

CITY OF WAUCHULA, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2021

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

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**CITY OF WAUCHULA, FLORIDA
OFFICIALS**

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

September 30, 2021

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida (City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauchula, Florida as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; supplemental schedules of changes in net pension liability and related ratios, contributions, notes to required supplementary information, annual money-weighted rate of return on investments; supplemental schedules of changes in the City's net other post-employment benefit liability and related ratios, contributions, and investment returns; included on pages 3-9, 55-56, 57-60, and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

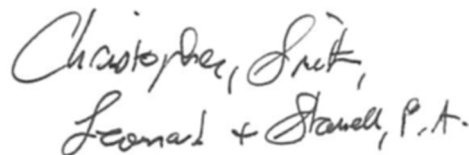
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wauchula, Florida's basic financial statements. The other supplemental information on pages 64-65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information 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 26, 2022, on our consideration of the City of Wauchula, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

May 26, 2022
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, 2021. 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 \$33,777,028 (net position).
- The government's total net position increased by \$1,006,062 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 \$5,822,774, which decreased \$198,992 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, 2021, the trust fund balance was \$668,139.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,656,142, an increase of \$663,667 in comparison with the prior year. Of this amount, unassigned fund balance represents \$1,669,807.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

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

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

The basic governmental fund financial statements, including reconciliations, can be found on pages 12 through 15 of this report.

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

The basic proprietary fund financial statements can be found on pages 16 through 19 of this report.

Fiduciary Funds

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

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

The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

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

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

Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2021 with comparative totals as of September 30, 2020.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 5,571,952	\$ 3,545,527	\$ 12,283,971	\$ 10,172,229	\$ 17,855,923	\$ 13,717,756
Capital assets (net of depreciation)	<u>8,741,463</u>	<u>8,872,614</u>	<u>21,412,343</u>	<u>21,467,330</u>	<u>30,153,806</u>	<u>30,339,944</u>
Total assets	14,313,415	12,418,141	33,696,314	31,639,559	48,009,729	44,057,700
Deferred outflows of resources	<u>2,036,073</u>	<u>2,259,298</u>	<u>1,873,452</u>	<u>2,122,154</u>	<u>3,909,525</u>	<u>4,381,452</u>
Long-term liabilities outstanding						
Debt	345,036	328,905	3,257,752	3,841,276	3,602,788	4,170,181
Compensated absences	295,991	303,688	141,956	165,508	437,947	469,196
OPEB liability	<u>3,089,916</u>	<u>3,165,113</u>	<u>2,732,858</u>	<u>2,856,653</u>	<u>5,822,774</u>	<u>6,021,766</u>
	3,730,943	3,797,706	6,132,566	6,863,437	9,863,509	10,661,143
Other liabilities	<u>207,870</u>	<u>219,878</u>	<u>2,559,874</u>	<u>1,179,147</u>	<u>2,767,744</u>	<u>1,399,025</u>
Total liabilities	3,938,813	4,017,584	8,692,440	8,042,584	12,631,253	12,060,168
Deferred inflows of resources	2,924,455	1,896,419	2,586,518	1,711,599	5,510,973	3,608,018
Net position:						
Net investment in capital assets	8,396,427	8,543,709	18,227,251	17,709,094	26,623,678	26,252,803
Restricted	966,704	532,511	2,014,655	2,044,427	2,981,359	2,576,938
Unrestricted	<u>123,089</u>	<u>(312,784)</u>	<u>4,048,902</u>	<u>4,254,009</u>	<u>4,171,991</u>	<u>3,941,225</u>
Total net position	<u>\$ 9,486,220</u>	<u>\$ 8,763,436</u>	<u>\$ 24,290,808</u>	<u>\$ 24,007,530</u>	<u>\$ 33,777,028</u>	<u>\$ 32,770,966</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,777,028 at the close of September 30, 2021.

The City's net position include net investment in capital assets of \$26,623,678, which reflect its capital assets (e.g., land, buildings and improvements in infrastructure, machinery, and equipment), net of depreciation, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$2,981,359, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* is \$4,171,991.

The following is a summary of the changes in net position for the year ended September 30, 2021, with comparative totals for the year ended September 30, 2020.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 253,015	\$ 265,301	\$ 11,968,511	\$ 11,249,983	\$ 12,221,526	\$ 11,515,284
Operating grants and contributions	124,634	79,242	20,212	5,042	144,846	84,284
Capital grants and contributions	423,814	414,137	453,203	301,940	877,017	716,077
General revenues:						
Taxes	2,751,291	2,501,849	-0-	-0-	2,751,291	2,501,849
Transfers	1,701,422	1,542,422	(1,701,422)	(1,542,422)	-0-	-0-
Other	97,114	51,654	65,918	131,447	163,032	183,101
Total revenues	<u>5,351,290</u>	<u>4,854,605</u>	<u>10,806,422</u>	<u>10,145,990</u>	<u>16,157,712</u>	<u>15,000,595</u>
Expenses:						
General government	2,015,777	1,685,400	-0-	-0-	2,015,777	1,685,400
Police department	1,632,816	1,659,883	-0-	-0-	1,632,816	1,659,883
Highways and streets	440,247	452,241	-0-	-0-	440,247	452,241
Culture and recreation	527,102	548,851	-0-	-0-	527,102	548,851
Interest on long-term debt	12,564	10,273	-0-	-0-	12,564	10,273
Water	-0-	-0-	1,258,475	1,287,672	1,258,475	1,287,672
Sewer	-0-	-0-	1,543,603	1,516,264	1,543,603	1,516,264
Electric	-0-	-0-	6,219,740	5,859,752	6,219,740	5,859,752
Airport	-0-	-0-	724,223	658,568	724,223	658,568
Sanitation	-0-	-0-	777,103	629,390	777,103	629,390
Total expenses	<u>4,628,506</u>	<u>4,356,648</u>	<u>10,523,144</u>	<u>9,951,646</u>	<u>15,151,650</u>	<u>14,308,294</u>
Change in Net Position	722,784	497,957	283,278	194,344	1,006,062	692,301
Net Position - Beginning	<u>8,763,436</u>	<u>8,265,479</u>	<u>24,007,530</u>	<u>23,813,186</u>	<u>32,770,966</u>	<u>32,078,665</u>
Net Position - Ending	<u>\$ 9,486,220</u>	<u>\$ 8,763,436</u>	<u>\$ 24,290,808</u>	<u>\$ 24,007,530</u>	<u>\$ 33,777,028</u>	<u>\$ 32,770,966</u>

Governmental activities: Governmental activities increased the City's net position by \$722,784. Compared to the prior year, revenues increased \$496,685, primarily due to increases in taxes of \$249,442 and transfers in from business-type activities of \$159,000. Expenses increased over the prior year by \$271,858 due largely from grant reimbursed expenses related to downtown development in the CRA area.

Business-type activities. Business-type activities increased the City's net position by \$283,278. Revenues increased by \$660,432. While charges for services increased by \$718,528 and operating and capital grants and contributions increased \$166,443, as noted above, transfers to governmental activities offset those increases by \$159,000. The increase in charges for services were largely due to increased electricity sales that increased \$432,761 over prior year. Expenses increased by \$571,498 compared to the prior year. The increase was largely due to increased purchased power needs which increased the expense by \$359,988.

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 \$1,750,701, an increase of \$227,364 in comparison with the prior year. \$1,669,807 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 decreased by \$56,035 as a result of an decrease in grants of \$282,589 partially offset by increases in taxes of \$72,226 and intergovernmental revenues of \$133,725.
- The general fund expenditures decreased by \$113,812 due mainly to decreases in capital outlay largely related to grants of \$366,091, offset by increases in general government expenditures of \$80,990 and police expenditures of \$174,922.

As of the end of the current fiscal year, the City's special revenue fund (CRA) reported an ending fund balance of \$905,441, an increase of \$436,303 from the prior year. All of the fund balance is restricted to activities of the Community Redevelopment Agency. Total revenues increased \$569,132 as a result of an increase in grants of \$352,274 and taxes of \$94,088. Expenditures increased \$167,809 due to grant reimbursed 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 \$28,268,084, which is an increase from the prior year of \$4,078,814. This was mainly due to contributions and market results exceeding benefit payments and expenses. For more information on these plans see Note 4 and 5.

Governmental Fund Budgetary Highlights

General Fund

The original budgeted revenues were \$2,423,173, which were amended to \$2,491,173. The original budgeted expenditures were \$4,115,278, which were amended to \$4,183,278. Total other financing sources (uses) were budgeted at \$1,692,105 and were not amended.

