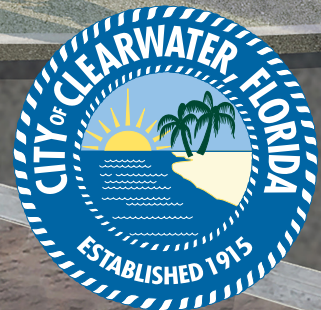




2017/2018

**CITY OF CLEARWATER, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**





CLEARWATER

BRIGHT AND BEAUTIFUL • BAY TO BEACH

On the cover:

Focusing on the city's iconic bluff, Imagine Clearwater is a master plan to revitalize the Downtown Clearwater waterfront area. The plan proposes a design for an expanded and improved waterfront park and recommends a set of programs to activate Downtown Clearwater for the benefit of all Clearwater citizens.

This project is expected to be completed in two phases. Phase One is planned for north of Cleveland Street and includes the demolition of the Harborview Center, as well as the development of park features including the north portion of the "Bluff Walk," "The Green" and "Coachman Garden." Phase Two is the area south of Cleveland Street and includes the development of park features including "The Estuary," as well as the south portion of the "Bluff Walk."

imagineclearwater.com

**City of Clearwater, Florida
Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2018**



George N. Cretekos
Mayor

David Albritton
Councilmember

Doreen Caudell
Councilmember

Dr. Bob Cundiff
Councilmember

Hoyt Hamilton
Councilmember

William B. Horne II
City Manager

Brian Jay Ravins
Finance Director

Prepared by: City of Clearwater Finance Department

**City of Clearwater, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018**

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Title Page and List of Elected and Appointed Officials.....	i
Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting.....	ix
Organizational Chart.....	x

FINANCIAL SECTION:

Report of Independent Auditor	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) – General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP Basis) – Special Development Fund	27
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds.....	36
Statement of Fiduciary Net Position – Fiduciary Funds	40
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	41
Notes to the Basic Financial Statements	42
Required Supplemental Information – Pension Trust Funds	105
Required Supplemental Information – Other Postemployment Benefits	111
Combining and Individual Fund Statements and Schedule	
Combining Balance Sheet – Nonmajor Governmental Funds	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	118
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – Community Redevelopment Agency Special Revenue Fund.....	121
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	124
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds.....	125
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	126
Combining Statement of Net Position – Internal Service Funds	130

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis report (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Clearwater, Florida

Clearwater is located on the Pinellas Peninsula on Florida's west coast. It is directly located on the Gulf of Mexico, 20 miles west of Tampa and 20 miles north of St. Petersburg. Clearwater is the county seat of Pinellas County and one of the largest cities in the Tampa Bay area. The Clearwater area offers a semitropical climate and 28 miles of beautiful beaches. Consequently, tourism is an important component of the economy. In addition to tourism, Clearwater enjoys a diversity of manufacturing businesses, service industries, high-tech companies, and a large retirement population.

The City operates under the council/manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and four members elected at large on a non-partisan basis. The City Council is responsible for adopting ordinances, adopting the budget, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments.

The City provides police and fire protection; construction and maintenance of streets, bridges, sidewalks, storm drainage, public parks, and recreation facilities; planning, zoning, subdivision, and building code regulation and enforcement; redevelopment of commercial and residential neighborhoods; supervised recreation programs; public libraries; water supply and distribution; waste water collection, treatment, and disposal; natural gas distribution; solid waste collection and recycling; stormwater management; marina, airpark, downtown boat slips, and public fishing pier operations; and operation of the city-wide parking system.

The annual budget serves as the foundation for the City's financial planning and control. Per the City Code of Ordinances, the City Manager is required to provide to the City Council an operating budget for the ensuing fiscal year, a capital improvement budget, and a five-year capital improvement program, along with an accompanying budget message no later than 60 days prior to the end of the fiscal year. The Council is required to hold public hearings on the budget and to adopt a final operating budget and capital improvement budget no later than September 30, the last day of the City's fiscal year. The appropriated budget is prepared by fund and by department within fund.

