAR FINDINGS

There were no prior audit findings.

## Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

## Section IV – Findings and Questioned Costs for State Projects

No matters were reported.

## PRIOR YEAR FINDINGS

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

# MANAGEMENT LETTER

To the Honorable City Commission
City of Wauchula, Florida

## Report on the Financial Statements

We have audited the financial statements of the City of Wauchula, Florida (City) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 19, 2023.

## 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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 19, 2023, should be considered in conjunction with this management letter.

## Prior Audit Findings

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

## Official Title and Legal Authority

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



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## Financial Condition and Management

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

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

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

## Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## Specific Information for a Dependent Special District

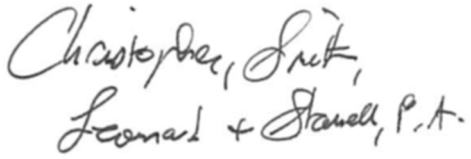
Information required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General is reported in the City of Wauchula Community Redevelopment Agency's audited financial statements.

## Additional Matters

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

## Purpose of this Letter

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



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

May 19, 2023
Bradenton, Florida

## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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

We have examined the City of Wauchula, Florida's (City's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the City complied, in all material respects, with the specified requirements for the year ended September 30, 2022.

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 & Stanell, P.A.

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

May 19, 2023
Bradenton, Florida



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