Actual revenues exceeded budgeted revenues by \$181,338. Actual expenditures were less than budget by \$220,468 due to general government expenditures being less than anticipated by \$169,308, offset by police expenditures in excess of budget by \$75,900. Actual other financing sources were \$174,442 less than budgeted.

Special Revenue Fund

The original budgeted revenues of the CRA, including transfers from the City of Wauchula, Florida, were \$2,452,410 and were amended during the year to \$2,652,410. Original budgeted expenditures were also \$2,452,410 and were amended during the year to \$2,652,410. Actual revenues were under budget by \$999,361 due to grant revenues that were not realized in the current year. Actual expenditures were less than budgeted by \$1,693,788 due mainly to less general government and capital outlay expenditures than expected. Transfers in/out were less than the original and final budget by \$258,124.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental-type and business-type activities as of September 30, 2021, amounted to \$30,153,806 (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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 793,086	\$ 934,468	\$ 1,184,493	\$ 1,184,493	\$ 1,977,579	\$ 2,118,961
Building and improvements	5,747,996	4,182,512	3,353,278	3,803,599	9,101,274	7,986,111
Electrical distribution system	-0-	-0-	1,924,063	755,903	1,924,063	755,903
Water system improvements	-0-	-0-	11,473,498	12,208,614	11,473,498	12,208,614
Machinery and equipment	512,580	412,983	2,617,920	2,538,650	3,130,500	2,951,633
Construction in progress	<u>1,687,801</u>	<u>3,342,651</u>	<u>859,091</u>	<u>976,071</u>	<u>2,546,892</u>	<u>4,318,722</u>
Total	<u>\$ 8,741,463</u>	<u>\$ 8,872,614</u>	<u>\$ 21,412,343</u>	<u>\$ 21,467,330</u>	<u>\$ 30,153,806</u>	<u>\$ 30,339,944</u>

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

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,602,788. The City's debt represents bonds and revenue notes secured solely by specified revenue sources, as well as notes payable and capital lease obligations.

Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Bonds payable (net of deferred charges)	\$ -0-	\$ -0-	\$ 1,894,000	\$ 2,110,000	\$ 1,894,000	\$ 2,110,000
Notes payable	345,036	328,905	1,143,281	1,422,198	1,488,317	1,751,103
Capital leases	-0-	-0-	<u>220,471</u>	<u>309,078</u>	<u>220,471</u>	<u>309,078</u>
Total	<u>\$ 345,036</u>	<u>\$ 328,905</u>	<u>\$ 3,257,752</u>	<u>\$ 3,841,276</u>	<u>\$ 3,602,788</u>	<u>\$ 4,170,181</u>

During the year, the City obtained a note to purchase police vehicles.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City of Wauchula's budget for the 2022 fiscal year:

- The City of Wauchula experienced an increase in taxable assessed values of over 6%. This increase in property values is estimated to generate \$48,000 in additional revenue.
- The property tax millage rate will remain 5.5532 mills in 2022.
- 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, 2022 are \$19,202,072. The total budget for the previous fiscal year end September 30, 2021 was \$20,042,216. The transfer amount to the general fund increased by \$31,000 for the budget year 2021-22. 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, 2021 at \$134,055,402 by \$8,784,326 to \$142,839,728 in fiscal year ended September 30, 2022.

Pension and OPEB (Other Post-Employment Benefits)

Both General Employee and Police Pension Funds experienced an increase in portfolio balances at fiscal year-end September 30, 2021. 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 \$119,970 to the OPEB trust in fiscal year 2020-2021. During fiscal year 2019-2020 the City began using the funds in the OPEB trust to pay retiree benefits. The total disbursed for 2020-2021 fiscal year was \$129,990. Including gains and the prior year balance, the OPEB trust has a funded balance of \$668,139.

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 6.38% for fiscal year 2022. 3.62% 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, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
ASSETS			
Cash and cash equivalents	\$ 1,715,948	\$ 4,456,550	\$ 6,172,498
Receivables, net	109,006	1,678,956	1,787,962
Due from other governments	162,868	194,820	357,688
Internal balances	(41,628)	41,628	-
Inventory	19,631	496,608	516,239
Restricted assets:			
Cash	920,892	3,040,468	3,961,360
Net pension assets	2,685,235	2,374,941	5,060,176
Capital assets (net of accumulated depreciation)			
Land	793,086	1,184,493	1,977,579
Buildings and improvements	5,747,996	3,353,278	9,101,274
Electrical distribution system	-	1,924,063	1,924,063
Water system improvements	-	11,473,498	11,473,498
Machinery and equipment	512,580	2,617,920	3,130,500
Construction in progress	1,687,801	859,091	2,546,892
Total Assets	<u>14,313,415</u>	<u>33,696,314</u>	<u>48,009,729</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of pension resources	1,093,331	966,990	2,060,321
Deferred outflows related to OPEB	942,742	833,802	1,776,544
Deferred charge on refunding of debt	-	72,660	72,660
Total Deferred Outflows of Resources	<u>2,036,073</u>	<u>1,873,452</u>	<u>3,909,525</u>
LIABILITIES			
Accounts payable and other current liabilities	207,870	309,220	517,090
Accrued interest	-	26,298	26,298
Rate stabilization funds	-	353,564	353,564
Unearned revenue	-	1,198,543	1,198,543
Liabilities payable from restricted assets	-	672,249	672,249
Noncurrent liabilities:			
Due within one year	309,851	523,436	833,287
Due in more than one year	3,421,092	5,609,130	9,030,222
Total Liabilities	<u>3,938,813</u>	<u>8,692,440</u>	<u>12,631,253</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	2,317,990	2,050,133	4,368,123
Deferred inflows related to OPEB	606,465	536,385	1,142,850
Total Deferred Inflows of Resources	<u>2,924,455</u>	<u>2,586,518</u>	<u>5,510,973</u>
NET POSITION			
Net investment in capital assets	8,396,427	18,227,251	26,623,678
Restricted	966,704	2,014,655	2,981,359
Unrestricted	123,089	4,048,902	4,171,991
Total Net Position	<u>\$ 9,486,220</u>	<u>\$ 24,290,808</u>	<u>\$ 33,777,028</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,015,777	\$ 60,349	\$ 3,810	\$ -
Police department	1,632,816	44,201	86,400	-
Highways and streets	440,247	125,760	34,424	-
Culture and recreation	527,102	22,705	-	423,814
Interest on long-term debt	12,564	-	-	-
Total Governmental activities	<u>4,628,506</u>	<u>253,015</u>	<u>124,634</u>	<u>423,814</u>
Business-type activities:				
Electric	6,219,740	7,034,646	10,106	-
Water	1,258,475	1,098,712	5,053	149,224
Sewer	1,543,603	2,269,469	5,053	-
Airport	724,223	292,580	-	303,979
Sanitation	777,103	1,273,104	-	-
Total Business-type activities	<u>10,523,144</u>	<u>11,968,511</u>	<u>20,212</u>	<u>453,203</u>
Total government	<u>\$ 15,151,650</u>	<u>\$ 12,221,526</u>	<u>\$ 144,846</u>	<u>\$ 877,017</u>

General revenues:

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

Net Position – beginning

Net Position – ending

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

<u>Governmental Activities</u>	<u>Business –type Activities</u>	<u>Total</u>
\$ (1,951,618)	\$ –	\$ (1,951,618)
(1,502,215)	–	(1,502,215)
(280,063)	–	(280,063)
(80,583)	–	(80,583)
(12,564)	–	(12,564)
<u>(3,827,043)</u>	<u>–</u>	<u>(3,827,043)</u>
–	825,012	825,012
–	(5,486)	(5,486)
–	730,919	730,919
–	(127,664)	(127,664)
–	496,001	496,001
–	<u>1,918,782</u>	<u>1,918,782</u>
<u>(3,827,043)</u>	<u>1,918,782</u>	<u>(1,908,261)</u>
720,500	–	720,500
548,998	–	548,998
116,563	–	116,563
492,032	–	492,032
422,680	–	422,680
187,956	–	187,956
262,562	–	262,562
3,108	9,493	12,601
94,006	56,425	150,431
<u>2,848,405</u>	<u>65,918</u>	<u>2,914,323</u>
<u>1,701,422</u>	<u>(1,701,422)</u>	<u>–</u>
<u>4,549,827</u>	<u>(1,635,504)</u>	<u>2,914,323</u>
722,784	283,278	1,006,062
8,763,436	24,007,530	32,770,966
<u>\$ 9,486,220</u>	<u>\$ 24,290,808</u>	<u>\$ 33,777,028</u>