After five consecutive years of decline in City taxable property values, approximating 33 percent in total, we have now experienced six consecutive years of increases: 3.3%, 6.0%, 6.6%, 7.5%, 8.3%, and 9.6% increases for January 1, 2013, 2014, 2015, 2016, 2017, and 2018 tax rolls, respectively. Additionally, the Tampa Bay metropolitan area experienced an improvement in the unemployment rate as it decreased from the September 1, 2017 rate of 3.7% to 2.9% as of September 30, 2018. The metro area rate of 2.9% compares favorably to a national rate of 3.7% and a state unemployment rate of 3.3% as of September 30, 2018. Local tourism continues to increase at record rates and contributes to optimism that the area's economy will continue to improve.

The City's Beach by Design Redevelopment Plan, anchored by Beach Walk, resulted in significant economic redevelopment on Clearwater Beach, and contributed to Clearwater Beach's recent TripAdvisor 2019 ranking as #1 beach in the United States and #6 in the world. The downtown area is well-poised for similar redevelopment due to investment downtown streetscaping, the Clearwater Harbor Marina, Capitol Theatre, the addition of an apartment complex of 257 high-end units adjacent to downtown's Prospect Lake Park, and construction currently underway on conversion of a 15-story downtown office tower into 134 luxury apartments and townhomes. Contributing to downtown's potential for redevelopment is the recent update of the Downtown Plan, North Marina Master Plan, and various Community Redevelopment Agency incentive plans for downtown retail. Finally, the City is embarking on a significant development of the downtown waterfront bluff area, discussed under Major Initiatives below, that is expected to contribute to significant economic redevelopment of the downtown area.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary comparison for the community redevelopment agency special revenue fund on page 121, and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance projects, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance projects and the budgetary comparison for the community redevelopment agency special revenue fund 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 schedule of expenditures of federal awards and state financial assistance projects and the budgetary comparison for the community redevelopment agency special revenue fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekant LLP

Tampa, Florida
April 19, 2019

Annual appropriated budgets are adopted for the General Fund, the Special Development Special Revenue Fund, and the Community Redevelopment Agency Special Revenue Fund. Budgetary comparison statements and/or schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities related to water and sewer, gas, solid waste & recycling and stormwater utilities, along with marine, aviation, parking system, and Clearwater Harbor Marina downtown boat slip operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the City's building maintenance, custodial services, self-insurance program, risk management program, employee group insurance, vehicle acquisition and maintenance, and various support activities including data processing, telecommunications, and postal services. All of the City's internal service funds predominantly benefit governmental activities and consequently have been aggregated and included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Gas Utility, Solid Waste & Recycling Utility, and Stormwater Utility enterprise funds, which are considered to be *major* funds of the City. The remaining four *non-major* enterprise funds are combined into a single aggregated presentation in the proprietary fund financial statements. Similarly, governmental activity *internal service* funds are aggregated into a single presentation. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 28-39 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 the fiduciary funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The City of Clearwater maintains two different types of fiduciary funds. *Pension trust funds* are used to report resources held in trust for retirees and beneficiaries covered by the City's pension plans. An *agency fund* is used to report resources held by the City in a custodial capacity for individuals, private organizations and other governments, such as the Clearwater Downtown Development Board.

The fiduciary fund statements can be found on pages 40-41 of this report.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements, including the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

The notes to the financial statements can be found on pages 42-104 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Required supplementary information can be found on pages 105-111 of this report.

The *combining statements* referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds, are presented immediately following the required supplementary information.

Combining and individual fund statements can be found on pages 116-138 of this report.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

Note I – Summary of Significant Accounting Policies

The City of Clearwater was first incorporated in 1915 and reestablished in 1923 as a municipal corporation by Chapter 9710, Special Laws of Florida, 1923, as amended. The City is a Florida municipal corporation governed by a five-member City Council including a mayor-council-member. The City has an estimated population of 115,589 and is located in the four-county Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA), which has an estimated population of 3,080,077.

The financial statements of the City of Clearwater, Florida, reporting entity (City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City's more significant accounting policies are described below.

I.A. Financial Reporting Entity

In evaluating the City as a reporting entity, management has included in the accompanying financial statements the City of Clearwater (the primary government) and its component units, entities for which the government is financially accountable. The City has adhered to the standards set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, in reporting the primary government (including blended component units), the reporting entity, and related organizations.