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

CITY OF WAUCHULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,715,948	\$ -	\$ 1,715,948
Accounts receivables (net of allowance)	36,740	1,278	38,018
Other receivables	21,484	49,504	70,988
Due from other governmental units	131,755	31,113	162,868
Inventory	19,631	-	19,631
Restricted Assets:			
Cash and cash equivalents	61,263	859,629	920,892
Total assets	<u>\$ 1,986,821</u>	<u>\$ 941,524</u>	<u>\$ 2,928,345</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 111,415	\$ 10,492	\$ 121,907
Accrued expenses	83,077	2,886	85,963
Due to other funds	41,628	-	41,628
Total liabilities	<u>236,120</u>	<u>13,378</u>	<u>249,498</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>-</u>	<u>22,705</u>	<u>22,705</u>
FUND BALANCES:			
Nonspendable	19,631	-	19,631
Spendable:			
Restricted	61,263	905,441	966,704
Unassigned	1,669,807	-	1,669,807
Total fund balances	<u>1,750,701</u>	<u>905,441</u>	<u>2,656,142</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,986,821</u>	<u>\$ 941,524</u>	<u>\$ 2,928,345</u>

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

CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

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

Fund Balance – Governmental Fund	\$	2,656,142
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,741,463
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.		(3,730,943)
Long term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. This amount represents net pension assets.		2,685,235
Deferred outflows of resources related to the pension plan do not utilize current financial resources and, therefore are not reported in the funds.		1,093,331
Deferred inflows of resources related to the pension plan are not available current financial resources and, therefore are not reported in the funds.		(2,317,990)
Deferred outflows of resources related to the OPEB plan do not utilize current financial resources and, therefore are not reported in the funds.		942,742
Deferred inflows of resources related to the OPEB plan are not available current financial resources and, therefore are not reported in the funds.		(606,465)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>9,486,220</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,386,061	\$ 493,532	\$ 1,879,593
Charges for services	154,468	-	154,468
Fines and forfeitures	30,559	-	30,559
Intergovernmental revenue	873,198	-	873,198
Interest	2,049	1,059	3,108
Licenses and permits	10,968	-	10,968
Grant revenue	144,674	403,774	548,448
Miscellaneous revenues	70,534	43,904	114,438
Total Revenues	<u>2,672,511</u>	<u>942,269</u>	<u>3,614,780</u>
Expenditures:			
Current:			
General government	1,300,552	619,356	1,919,908
Police department	1,635,154	-	1,635,154
Highways and streets	241,118	-	241,118
Culture/recreation	405,945	-	405,945
Capital outlay	283,092	339,266	622,358
Debt service:			
Principal retirement	84,385	-	84,385
Interest	12,564	-	12,564
Total Expenditures	<u>3,962,810</u>	<u>958,622</u>	<u>4,921,432</u>
Excess (deficiency) of Revenues (Under) Over Expenditures	(1,290,299)	(16,353)	(1,306,652)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	26,086	142,295	168,381
Loan proceeds	100,516	-	100,516
Transfers in	1,701,422	310,361	2,011,783
Transfers out	(310,361)	-	(310,361)
Total Other Financing Sources (Uses)	<u>1,517,663</u>	<u>452,656</u>	<u>1,970,319</u>
Net Change in Fund Balances	227,364	436,303	663,667
FUND BALANCE – Beginning	<u>1,523,337</u>	<u>469,138</u>	<u>1,992,475</u>
FUND BALANCE – Ending	<u><u>\$ 1,750,701</u></u>	<u><u>\$ 905,441</u></u>	<u><u>\$ 2,656,142</u></u>

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

**CITY OF WAUCHULA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

Net changes in fund balance – total governmental fund	\$	663,667
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year additions to depreciation and loss on disposal exceeded capital expenditures.		(131,151)
The repayment of principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.		84,385
Debt proceeds from the issuance of new debt are recorded in the general fund as an other financing source. However, the transaction has no effect on net position.		(100,516)
Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in unavailable revenue.		8,089
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.		(152,899)
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.		343,512
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences.		<u>7,697</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>722,784</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,534,381	\$ 240,408	\$ 681,761	\$ 4,456,550
Receivables (net of allowance)	1,502,142	1,305	175,509	1,678,956
Due from other governments	184,503	10,317	-	194,820
Due from other funds	791,628	-	-	791,628
Inventory	454,014	13,079	29,515	496,608
Total current assets	<u>6,466,668</u>	<u>265,109</u>	<u>886,785</u>	<u>7,618,562</u>
Noncurrent Assets:				
Restricted:				
Cash and cash equivalents	3,040,468	-	-	3,040,468
Total restricted assets	<u>3,040,468</u>	<u>-</u>	<u>-</u>	<u>3,040,468</u>
Net Pension Asset	2,030,011	-	344,930	2,374,941
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	7,147,865	-	-	7,147,865
Water and sewer system Improvements	32,938,412	-	-	32,938,412
Machinery and equipment	5,832,166	510,278	1,058,323	7,400,767
Construction in progress	564,854	294,237	-	859,091
Less accumulated depreciation	<u>(31,412,551)</u>	<u>(6,882,581)</u>	<u>(526,124)</u>	<u>(38,821,256)</u>
Total capital assets (net)	<u>16,304,479</u>	<u>4,575,665</u>	<u>532,199</u>	<u>21,412,343</u>
Total noncurrent assets	<u>21,374,958</u>	<u>4,575,665</u>	<u>877,129</u>	<u>26,827,752</u>
TOTAL ASSETS	<u>27,841,626</u>	<u>4,840,774</u>	<u>1,763,914</u>	<u>34,446,314</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of pension resources	826,547	-	140,443	966,990
Deferred outflows related to OPEB	712,703	-	121,099	833,802
Deferred charge on refunding of debt	72,660	-	-	72,660
	<u>1,611,910</u>	<u>-</u>	<u>261,542</u>	<u>1,873,452</u>
LIABILITIES				
Current liabilities:				
Accounts payable	161,394	1,709	30,562	193,665
Accrued expense	95,537	12,643	7,375	115,555
Compensated absences	83,971	-	13,836	97,807
Unearned revenue	1,198,543	-	-	1,198,543
Due to other funds	-	750,000	-	750,000
Rate stabilization funds	353,564	-	-	353,564
Total current liabilities	<u>1,893,009</u>	<u>764,352</u>	<u>51,773</u>	<u>2,709,134</u>
Current liabilities payable from restricted assets:				
Accrued interest payable	26,298	-	-	26,298
Customer deposits	672,249	-	-	672,249
Long-term debt payable – current	425,629	-	-	425,629
Total current liabilities payable from restricted assets	<u>1,124,176</u>	<u>-</u>	<u>-</u>	<u>1,124,176</u>
Noncurrent liabilities:				
Compensated absences	37,903	-	6,246	44,149
Net other post-employment benefits liability	2,335,945	-	396,913	2,732,858
Long-term debt payable	2,832,123	-	-	2,832,123
Total noncurrent liabilities	<u>5,205,971</u>	<u>-</u>	<u>403,159</u>	<u>5,609,130</u>
TOTAL LIABILITIES	<u>8,223,156</u>	<u>764,352</u>	<u>454,932</u>	<u>9,442,440</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of pension earnings	1,752,377	-	297,756	2,050,133
Deferred inflows related to OPEB	458,482	-	77,903	536,385
	<u>2,210,859</u>	<u>-</u>	<u>375,659</u>	<u>2,586,518</u>
NET POSITION				
Net investment in capital assets	13,119,387	4,575,665	532,199	18,227,251
Restricted	2,014,655	-	-	2,014,655
Unrestricted	3,885,479	(499,243)	662,666	4,048,902
TOTAL NET POSITION	<u>\$ 19,019,521</u>	<u>\$ 4,076,422</u>	<u>\$ 1,194,865</u>	<u>\$ 24,290,808</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
Operating Revenues:				
Charges for services and fees				
Electric sales	\$ 7,034,646	\$ -	\$ -	\$ 7,034,646
Water sales	1,098,712	-	-	1,098,712
Sewer sales	2,269,469	-	-	2,269,469
Airport fuel	-	172,763	-	172,763
Hanger rental	-	119,817	-	119,817
Sanitation	-	-	1,273,104	1,273,104
Total Operating Revenues	10,402,827	292,580	1,273,104	11,968,511
Operating Expenses:				
Cost of sales and services				
Personal services	1,876,555	-	198,302	2,074,857
Other operating expenses	1,547,192	270,899	420,720	2,238,811
Purchased power	3,724,423	-	-	3,724,423
Depreciation	1,788,776	453,324	154,278	2,396,378
Total Operating Expenses	8,936,946	724,223	773,300	10,434,469
Operating Income (Loss)	1,465,881	(431,643)	499,804	1,534,042
Non-Operating Revenues (Expenses)				
Capital grants and contributions	169,436	303,979	-	473,415
Interest income	7,962	263	1,268	9,493
Interest expense	(84,872)	-	(3,803)	(88,675)
Gain on disposal of capital assets	25,435	-	-	25,435
Other income (expense)	30,990	-	-	30,990
Total Non-Operating Items	148,951	304,242	(2,535)	450,658
Income (Loss) Before Transfers	1,614,832	(127,401)	497,269	1,984,700
Transfers				
Transfers in	-	-	-	-
Transfers out	(1,360,422)	(26,000)	(315,000)	(1,701,422)
Net Transfers	(1,360,422)	(26,000)	(315,000)	(1,701,422)
Change in Net Position	254,410	(153,401)	182,269	283,278
Net Position – Beginning	18,765,111	4,229,823	1,012,596	24,007,530
Net Position – Ending	\$ 19,019,521	\$ 4,076,422	\$ 1,194,865	\$ 24,290,808