Blended Component Unit – Clearwater Community Redevelopment Agency: Component units that meet the criteria for blended presentation in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, are reported in a manner similar to that of the primary government itself. Accordingly, throughout this report, data presented for the primary government includes data of the following blended component unit. The Clearwater Community Redevelopment Agency (CRA), created by authority of Florida Statute Chapter 163, Part III, and City of Clearwater Resolutions 81-67 and 81-68, although it is legally separate, is reported as if it were part of the City (blended component unit) because the City Council serves as the governing board of the CRA, and City management has operational responsibility for the CRA. Separate financial statements for the CRA are not available. However, financial statements for the CRA are included in the City's comprehensive annual financial report as a governmental non-major special revenue fund and a governmental non-major capital projects fund.

Related Organization – Clearwater Housing Authority (CHA): CHA is a public housing authority created by City Resolution 69-5 (1969), under Section 421.04 of the Florida Statutes. CHA receives primary funding from the Federal Department of Housing and Urban Development (HUD). The City Council appoints the governing board; however, the City Council is not able to impose its will on the CHA, nor does the City have any responsibility for the budget, debt, financing deficits, or fiscal management of CHA. Consequently, it is not a component unit of the City of Clearwater. Separate audited financial statements of CHA as of March 31, 2018 are available from CHA.

Related Organization – Downtown Development Board: The City of Clearwater serves as administrative agent for the Clearwater Downtown Development Board (DDB). The Downtown Development Board is an independent special district of the City of Clearwater with an independent board elected by its members, with its own levy (0.9700 mills for fiscal 2018) on downtown properties, and is not financially dependent upon the City. Consequently, it is not a component unit of the City of Clearwater. The DDB's cash balance held by the City as administrative agent is reflected in the City's fiduciary agency fund. Separate audited financial statements of the DDB as of September 30, 2018 are available from the DDB.

Jointly governed organization – Florida Gas Utility: The City of Clearwater is a member of the Florida Gas Utility (FGU), a non-profit municipal public entity created for the primary purpose of reducing the costs of purchased gas for its members. FGU is a public body corporate and politic pursuant to Section 163.01 Florida Statutes (the Florida Interlocal Cooperation Act), as amended, and the Interlocal Agreement, dated September 1, 1989, which was subsequently amended by the Amended Interlocal Agreement on June 1, 1992, amended and restated by the Amended and Restated Interlocal

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

GASB Statement No. 85, *Omnibus 2017*. Issued in March 2017, this statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City does not have blended component units, goodwill, real estate held by insurance entities, money market investments or participating interest-bearing investment contracts; therefore, the provisions of Statement 85 related to these topics do not apply. The City measures the OPEB liability as of the fiscal year ending date (reporting date), and all expenditures are measured for the same reporting period. The City estimates covered-employee payroll as the payroll of employees that are provided with OPEB through the OPEB plan, including employees terminating during the measurement period, based on data collected for the January 1 actuarial valuation.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Issued in May 2017, this statement requires that debt be considered defeased in substance when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt, and that in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The City has not defeased any bonds with only existing resources; therefore, the provisions of this statement do not apply.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Issued in June 2018, this statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City capitalized interest in the Water and Sewer Utility enterprise fund, the Gas Utility enterprise fund, and the Stormwater Utility enterprise fund through September 30, 2017.

Note II – Stewardship, Compliance, and Accountability

II.A. Budgets and budgetary accounting

Annual budgets are legally adopted for the General Fund, Special Development special revenue fund, and the Community Redevelopment Agency special revenue fund. The budget for the Special Development Fund is adopted on a basis consistent with GAAP, and appropriations lapse at year-end. Appropriations for open encumbered purchase orders at year-end in the General Fund do not lapse, but rather continue until liquidated or otherwise cancelled by City Council action. For the General Fund budgetary comparison statements, actual expenditures have been adjusted to include end-of-year encumbrances and to exclude beginning-of-year encumbrances, in order to provide a meaningful comparison. Except for the treatment of encumbrances and certain transactions relating to interfund loans, the General Fund Budget is adopted on a basis consistent with GAAP, and all non-encumbered appropriations lapse at year-end.

The level of budgetary control established by the legislative body, the level on which expenditures may not legally exceed appropriations, is the individual fund. In accordance with provisions of Ordinance 5025-90 and with Section 2.519(4) of the Clearwater Code, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within an operating fund, provided such action does not result in the discontinuance of a program. Such transfers must be included in the next budget review presented to the City Council. Upon detailed written request by the City Manager, the City Council may by ordinance transfer part or all of any unencumbered appropriation balance from one fund to another.

As established by administrative policy, department directors may transfer money from one operating code to another within a program without a formal written amendment. Formal requests for budget amendments from department directors are required for transfers, capital expenditures, and reserves. Thus, certain object classifications within departmental and/or program budget appropriations are subject to administratively imposed controls, in addition to the legal controls imposed by City Council action described above.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

The Community Redevelopment Agency (CRA) Fund annual budget is adopted by the trustees of that agency in accordance with state law. The level of budgetary control is the total fund. The CRA Fund Budget is adopted on a basis consistent with GAAP, and all appropriations lapse at year-end.

Budget amounts presented in the accompanying financial statements reflect all amendments adopted by the City Council and the governing board of the component unit. All amendments were adopted in conformance with legal requirements. Individual amendments, as well as the net effects of all amendments during the fiscal year, were not material in relation to the original appropriations for the governmental funds in the aggregate.

Budgets for the Capital Projects Funds, the Special Programs Fund, the SHIP Local Housing Assistance Trust Fund, and the Pinellas County Local Housing Assistance Trust Fund are adopted on a multi-year completed program basis, where budgetary appropriations do not lapse at year-end, but may extend across two or more fiscal years. A comparison of annual results with these budgets would not be meaningful and is therefore not included in this report.

All City Council adopted budgets are integrated into the formal accounting system to allow for monthly comparison of projected and actual results in all funds for which budgets are adopted.

Note III – Detailed Notes on All Funds

III.A. Deposits and investments

Investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments in which the City's proprietary funds have equity are held by the City's consolidated pool of cash and investments. Since fund equities in this cash management pool have the general characteristics of demand deposits, in that additional funds may be deposited at any time, and funds may be withdrawn at any time without prior notice or penalty, each fund's equity account is considered a cash-equivalent regardless of the maturities of investments held by the pool. Funds with deficit (overdraft) positions within the consolidated pool report the deficits as interfund payables to the City's Capital Improvement Fund.

Fair Value

The City of Clearwater and the City's pension plans categorize fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Certain investments held by the City and the pension plans are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements.

Equity and Fixed Income Securities – Equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets issued by pricing vendors for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the City's custodian bank, Bank of America, for the City's pooled cash investments. Prices for pension investments are obtained by the custodial agents for each of the pension plans. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 of the fair value hierarchy, when applicable, are securities whose stated market price is unobservable by the marketplace; often these securities are priced by the issuer or industry groups.

Real Estate Funds – Investments in real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are valued at NAV.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

Construction commitments

At September 30, 2018, material outstanding construction commitments were as follows:

<u>Project</u>	<u>Fund</u>	<u>Construction Commitments Outstanding</u>
Solid Waste Transfer Station	Solid Waste & Recycling Enterprise Fund	\$ 13,721,852
Sanitary Sewer Repairs and Replacements	Water & Sewer Utility Enterprise Fund	13,707,333
Clearwater Gas System Facility Redevelopment	Gas Utility Enterprise Fund	13,089,269
Hillcrest Bypass Culvert	Water & Sewer Utility Enterprise Fund	3,721,749
Druid Road/Allen's Creek Stormwater Improvements	Stormwater Utility Enterprise Fund	2,032,727
East Gateway Sewer Improvements	Water & Sewer Utility Enterprise Fund	1,974,836
Kapok Terrace Sanitary Sewer Improvements	Water & Sewer Utility Enterprise Fund	1,939,938
Sidewalks	Capital Improvement Fund	1,061,214
East Gateway Stormwater Improvements	Stormwater Utility Enterprise Fund	860,490
Reclaimed Water Booster Pump Station	Water & Sewer Utility Enterprise Fund	660,405
Street Resurfacing	Capital Improvement Fund	596,058
Total Construction Commitments		<u>\$ 53,365,871</u>

III.D. Interfund receivables, payables, and transfers

III.D.1. Interfund balances

As discussed in Note III-A, individual fund deficits in the consolidated cash pool, if any, have been reclassified as of September 30, 2018, as interfund loans from the Capital Improvement Fund, which was selected by management for this purpose. This reclassification results in a corresponding reduction in the cash equity in the Capital Improvement Fund, offset by an increase in interfund receivables.