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, 2021

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 10,447,694	\$ 292,295	\$ 1,266,962	\$ 12,006,951
Payments to suppliers	(5,024,161)	(281,593)	(430,853)	(5,736,607)
Payments to employees	(2,060,045)	-	(233,802)	(2,293,847)
Net cash provided (used) by operating activities	3,363,488	10,702	602,307	3,976,497
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances (to) from other funds	20,822	-	-	20,822
Subsidy from other governments	1,249,745	43,000	-	1,292,745
Transfers in (out)	(1,360,422)	(26,000)	(315,000)	(1,701,422)
Net cash provided (used) by noncapital financing activities	(89,855)	17,000	(315,000)	(387,855)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payment of interest	(75,354)	-	(3,803)	(79,157)
Payment of debt principal	(409,129)	-	(174,395)	(583,524)
Capital grants proceeds received	44,148	-	-	44,148
Proceeds from sales of capital assets	25,435	-	-	25,435
Capital expenditures	(1,921,416)	-	(158,996)	(2,080,412)
Net cash provided (used) by capital and related financing activities	(2,336,316)	-	(337,194)	(2,673,510)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	7,962	263	1,268	9,493
Net cash provided (used) by investing activities	7,962	263	1,268	9,493
Net increase (decrease) in cash and cash equivalents	945,279	27,965	(48,619)	924,625
Cash and cash equivalents at beginning of year	5,629,570	212,443	730,380	6,572,393
Cash and cash equivalents at end of year	\$ 6,574,849	\$ 240,408	681,761	\$ 7,497,018
Cash and cash equivalents	\$ 3,534,381	\$ 240,408	\$ 681,761	\$ 4,456,550
Restricted:				
Cash and cash equivalents	3,040,468	-	-	3,040,468
	\$ 6,574,849	\$ 240,408	681,761	\$ 7,497,018

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, 2021

	Business – Type Activities			Total Enterprise Funds
	Utility	Airport	Sanitation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ 1,465,881	\$ (431,643)	\$ 499,804	\$ 1,534,042
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,788,776	453,324	154,278	2,396,378
Non cash pension expense	(248,606)	-	(34,990)	(283,596)
Non cash OPEB expense	89,783	-	(1,625)	88,158
(Increase) decrease in assets:				
Accounts receivable	7,659	(285)	(6,142)	1,232
Inventory	553	3,164	(11,706)	(7,989)
Prepaid expenses	88,778	-	-	88,778
Increase (decrease) in liabilities:				
Accounts payable	136,254	(10,155)	1,369	127,468
Accrued expenses	21,869	(3,703)	204	18,370
Customer deposits	37,208	-	-	37,208
Compensated absences	(24,667)	-	1,115	(23,552)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,363,488</u>	<u>\$ 10,702</u>	<u>\$ 602,307</u>	<u>\$ 3,976,497</u>

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

CITY OF WAUCHULA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

	Pension Trust Funds
ASSETS	
Cash	\$ 72
Investments	28,238,013
Employer receivables	15,145
Employee receivables	14,854
TOTAL ASSETS	28,268,084
 NET POSITION	
Held in trust for pension benefits	27,599,945
Restricted for post-employment benefits other than pension	668,139
	\$ 28,268,084

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, 2021

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 284,166
Plan members	331,218
Other income	48,829
Total Contributions	<u>664,213</u>
 Investment earnings:	
Net increase in the fair value of investments	4,638,721
Total Investment Earnings	<u>4,638,721</u>
Total Additions	5,302,934
 DEDUCTIONS	
Pension benefits paid	1,030,634
OPEB refunds	129,990
Administrative expenses	63,496
Total Deductions	<u>1,224,120</u>
Change in Net Position	4,078,814
Net Position – Beginning	<u>24,189,270</u>
Net Position – Ending	<u><u>\$ 28,268,084</u></u>

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

**CITY OF WAUCHULA, FLORIDA
NOTES TO 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.

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

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.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

The City reports the following fund types:

Governmental Funds

General Fund

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

Special Revenue Fund

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

Proprietary Funds

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

Utility Fund

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

Sanitation Fund

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

Airport Fund

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

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fiduciary Funds

Trust Funds

Trust funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include pension 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.

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, 2021, 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. FAIR VALUE – CONTINUED

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

The three categories within the hierarchy are as follows:

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

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

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

F. CASH AND CASH EQUIVALENTS

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

G. INVENTORIES

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

H. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type 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, 2021 the reserve for bad debts in the general fund was \$4,888, the utility fund was \$126,871, the airport fund was \$2,282 and the sanitation fund was \$22,340.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. CAPITAL ASSETS

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

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

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

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

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. COMPENSATED ABSENCES

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

L. LONG-TERM OBLIGATIONS

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

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

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. FUND BALANCE – CONTINUED

The City classified governmental fund balances are as follows:

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

Spendable Fund Balance:

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

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

	General Fund	CRA Fund	TOTALS
Nonspendable	\$ 19,631	\$ -0-	\$ 19,631
Spendable:			
Restricted:			
Storm disaster	7,489	-0-	7,489
Law enforcement trust	31,990	-0-	31,990
Police Department	21,784	-0-	21,784
Community Redevelopment activities	-0-	905,441	905,441
Total Restricted	61,263	905,441	966,704
Committed	-0-	-0-	-0-
Assigned	-0-	-0-	-0-
Unassigned	1,669,807	-0-	1,669,807
Total Fund Balance	\$ 1,750,701	\$ 905,441	\$ 2,656,142

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

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, 2021 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 2021 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.

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

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.

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

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

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

Notes payable	\$ 345,036
Compensated absences	295,991
Other postemployment benefits	<u>3,089,916</u>
	<u>\$ 3,730,943</u>

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 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.”

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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

The details of this difference are as follows:

Capital additions recorded as expenditures in the general fund	\$ 622,359
Loss on disposal	(141,382)
Depreciation expense	<u>(612,128)</u>
	<u>\$ 131,151</u>

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At year-end, the City's carrying amount of deposits was \$10,133,858 and the bank balance was \$10,730,229. 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, 2021 included the following:

General Fund:	
Storm disaster contributions	\$ 7,489
Law enforcement trust	31,990
Police Department	<u>21,784</u>
Total General Fund	<u>\$ 61,263</u>
Special Revenue Fund:	
Community redevelopment	\$ 859,629
Total Special Revenue Fund	<u>\$ 859,629</u>
Utility Fund:	
Impact fees	\$ 525,595
Debt service	259,314
Capital improvement	1,229,746
Rate stabilization	353,564
Utility deposits	<u>672,249</u>
Total Utility Fund	<u>\$ 3,040,468</u>