As of September 30, 2018, there were no funds reporting a cash pool deficit.

The amounts of the reclassified cash pool deficits, if any, as well as the current portion of other individual fund interfund payable and receivable balances are classified as Due from/to Other Funds. The long-term portions of other interfund balances are classified as Advances to/from Other Funds.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Special Revenue Funds:				
Special Programs	\$ -	\$ -	\$ 325,440	\$ -
Community Redevelopment Agency	-	-	-	325,440
Enterprise Funds:				
Solid Waste & Recycling Fund	-	314,562	-	3,185,438
Internal Service Funds:				
Central Insurance	314,562	-	3,185,438	-
	<u>\$ 314,562</u>	<u>\$ 314,562</u>	<u>\$ 3,510,878</u>	<u>\$ 3,510,878</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

Descriptions of interfund loans as of September 30, 2018:

An internal loan from the Special Programs special revenue fund to the Community Redevelopment Agency special revenue fund in the amount of \$325,440, approved on September 1, 2011, for the environmental cleanup of the Car Pro site in the East Gateway area of the downtown. This loan is interest-free and is to be repaid upon the sale of the developed parcel. Because the first principal payment is not due within one year, this loan is classified as an advance.

An internal loan from the Central Insurance Fund to the Solid Waste/Recycling Utility Fund in the amount of \$3.5 million to partially fund the construction of a Solid Waste Transfer Station. This loan provides for 10 equal payments of \$396,812, including interest at 2.35%, beginning September 30, 2019 and ending September 30, 2028. The current portion of this loan (\$314,562) is due within one year and is therefore classified as due to/due from other funds, while the long-term portion (\$3,185,438) is classified as an advance.

III.D.2. Interfund transfers

Transfers are primarily used to 1) transfer revenues that have been collected in the required fund per state law to the funds and activities that state law allows for expenditures; 2) transfer of "payment in lieu of taxes" contributions from the utility funds to the General Fund; 3) transfer funding from governmental funds to debt service and capital improvements funds; and 4) transfer matching funds from the General Fund to various grant programs.

Other non-routine interfund transfers occurring during the current fiscal year included: A transfer of \$3,377 from Central Insurance Fund to various funds to recognize safety award funding; a transfer of \$5,000,000 from General Fund to Special Programs Fund for the CMA Capital Project Agreement Program to fund the agreement approved by Council on October 19, 2017; a transfer of \$235,000 from Special Development Fund to Capital Improvement Fund for the Moccasin Lake Park project; a transfer of \$298,521 from Gas Fund to General Fund for an increase in the gas dividend payment; and a transfer of \$161,114 from General Fund to Capital Improvement Fund for the Traffic Calming project.

Interfund transfers for the year ended September 30, 2018 consisted of the following:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

Amounts in the Capital Improvement Fund all relate to funding for various capital projects.

Significant restrictions in the non-major governmental funds include public safety restrictions for law enforcement programs (\$1,980,853) and EMS programs (\$28,612); physical environment restrictions for tree replacements (\$665,089); economic environment restrictions for economic development programs (\$1,070,809), low income housing (\$8,555,511) and community redevelopment (\$6,623,610); and culture and recreation restrictions for debt service (\$683,053) and library programs (\$125,609). Significant commitments include general government commitments for the Clearwater Marine Aquarium capital agreement (\$2,000,000) and consulting services for various general government programs (\$242,269); and commitments to public safety for police vehicles (\$164,914), emergency operations (\$431,211) and law enforcement programs (\$302,470). Assigned amounts relate to interest earned on program balances for general government (\$387,540), public safety (\$482,041), physical environment (\$110,246), transportation (\$9,329), economic environment (\$238,398), human services (\$71,065), and culture and recreation (\$44,954). Additional amounts assigned for economic environment purposes are for low income housing (\$126,211) and community redevelopment (\$58,012).

Note IV - Other Information

IV.A. Risk management

The City is self-insured within certain parameters for losses arising from claims for general liability, auto liability, police professional liability, public official's liability, property damage, and workers' compensation. Insurance coverage has been maintained by the City to pay for or indemnify the City for losses in excess of certain specific retentions and up to specified maximum limits in the case of claims for liability, property damage, and workers' compensation. The liability excess coverage is \$7,000,000 per occurrence (\$14,000,000 aggregate) with self-insured retention of \$500,000. There is workers' compensation coverage to the statutory limit, with self-insured retention of \$600,000. The property damage excess coverage is \$100 million per occurrence, except \$60 million for the perils of Named Storm (per occurrence), Flood (annual aggregate) and Earth Movement (annual aggregate) after either a \$100,000 self-insured retention for perils other than a named storm or 5% self-insured retention for named storm and High Hazard Flood with a \$100,000 minimum and a maximum of \$5,000,000 any one occurrence. Settled claims have not exceeded excess coverage in any of the past three years.

On October 17, 2012, City Council authorized a partial self-insured funding arrangement with Cigna for health insurance effective for the plan year beginning January 1, 2013. Per this arrangement, the City is self-insured for medical and pharmacy claims up to \$250,000 per person per year. The City has purchased stop loss insurance from Cigna which covers 50% of individual claims for any amount of the claim between the amounts of \$250,000 and \$350,000 and covers 100% of individual claims for any amount of the claim exceeding the amount of \$350,000 per person per year. In accordance with the fully insured arrangement between the City and Cigna prior to January 1, 2013, the City has no liability for health insurance claims incurred prior to this date. The City estimates a liability for health insurance claims incurred but not yet paid as of September 30, 2018 in the amount of \$1,191,365.

The transactions relating to the self-insurance program are accounted for in the Central Insurance Fund, an internal service fund. The billings by the Central Insurance Fund to the various operating funds (the interfund premiums) are based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability reported at September 30, 2018, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2018

General fund	\$	435,975
Capital Improvement fund		6,962,479
Nonmajor governmental funds		1,439,097
		\$ 8,837,551

Tax Abatements

In accordance with Chapter 29, Article VII of the Clearwater Code of Ordinances, Article VII, Section 3 of the Constitution of the State of Florida, and Section 196-1995, Florida Statutes, the City Council may grant Economic Development Ad Valorem Tax Exemptions of up to 75 percent of the assessed value of the qualifying property for up to ten years to new businesses and expansions of existing businesses which create employment opportunities that will benefit the entire community.

For the fiscal year ending September 30, 2018, the City abated real and tangible personal property taxes totaling \$137,043 under this program, consisting of the following agreements:

A Business Maintenance and Continued Performance Agreement with Skye Lane Properties, LLC dated January 14, 2014, for the relocation of 54 jobs from St. Petersburg, the creation of 11 new jobs, and the investment of \$6.1 million in the expansion of the property, including the renovation of the facility, construction of a tri-level parking deck, and the purchase of new furniture, fixtures and equipment. This agreement, which commenced in fiscal 2016, grants an exemption of ad valorem taxes of 75 percent for the first five years and 50 percent for the next five years. In the event of default, Skye Lane Properties, LLC will be subject to the taxes exempted plus annual interest at the maximum rate allowed by law. Tax abatements since inception total \$35,310.

A Business Maintenance and Continued Performance Agreement with Instrument Transformers, Inc. dated March 10, 2014 and amended February 11, 2016, for the creation of 143 new jobs and the investment of \$49 million in the expansion of the Clearwater facility, including the purchase or lease of new equipment. This agreement, which commenced in fiscal 2017, grants an exemption of ad valorem taxes of 75 percent for ten years. In the event of default, Instrument Transformers, Inc. will be subject to the taxes exempted plus annual interest at the maximum rate allowed by law. Tax abatements since inception total \$170,316.

IV.H. Pending litigation

In the normal course of operations, the City is a defendant in various legal actions, the ultimate resolution of which is not expected to have a material effect on the financial statements, other than for amounts that have been reserved and recorded as liabilities in the Central Insurance Fund.

IV.I. Restatement of Prior Year Net Position

During the fiscal year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The statement established standards for recognizing and measuring the OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. In addition to establishing a deferred inflow of resources as described in Note I.D.8, implementation of this statement resulted in a restatement of net position as of October 1, 2017, which decreased the net position of governmental and business-type activities in the amounts of \$7,016,568 and \$3,073,983, respectively.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Programs Fund – to account for grants and contributions, the use of which is restricted for certain programs.

Community Redevelopment Agency Fund – to account for receipt, custody, and expenditure of property tax increment funds associated with related redevelopment projects.