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 934,468	\$ -0-	\$(141,382)	\$ -0-	\$ 793,086
Construction in progress	<u>3,342,651</u>	<u>351,884</u>	<u>-0-</u>	<u>(2,006,734)</u>	<u>1,687,801</u>
Total capital assets, not being depreciated	<u>4,277,119</u>	<u>351,884</u>	<u>(141,382)</u>	<u>(2,006,734)</u>	<u>2,480,887</u>
Capital assets, being depreciated:					
Buildings and improvements	11,112,682	6,500	-0-	2,006,734	13,125,916
Machinery and equipment	<u>2,047,886</u>	<u>263,975</u>	<u>(138,715)</u>	<u>-0-</u>	<u>2,173,146</u>
Total capital assets being depreciated	<u>13,160,568</u>	<u>270,475</u>	<u>(138,715)</u>	<u>-0-</u>	<u>15,299,062</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,930,170)	(447,750)	-0-	-0-	(7,377,920)
Machinery and equipment	<u>(1,634,903)</u>	<u>(164,378)</u>	<u>138,715</u>	<u>-0-</u>	<u>(1,660,566)</u>
Total accumulated depreciation	<u>(8,565,073)</u>	<u>(612,128)</u>	<u>138,715</u>	<u>-0-</u>	<u>(9,038,486)</u>
Total capital assets being depreciated, net	<u>4,595,495</u>	<u>(341,653)</u>	<u>-0-</u>	<u>2,006,734</u>	<u>6,260,575</u>
Governmental activities capital assets, net	<u>\$ 8,872,614</u>	<u>\$ 10,231</u>	<u>\$ (141,382)</u>	<u>\$ -0-</u>	<u>\$ 8,741,463</u>

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

General government	\$ 151,035
Police department	97,875
Highways and streets	210,007
Culture and recreation	<u>153,211</u>
	<u>\$ 612,128</u>

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

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, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,184,493	\$ -0-	\$ -0-	\$ -0-	\$ 1,184,493
Construction in progress					
	<u>976,071</u>	<u>565,096</u>	<u>-0-</u>	<u>(682,076)</u>	<u>859,091</u>
Total capital assets, not being depreciated	<u>2,160,564</u>	<u>565,096</u>	<u>-0-</u>	<u>(682,076)</u>	<u>2,043,584</u>
Capital assets, being depreciated:					
Buildings and improvements	10,702,971	-0-	-0-	-0-	10,702,971
Electrical distribution system	5,839,159	1,200,035	-0-	108,674	7,147,865
Water system improvements	32,287,791	77,216	-0-	573,405	32,938,412
Machinery and equipment	<u>6,953,805</u>	<u>508,315</u>	<u>(61,353)</u>	<u>-0-</u>	<u>7,400,767</u>
Total capital assets being depreciated	<u>55,783,726</u>	<u>1,785,566</u>	<u>(61,353)</u>	<u>682,076</u>	<u>58,190,015</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,899,372)	(450,321)	-0-	-0-	(7,349,693)
Electrical distribution system	(5,083,256)	(140,546)	-0-	-0-	(5,223,802)
Water system improvements	(20,079,177)	(1,385,737)	-0-	-0-	(21,464,914)
Machinery and equipment	<u>(4,415,155)</u>	<u>(419,774)</u>	<u>52,082</u>	<u>-0-</u>	<u>(4,782,847)</u>
Total accumulated depreciation	<u>(36,476,960)</u>	<u>(2,396,378)</u>	<u>52,082</u>	<u>-0-</u>	<u>(38,821,256)</u>
Total capital assets being depreciated, net	<u>19,306,766</u>	<u>(610,812)</u>	<u>(9,271)</u>	<u>682,076</u>	<u>19,368,759</u>
Business-type activities capital assets, net	<u>\$ 21,467,330</u>	<u>\$ (45,716)</u>	<u>\$ (9,271)</u>	<u>\$ -0-</u>	<u>\$ 21,412,343</u>

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

Business-Type Activities	
Utility Fund	\$ 1,788,776
Sanitation	154,278
Airport	<u>453,324</u>
	<u>\$ 2,396,378</u>

D. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The composition of inter-fund balances as of September 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility	Airport	\$ 750,000
Utility	General	41,628
		<u>\$ 791,628</u>

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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

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

	Transfers in:	
	General	CRA
Transfers out:		
General Fund	\$ -0-	\$ 310,361
Utility	\$ 1,360,422	\$ -0-
Airport	\$ 26,000	\$ -0-
Sanitation	\$ 315,000	\$ -0-

E. LEASES

The City is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$553,326 with accumulated depreciation of \$318,215 at September 30, 2021. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments:

Year Ending September 30,	Business-Type Activities
2022	\$ 96,339
2023	96,339
2024	37,770
Minimum lease payments for all capital leases	230,448
Less: Amount representing interest	(9,977)
Present value of minimum lease payments	\$ 220,471

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 is due in annual payments of \$29,447, which includes interest. The note matures in January 2022 and is secured by the vehicles. At September 30, 2021, the principal balance outstanding was \$28,624.

2019 Patrol Cars

On January 7, 2019, the City borrowed \$150,000 from First National Bank of Wauchula to finance the purchase of three police vehicles. The note bears interest at 3.99% per annum and is due in annual payments of \$33,700, which includes interest. The note matures in January 2024 and is secured by the vehicles. At September 30, 2021, the principal balance outstanding was \$93,525.

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, 2021, the principal balance outstanding was \$122,371.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Governmental Activities – Notes Payable from Direct Borrowings – Continued

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, 2021, the principal balance outstanding was \$100,516.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 105,916	\$ 13,524	\$ 119,440
2023	80,390	9,603	89,993
2024	83,597	6,381	89,978
2025	53,256	3,030	56,286
2026	21,877	889	22,766
Total	<u>\$ 345,036</u>	<u>\$ 33,427</u>	<u>\$ 378,463</u>

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

Business-Type Activities – Bonds

Utility Refunding Revenue Bond, Series 2016

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

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

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Business-Type Activities – Bonds – Continued

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

Future maturities of the revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 220,000	\$ 38,259	\$ 258,259
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	77,381
Total	<u>\$ 1,894,000</u>	<u>\$ 176,286</u>	<u>\$ 2,070,286</u>

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, 2021 is \$203,440.

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.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

State of Florida Department of Environmental Protection Loan WW250201 – Continued

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, 2021 is \$635,306. 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, 2021 is \$226,554. 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. Semi-annual payments of \$20,265 (including interest at 1.64%) commence on February 15, 2022, and will continue until the loan is fully repaid in 2031. The outstanding balance at September 30, 2021 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.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

Default Remedies on State of Florida Department of Environmental Protection Loans – Continued

- Accelerate the repayment schedule or increase the interest rate on the unpaid principal to as much as 1.667 times the original rate.

USDA Side-Arm Garbage Truck

On August 29, 2018, the City borrowed \$279,500 from the United States Department of Agriculture (USDA) to finance the purchase of a side-arm garbage truck. The note bears interest at 3.25% per annum and was due in annual payments of \$33,188, which includes interest. The note was secured by revenues of the sanitation fund. At September 30, 2021, the principal balance was paid in full.

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

Year ending September 30,	Principal	Interest	Total
2022	\$ 114,855	\$ 25,510	\$ 140,365
2023	118,411	21,953	140,364
2024	120,927	19,437	140,364
2025	123,503	16,861	140,364
2026	126,144	14,219	140,363
2021 - 2031	539,441	33,609	573,050
Total	<u>\$ 1,143,281</u>	<u>\$ 131,589</u>	<u>\$ 1,274,870</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes Payable from Direct Borrowings					
2017 Dodge Chargers	\$ 56,466	\$ -0-	\$ (27,842)	\$ 28,624	\$ 28,624
2019 Dodge Chargers	122,343	-0-	(28,818)	93,525	29,968
2020 Dodge Chargers	150,096	-0-	(27,725)	122,371	28,823
2021 Patrol Cars	<u>-0-</u>	<u>100,516</u>	<u>-0-</u>	<u>100,516</u>	<u>18,501</u>
Total	328,905	100,516	(84,385)	345,036	105,916
Compensated absences	303,688	200,204	(207,901)	295,991	203,936
Other postemployment benefits	<u>3,165,113</u>	<u>157,907</u>	<u>(233,104)</u>	<u>3,089,916</u>	<u>-0-</u>
Governmental activity					
Long-term liabilities	<u>\$3,797,706</u>	<u>\$ 458,627</u>	<u>\$ (525,390)</u>	<u>\$3,730,943</u>	<u>\$ 309,852</u>

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. LONG-TERM DEBT – CONTINUED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Notes Payable from Direct Borrowings					
2006 Clean Water State SRF					
Revolving Loan WW62419P	\$ 228,970	\$ -0-	\$ (25,530)	\$ 203,440	\$ 27,451
SRF Revolving Loan WW250201	693,538	-0-	(58,232)	635,306	59,638
SRF Revolving Loan WW250200	247,314	-0-	(20,760)	226,554	21,667
SRF Revolving Loan WW250150	77,981	-0-	-0-	77,981	6,099
USDA Side-Arm Garbage Truck	<u>174,395</u>	<u>-0-</u>	<u>(174,395)</u>	<u>-0-</u>	<u>-0-</u>
Total	1,422,198	-0-	(278,917)	1,143,281	114,855
Bonds Payable:					
Utility Revenue Bond Refunding Series					
2016	2,110,000	-0-	(216,000)	1,894,000	220,000
Capital leases	309,078	-0-	(88,607)	220,471	90,774
Compensated Absences	165,508	138,865	(162,417)	141,956	97,807
Other postemployment benefits	<u>2,856,653</u>	<u>259,954</u>	<u>(383,749)</u>	<u>2,732,858</u>	<u>-0-</u>
Business type activity					
Long-term liabilities	<u>\$6,863,437</u>	<u>\$398,819</u>	<u>\$(1,129,690)</u>	<u>\$6,132,566</u>	<u>\$ 523,436</u>

NOTE 4 – RETIREMENT PLANS

The City has two defined benefit pension plans.

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

Plan Description and Summary of Significant Accounting Policies

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

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

Plan Membership

At the October 1, 2020 valuation date membership consisted of:

Active	70
Retirees	42
Terminated with deferred vested pensions	<u>12</u>
Total	<u>124</u>

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

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 \$48,829, 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.

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

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 \$164,196 which exceeded required contributions for the year ended September 30, 2021, on covered payroll of \$2,944,531.

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, 2021:

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

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

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, 2021, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>WEPP WPPP 60/40</u>
Cash and Money Market	0.7%
FMIvT Broad Market High Quality Bond	15.5%
FMIvT Diversified Large Cap	25.3%
FMIvT Diversified Small to Mid Cap Equity	13.9%
FMIvT Core Real Estate	8.4%
FMIvT International Equity	20.4%
FMIvT Core Plus Fixed Income	<u>15.8%</u>
	<u>100.0%</u>

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

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

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

The FMIvT Broad Market High Quality Bond Fund has a weighted average maturity of 6.30 years. The FMIvT Core Plus Fixed Income Fund has a weighted average to maturity of 8.21 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, 2021 the annual money-weighted rate of return on Pension Plan Investments, net of pension plan investment expense, was 19.54% for the WEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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, 2021 were as follows:

Total Pension Liability	\$ 18,443,731
Less Fiduciary Net Position	<u>(23,503,907)</u>
Net Pension Liability (Asset)	<u>\$ (5,060,176)</u>
Plan Fiduciary Net Position as a Percentage Of Total Pension Liability (Asset)	127.44%

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance as of September 30, 2020	\$ 17,698,318	\$ (20,206,933)	\$ (2,508,615)
Change due to:			
Service cost	734,403	–0–	734,403
Expected interest growth	1,257,637	(1,394,051)	(136,414)
Unexpected investment income	–0–	(2,496,806)	(2,496,806)
Demographic experience	110,449	–0–	110,449
Employer contributions	–0–	(155,637)	(155,637)
Employee contributions	–0–	(328,953)	(328,953)
Benefit payments & refunds	(1,030,634)	1,030,634	–0–
Administrative expenses	–0–	47,839	47,839
Changes in benefit terms	–0–	–0–	–0–
Assumption changes	<u>(326,442)</u>	<u>–0–</u>	<u>(326,442)</u>
Balance as of September 30, 2021	<u>\$18,443,731</u>	<u>\$(23,503,907)</u>	<u>\$ (5,060,176)</u>

The Sponsor’s net pension liability (asset) was measured as of September 30, 2021.

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, 2020. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30, 2021. 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,

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

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, 2021 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)	\$ (2,589,829)	\$ (5,060,176)	\$ (7,089,849)

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

NOTE 4 – RETIREMENT PLANS – CONTINUED

Wauchula Employee Pension Plan – (WEPP) – Continued

Changes of Assumptions

Since the prior measurement date, the mortality basis was changed from the RP-2000 Combined Mortality Table with generational improvements in mortality using Scale BB to selected PUB-2010 Mortality Tables with generational improvements in mortality using Scale MP-2018.

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

For the year ended September 30, 2021 the City recognized pension expense of (\$471,471). At September 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2020	\$ 2,362,190	\$ (2,745,539)
Change due to:		
Amortization payments	(412,318)	1,200,664
Investment gain/loss	-0-	(2,496,806)
Demographic gain/loss	110,449	-0-
Assumption changes	-0-	(326,442)
Total change	<u>(301,869)</u>	<u>(1,622,584)</u>
Balance as of September 30, 2021	<u>\$ 2,060,321</u>	<u>\$ (4,368,123)</u>

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

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 412,318	\$ (993,032)
2023	\$ 412,320	\$ (973,986)
2024	\$ 350,052	\$ (973,986)
2025	\$ 249,085	\$ (863,909)
2026	\$ 245,564	\$ (321,618)
Thereafter	\$ 390,982	\$ (241,592)

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, 2021.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ -0-	\$ 72	\$ -0-	\$ 72
Investments	23,503,907	4,071,459	662,647	28,238,013
Receivable – Employer	9,653	-0-	5,492	15,145
Receivable – Employee	14,854	-0-	-0-	14,854
Total Assets	<u>\$ 23,528,414</u>	<u>\$ 4,071,531</u>	<u>\$ 668,139</u>	<u>\$ 28,268,084</u>

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

NOTE 4 – RETIREMENT PLANS – CONTINUED

NET POSITION

Held in trust for pension benefits	\$ 23,528,414	\$ 4,071,531	\$ -0-	\$ 27,599,945
Restricted for OPEB Benefits	-0-	-0-	668,139	668,139
Total Net Position	<u>\$ 23,528,414</u>	<u>\$ 4,071,531</u>	<u>\$ 668,139</u>	<u>\$ 28,268,084</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>Employee Pension Fund</u>	<u>Police Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 164,196	\$ -0-	\$ 119,970	\$ 284,166
Plan members	331,218	-0-	-0-	331,218
Other income	-0-	48,829	-0-	48,829
Total Contributions	<u>495,414</u>	<u>48,829</u>	<u>\$ 119,970</u>	<u>664,213</u>
Investment earnings:				
Net change in the fair value of investments	<u>3,890,856</u>	<u>653,141</u>	<u>94,724</u>	<u>4,638,721</u>
Total Additions	4,386,270	701,970	214,694	5,302,934
DEDUCTIONS				
Pension benefits paid	1,030,634	-0-	-0-	1,030,634
OPEB refunds	-0-	-0-	129,990	129,990
Administrative expenses	<u>47,839</u>	<u>8,523</u>	<u>7,134</u>	<u>63,496</u>
Total Deductions	<u>1,078,473</u>	<u>8,523</u>	<u>137,124</u>	<u>1,224,120</u>
Change in net position	<u>3,307,797</u>	<u>693,447</u>	<u>77,570</u>	<u>4,078,814</u>
Net Position – beginning	<u>20,220,617</u>	<u>3,378,084</u>	<u>590,569</u>	<u>24,189,270</u>
Net Position – ending	<u>\$ 23,528,414</u>	<u>\$ 4,071,531</u>	<u>\$ 668,139</u>	<u>\$ 28,268,084</u>

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:

	<u>September 30, 2021</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level:				
Mutual Funds/Short-Term Investments	\$ 194,352	\$ 194,352	\$ -0-	\$ -0-
FMLvT Broad Market High Quality Bond	4,411,351	-0-	4,411,351	-0-
FMLvT Core Plus Fixed Income	4,494,738	-0-	-0-	4,494,738
FMLvT Diversified Large Cap	7,121,688	-0-	7,121,688	-0-
FMLvT Diversified Small to Mid Cap	3,901,891	-0-	3,901,891	-0-
FMLvT International Equity	5,745,314	-0-	5,745,314	-0-
FMLvT Core Real Estate	<u>2,368,679</u>	<u>-0-</u>	<u>-0-</u>	<u>2,368,679</u>
Total Investments	<u>\$ 28,238,013</u>	<u>\$ 194,352</u>	<u>\$ 21,180,244</u>	<u>\$ 6,863,417</u>

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

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.