Local Housing Assistance SHIP Trust Fund – to account for monies allocated to the City under the State Local Housing Assistance SHIP grant program.

Pinellas County Local Housing Assistance Trust Fund – to account for monies allocated to the City under the Pinellas County Local Housing Assistance grant program.

Capital Projects Funds

Capital projects funds are used to account for resources to be used for the acquisition or construction of **major** capital improvement projects, other than those financed by proprietary funds. A major capital improvement project is a property acquisition, a major construction undertaking, or a major improvement to an existing facility or property, with a cost greater than \$25,000 and a minimum useful life of at least five years.

Community Redevelopment Agency Capital Projects Fund – to provide separate accounting records for the acquisition or construction of capital improvement projects for the Clearwater Community Redevelopment Agency.

**City of Clearwater, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018**

Special Revenue Funds

	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total
ASSETS					
Cash and investments	\$ 12,096,901	\$ 398,331	\$ 692,617	\$ 241,663	\$ 13,429,512
Receivables:					
Accrued interest	49,859	27,725	2,590	1,341	81,515
Mortgage notes	2,553,071	-	2,151,176	141,202	4,845,449
Other	9,348	-	-	-	9,348
Due from other governments - grants	232,221	-	-	-	232,221
Due from other governments - other	110,100	-	-	-	110,100
Advances to other funds	325,440	-	-	-	325,440
Total assets	<u>\$ 15,376,940</u>	<u>\$ 426,056</u>	<u>\$ 2,846,383</u>	<u>\$ 384,206</u>	<u>\$ 19,033,585</u>
LIABILITIES					
Accounts and contracts payable	\$ 384,140	\$ 16,686	\$ 16,660	\$ 15	\$ 417,501
Accrued payroll	41,294	-	-	-	41,294
Due to other governmental entities	26,029	48,000	-	-	74,029
Construction escrows	-	-	3,383	-	3,383
Unearned revenue	5,208	-	-	-	5,208
Advances from other funds	-	325,440	-	-	325,440
Total liabilities	<u>456,671</u>	<u>390,126</u>	<u>20,043</u>	<u>15</u>	<u>866,855</u>
FUND BALANCES					
Restricted	9,738,894	-	2,826,340	384,191	12,949,425
Committed	3,711,591	-	-	-	3,711,591
Assigned	1,469,784	35,930	-	-	1,505,714
Total fund balances	<u>14,920,269</u>	<u>35,930</u>	<u>2,826,340</u>	<u>384,191</u>	<u>18,166,730</u>
Total liabilities and fund balances	<u>\$ 15,376,940</u>	<u>\$ 426,056</u>	<u>\$ 2,846,383</u>	<u>\$ 384,206</u>	<u>\$ 19,033,585</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Funds			Capital	
Notes	Spring		Project	
and	Training		Fund	Total
Mortgages	Facility	Total	Community	Nonmajor
	Revenue		Redevelopment	Governmental
	Bonds		Agency	Funds
\$ -	\$ 680,422	\$ 680,422	\$ 6,655,296	\$ 20,765,230
-	2,631	2,631	-	84,146
-	-	-	-	4,845,449
-	-	-	-	9,348
-	-	-	-	232,221
-	-	-	-	110,100
-	-	-	-	325,440
<u>\$ -</u>	<u>\$ 683,053</u>	<u>\$ 683,053</u>	<u>\$ 6,655,296</u>	<u>\$ 26,371,934</u>
\$ -	\$ -	\$ -	\$ 7,887	\$ 425,388
-	-	-	1,717	43,011
-	-	-	-	74,029
-	-	-	-	3,383
-	-	-	-	5,208
-	-	-	-	325,440
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,604</u>	<u>876,459</u>
-	683,053	683,053	6,623,610	20,256,088
-	-	-	-	3,711,591
-	-	-	22,082	1,527,796
<u>-</u>	<u>683,053</u>	<u>683,053</u>	<u>6,645,692</u>	<u>25,495,475</u>
<u>\$ -</u>	<u>\$ 683,053</u>	<u>\$ 683,053</u>	<u>\$ 6,655,296</u>	<u>\$ 26,371,934</u>