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

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Plan Membership – At September 30, 2021, membership in the Plan consisted of the following:

Current Retirees	36
Active Employees	<u>71</u>
	<u>107</u>

Contributions – Through 2015, the City’s OPEB benefits were unfunded. Effective October 1, 2015, the City established an Other Post-Employment Benefit Trust (Trust) of which the assets are held with the Florida Municipal Pension Trust (FMPT). Annual contributions to the OPEB Trust are not required and are determined annually by the City Commissioners. During the year ended September 30, 2021, the City contributed \$119,970 to the OPEB Trust. For the year ended September 30, 2021, the City’s average contribution rate was 4.01 percent of covered-employee payroll of \$3,038,830. 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, 2021:

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

As of September 30, 2021, the asset allocations for the various investment models were as follows:

<u>Asset Allocation and Model/Percentage</u>	<u>OPEB 50/50</u>
Cash and Money Market	0.2%
FMIvT Broad Market High Quality Bond	20.7%
FMIvT Core Plus Fixed Income	20.8%
FMIvT Diversified Large Cap	21.9%
FMIvT Diversified Small to Mid Cap Equity	10.4%
FMIvT International Equity	18.1%
FMIvT Core Real Estate	<u>7.9%</u>
	<u>100.0%</u>

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

There were no changes in the investment policy during the year ended September 30, 2021. For all other investment disclosures, including fair value and risk, see Note 4.

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

Rate of Return – For the year ended September 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 14.08 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, 2021, the Plan did not have any receivables.

Allocated Insurance Contracts

As of September 30, 2021, the Plan did not have any allocated insurance contracts.

Reserves

As of September 30, 2021, the Plan did not have any reserves.

Net OPEB Liability

The components of the net OPEB liability of the City at September 30, 2021, were as follows:

Total OPEB liability	\$ 6,485,421
Plan fiduciary net position	<u>(662,647)</u>
City’s net OPEB liability	<u>\$ 5,822,774</u>

Plan fiduciary net position as a percentage of the total OPEB liability 10.22%

The City’s net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2020.

Actuarial Assumptions –The total OPEB liability was determined by an actuarial valuation as of October 1, 2020 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**
2.53% 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 2.43% 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.

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

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- **Expected Long-Term Return on Assets**
6.50% per annum (2.62% per annum is attributable to long-term inflation).
- **Salary Increases**
3.00% per annum.
- **Cost-of-Living Increases**
Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.
- **Healthcare Cost Trend Rates**
Increases in healthcare costs are assumed to be 7.00% for the 2020–21 fiscal year graded down by 0.50% per year to 5.00% for the 2024–25 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.

CITY OF WAUCHULA, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

- **Spouses and Dependents**
Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
- **COBRA**
Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
- **Changes in Assumptions**
Since the prior measurement date, the discount rate was increased from 2.47% per annum to 2.53% per annum, the implied monthly subsidy for the retiree for the 2020/21 fiscal year was increased from \$372.75 to \$400.00, the implied monthly subsidy for the retiree's spouse for the 2020/21 fiscal year was increased from \$479.25 to \$500.00, and the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2020.

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, 2021 are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total OPEB liability was 2.53 percent (increased from 2.47% in the prior year). The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of September 30, 2020	\$ 6,605,038	\$ (583,272)	\$ 6,021,766
Changes due to:			
Service cost	109,968	-0-	109,968
Expected interest growth	167,555	(14,564)	152,991
Net investment income	-0-	(80,159)	(80,159)
Differences between expected and actual experience	(414,919)	-0-	(414,919)
Employer contributions	-0-	(121,775)	(121,775)
Employee contributions	-0-	-0-	-0-
Benefit payments & refunds	(129,990)	129,990	-0-
Administrative expenses	-0-	7,133	7,133
Changes in benefit terms	-0-	-0-	-0-
Assumption changes	147,769	-0-	147,769
Balance as of September 30, 2021	<u>\$ 6,485,421</u>	<u>\$ (662,647)</u>	<u>\$ 5,822,774</u>

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.53 percent) or 1-percentage-point higher (3.53 percent) than the current discount rate:

	1% Decrease <u>1.53%</u>	Current Discount Rate <u>2.53%</u>	1% Increase <u>3.35%</u>
Net OPEB liability	\$ 6,991,182	\$ 5,822,774	\$ 4,997,012

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6 percent decreasing to 5.0 percent) or 1-percentage-point higher (8.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease <u>5.00%</u>	Current Discount 7.00% graded down to 5.00%	1% Increase <u>8.00%</u>
Net OPEB liability	\$ 5,008,882	\$ 5,822,774	\$ 6,958,549

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

Payable to the OPEB Plan

At September 30, 2021, the City did not have any outstanding contributions payable to the Plan required for the year ended September 30, 2021.

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

NOTE 5 – OTHER POST-EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability – Continued

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$362,832. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2020	\$ 1,936,222	\$ (862,479)
Change due to:		
Amortization payments	(307,447)	214,707
Investment gain/loss	-0-	(80,159)
Demographic gain/loss	-0-	(414,919)
Assumption changes	<u>147,769</u>	<u>-0-</u>
Total change	<u>(159,678)</u>	<u>(280,371)</u>
Balance as of September 30, 2021	<u>\$ 1,776,544</u>	<u>\$ (1,142,850)</u>

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

<u>Year ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 307,445	\$ (212,875)
2023	\$ 306,904	\$ (212,877)
2024	\$ 306,903	\$ (210,872)
2025	\$ 306,833	\$ (210,871)
2026	\$ 306,833	\$ (194,810)
Thereafter	\$ 241,626	\$ (100,545)

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.

Management of the City continues to evaluate the risks associated with the COVID-19 pandemic. Management of the City continues the process of implementing risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the City's operations. However, the City cannot, at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE 7 – SUBSEQUENT EVENTS

The City entered into a grant agreement under the American Rescue Plan Act in 2021. Under the agreement, the City was awarded \$2,397,086 of which \$1,198,543 was received during the year and recognized as unearned revenue in the statement of net position for business-type activities and proprietary funds. The remaining funds under the grant agreement are expected to be received in the upcoming fiscal year.

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,362,436	\$ 1,362,436	\$ 1,386,061	\$ 23,625
Charges for services	147,767	147,767	154,468	6,701
Fines and forfeitures	55,550	55,550	30,559	(24,991)
Intergovernmental revenue	734,000	734,000	873,198	139,198
Interest	1,940	1,940	2,049	109
Licenses and permits	10,000	10,000	10,968	968
Grant revenue	71,250	139,250	144,674	5,424
Miscellaneous revenues	40,230	40,230	70,534	30,304
Total Revenues	<u>2,423,173</u>	<u>2,491,173</u>	<u>2,672,511</u>	<u>181,338</u>
Expenditures				
General government	1,449,860	1,469,860	1,300,552	169,308
Police department	1,530,254	1,559,254	1,635,154	(75,900)
Highways and streets	250,488	250,488	241,118	9,370
Culture/recreation	430,738	430,738	405,945	24,793
Capital outlay	340,500	359,500	283,092	76,408
Debt service	113,438	113,438	96,949	16,489
Total expenditures	<u>4,115,278</u>	<u>4,183,278</u>	<u>3,962,810</u>	<u>220,468</u>
Excess of revenues over (under) expenditures	(1,692,105)	(1,692,105)	(1,290,299)	401,806
Other Financing Sources (Uses)				
Proceeds from sales of assets	-	-	26,086	26,086
Proceeds from issuance of debt	150,000	150,000	100,516	(49,484)
Transfers In	1,857,923	1,857,923	1,701,422	(156,501)
Transfers Out	(315,818)	(315,818)	(310,361)	5,457
Total Other Financing Sources (Uses)	<u>1,692,105</u>	<u>1,692,105</u>	<u>1,517,663</u>	<u>(174,442)</u>
Net Change in Fund Balances	-	-	227,364	227,364
Fund Balance – October 1, 2020	<u>1,523,337</u>	<u>1,523,337</u>	<u>1,523,337</u>	<u>-</u>
Fund Balance – September 30, 2021	<u>\$ 1,523,337</u>	<u>\$ 1,523,337</u>	<u>\$ 1,750,701</u>	<u>\$ 227,364</u>

Note 1 – Budgetary Basis

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

CITY OF WAUCHULA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 436,234	\$ 436,234	\$ 493,532	\$ 57,298
Interest	700	700	1,059	359
Grant revenue	1,268,591	1,468,591	403,774	(1,064,817)
Miscellaneous revenues	28,400	28,400	43,904	15,504
Total Revenues	1,733,925	1,933,925	942,269	(991,656)
EXPENDITURES				
General government	740,442	740,442	619,356	121,086
Capital outlay	1,711,968	1,911,968	339,266	1,572,702
Total Expenditures	2,452,410	2,652,410	958,622	1,693,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	(718,485)	(718,485)	(16,353)	702,132
OTHER FINANCING SOURCES (USES)				
Proceeds from sales of assets	150,000	150,000	142,295	(7,705)
Transfers in	568,485	568,485	310,361	(258,124)
Total Other Financing Sources (Uses)	718,485	718,485	452,656	(265,829)
Net change in Fund Balances	-	-	436,303	436,303
FUND BALANCE – October 1, 2020	469,138	469,138	469,138	-
FUND BALANCE – September 30, 2021	\$ 469,138	\$ 469,138	\$ 905,441	\$ 436,303

Note 1 – Budgetary Basis

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total pension liability								
Service cost	\$ 430,765	\$ 397,481	\$ 632,364	\$ 644,200	\$ 685,722	\$ 716,988	\$ 695,964	\$ 734,403
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
Demographic gain/loss	-	(1,115,993)	(580,470)	(856,549)	(339,093)	(115,371)	(265,122)	110,449
Employee contributions	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(710,097)	(846,093)	(929,139)	(849,400)	(814,712)	(903,232)	(844,451)	(1,030,634)
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
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
Total pension liability – Ending (a)	<u>\$ 13,114,642</u>	<u>\$ 11,559,055</u>	<u>\$ 14,411,615</u>	<u>\$ 15,081,976</u>	<u>\$ 15,688,827</u>	<u>\$ 16,910,598</u>	<u>\$ 17,698,318</u>	<u>\$ 18,443,731</u>
Plan fiduciary net position								
Contributions – Employer	256,383	262,201	13,515	277,978	208,949	133,519	4,783	155,637
Contributions – Employee	256,383	262,201	271,126	-	293,056	304,838	322,149	328,953
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
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)
Administrative expense	(30,160)	(47,753)	(49,123)	(41,040)	(48,967)	(43,798)	(42,731)	(47,839)
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
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
Plan fiduciary net position – Ending (b)	<u>\$ 16,490,294</u>	<u>\$ 15,880,274</u>	<u>\$ 16,469,897</u>	<u>\$ 18,027,396</u>	<u>\$ 19,010,433</u>	<u>\$ 19,503,651</u>	<u>\$ 20,206,933</u>	<u>\$ 23,503,907</u>
Net pension liability (asset) – Ending (a) – (b)	<u>\$ (3,375,652)</u>	<u>\$ (4,321,219)</u>	<u>\$ (2,058,282)</u>	<u>\$ (2,945,420)</u>	<u>\$ (3,321,606)</u>	<u>\$ (2,593,053)</u>	<u>\$ (2,508,615)</u>	<u>\$ (5,060,176)</u>
Plan fiduciary net position as a percentage of the total pension liability	125.74%	137.38%	114.28%	119.53%	121.17%	115.33%	114.17%	127.44%
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
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%

* 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**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 423,902	\$ 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	693,320	308,530	256,383	262,201	13,515	-	208,949	133,519	4,783	155,637
Contribution deficiency (excess)	\$ 269,418	\$ 184,089	\$ 119,987	\$ 117,357	\$ (182,446)	\$ (198,198)	\$ 114,292	\$ 435	\$ (155,647)	\$ 2,674
Covered employee payroll	2,654,735	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
Contributions as a percentage of covered employee payroll	26.12%	13.82%	11.49%	10.56%	0.52%	0.00%	7.78%	4.74%	0.17%	5.29%

CITY OF WAUCHULA, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
WEPP

Employers reporting date: September 30, 2021
Measurement date: September 30, 2021
Valuation Date: October 1, 2020

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: Since the prior measurement date, the mortality basis was changed from the RP-2000 Combined Mortality Table with generational improvements in mortality using Scale BB to selected PUB-2010 Mortality Tables with generational improvements in mortality using Scale MP-2018.

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

SCHEDULE OF ANNUAL MONEY-WEIGHTED RETURN ON INVESTMENTS

<u>Year Ended</u>	<u>PERCENTAGE</u>
09/30/21	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%
09/30/12	17.43%

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

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

Notes to Schedule:

Changes of assumptions: Since the prior measurement date, the discount rate was increased from 2.47% per annum to 2.53% per annum, the implied monthly subsidy for the retiree for the 2020/21 fiscal year was increased from \$372.75 to \$400.00, the implied monthly subsidy for the retiree's spouse for the 2020/21 fiscal year was increased from \$479.25 to \$5050.00, and the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2020.

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

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

* 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, 2020

Measurement Date: September 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	15 years
Asset valuation method	5-year smoothed market
Discount rate	2.53% 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 7.00% for the 2020/21 fiscal year graded down by 0.50% per year to 5.00% for the 2024/25 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 2.47% per annum to 2.53% per annum, the implied monthly subsidy for the retiree for the 2020/21 fiscal year was increased from \$372.75 to \$400.00, the implied monthly subsidy for the retiree's spouse for the 2020/21 fiscal year was increased from \$479.25 to \$500.00, and the mortality improvement scale was updated from Scale MP-2017 to Scale MP-2020

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	9.90%	5.59%	4.43%	5.15%	14.08%

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

OTHER SUPPLEMENTAL INFORMATION

**CITY OF WAUCHULA, FLORIDA
 DETAIL SCHEDULE OF REVENUES AND EXPENSES
 ELECTRIC, WATER AND SEWER SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>ELECTRIC</u>	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating Revenues:				
Charges for services and fees	\$ 7,034,646	\$ 1,098,712	\$ 2,269,469	\$ 10,402,827
Total Operating Revenues	<u>7,034,646</u>	<u>1,098,712</u>	<u>2,269,469</u>	<u>10,402,827</u>
Operating Expenses:				
Personal services	914,602	434,537	527,416	1,876,555
Other operating expenses	681,072	374,580	491,540	1,547,192
Purchased power	3,724,423	-	-	3,724,423
Depreciation	894,388	447,194	447,194	1,788,776
Total Operating Expenses	<u>6,214,485</u>	<u>1,256,311</u>	<u>1,466,150</u>	<u>8,936,946</u>
Operating Income (Loss)	820,161	(157,599)	803,319	1,465,881
Non-operating Revenues (Expenses):				
Capital grants and contributions	10,106	154,277	5,053	169,436
Interest income	-	-	7,962	7,962
Interest expense	(5,255)	(2,164)	(77,453)	(84,872)
Other income (expense)	12,718	6,359	37,348	56,425
Total Non-operating Revenue (Expenses)	<u>17,569</u>	<u>158,472</u>	<u>(27,090)</u>	<u>148,951</u>
Income (loss) before transfers	837,730	873	776,229	1,614,832
Transfers out	<u>(1,360,422)</u>	<u>-</u>	<u>-</u>	<u>(1,360,422)</u>
Change in Net Position	<u>\$ (522,692)</u>	<u>\$ 873</u>	<u>\$ 776,229</u>	<u>\$ 254,410</u>

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

**CITY OF WAUCHULA, FLORIDA
SCHEDULE OF INSURANCE COVERAGE**

<u>INSURANCE COMPANY/GROUP</u> <u>DESCRIPTION OF COVERAGE</u>	<u>LIMITS OF COVERAGE</u>
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 \$45,573,671
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) \$ 10,000,000 (pool annual aggregate)

Policy Period

For all coverage's listed above, the policy period is October 1, 2020 to October 1, 2021.

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***

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, 2021, 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 26, 2022.

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.

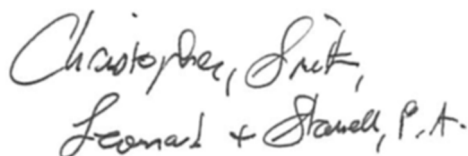
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 26, 2022
Bradenton, Florida

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, 2021, and have issued our report thereon dated May 26, 2022.

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*; 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 26, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

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

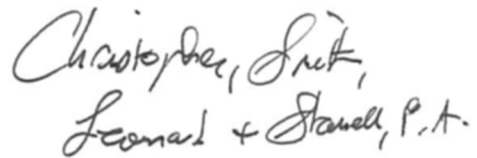
Information required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General is reported in the City of Wauchula Community Redevelopment Agency's audit report.

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.

Handwritten signature in cursive script: "Christopher, Esq., Leonard & Stanell, P.A."

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

May 26, 2022
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE

To the Honorable City Commission
City of Wauchula, Florida

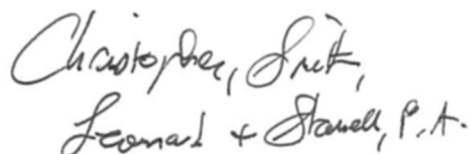
We have examined the City of Wauchula, Florida's (City's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance within the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the specified requirements for the year ended September 30, 2021.

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.

A handwritten signature in black ink that reads 'Christopher Smith, Leonard & Stanell, P.A.'.

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

May 26, 2022
Bradenton, Florida