City of Clearwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	Special Revenue Funds				Total
	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	
REVENUES					
Intergovernmental:					
Federal	\$ 1,073,533	\$ -	\$ -	\$ -	\$ 1,073,533
State	74,608	-	482,265	-	556,873
Local	391,283	1,408,720	-	-	1,800,003
Charges for services	1,465,066	-	-	-	1,465,066
Fines and forfeitures	440,506	-	-	-	440,506
Investment earnings (loss):					
Interest	230,519	127,029	222,518	7,913	587,979
Net appreciation (depreciation) in fair value	(225,957)	(132,087)	(12,179)	(4,261)	(374,484)
Total investment earnings (loss)	<u>4,562</u>	<u>(5,058)</u>	<u>210,339</u>	<u>3,652</u>	<u>213,495</u>
Miscellaneous	<u>1,772,999</u>	<u>68,624</u>	<u>-</u>	<u>-</u>	<u>1,841,623</u>
Total revenues	<u>5,222,557</u>	<u>1,472,286</u>	<u>692,604</u>	<u>3,652</u>	<u>7,391,099</u>
EXPENDITURES					
Current:					
General government	3,011,401	-	-	-	3,011,401
Public safety	3,173,629	-	-	-	3,173,629
Physical environment	43,995	-	-	-	43,995
Transportation	132,325	-	-	-	132,325
Economic environment	1,294,875	394,138	55,409	14,254	1,758,676
Human services	317,551	-	-	-	317,551
Culture and recreation	1,868,267	-	-	-	1,868,267
Debt service:					
Principal	-	-	-	-	-
Interest & fiscal charges	-	5,202	-	-	5,202
Capital outlay	83,517	-	-	-	83,517
Total expenditures	<u>9,925,560</u>	<u>399,340</u>	<u>55,409</u>	<u>14,254</u>	<u>10,394,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,703,003)</u>	<u>1,072,946</u>	<u>637,195</u>	<u>(10,602)</u>	<u>(3,003,464)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,667,971	1,473,122	-	-	7,141,093
Transfers out	(380,042)	(2,510,138)	(510,328)	-	(3,400,508)
Total other financing sources (uses)	<u>5,287,929</u>	<u>(1,037,016)</u>	<u>(510,328)</u>	<u>-</u>	<u>3,740,585</u>
Net change in fund balances	584,926	35,930	126,867	(10,602)	737,121
Fund balances - beginning	<u>14,335,343</u>	<u>-</u>	<u>2,699,473</u>	<u>394,793</u>	<u>17,429,609</u>
Fund balances - ending	<u>\$ 14,920,269</u>	<u>\$ 35,930</u>	<u>\$ 2,826,340</u>	<u>\$ 384,191</u>	<u>\$ 18,166,730</u>

The notes to the financial statements are an integral part of this statement.

<u>Debt Service Funds</u>			<u>Capital</u>	<u>Total</u>
<u>Notes</u>	<u>Spring</u>		<u>Project</u>	<u>Nonmajor</u>
<u>and</u>	<u>Training</u>		<u>Fund</u>	<u>Governmental</u>
<u>Mortgages</u>	<u>Facility</u>	<u>Total</u>	<u>Community</u>	<u>Funds</u>
	<u>Revenue</u>		<u>Redevelopment</u>	
	<u>Bonds</u>		<u>Agency</u>	
\$ -	\$ -	\$ -	\$ -	1,073,533
-	500,004	500,004	-	1,056,877
-	587,650	587,650	-	2,387,653
-	-	-	-	1,465,066
-	-	-	-	440,506
-	11,750	11,750	-	599,729
-	(15,676)	(15,676)	-	(390,160)
-	(3,926)	(3,926)	-	209,569
-	-	-	-	1,841,623
-	1,083,728	1,083,728	-	8,474,827
-	-	-	-	3,011,401
-	-	-	-	3,173,629
-	-	-	-	43,995
-	-	-	-	132,325
-	-	-	309,245	2,067,921
-	-	-	-	317,551
-	-	-	-	1,868,267
545,745	725,000	1,270,745	-	1,270,745
32,152	343,038	375,190	-	380,392
-	-	-	257,179	340,696
<u>577,897</u>	<u>1,068,038</u>	<u>1,645,935</u>	<u>566,424</u>	<u>12,606,922</u>
(577,897)	15,690	(562,207)	(566,424)	(4,132,095)
577,897	-	577,897	2,112,248	9,831,238
-	-	-	(496,797)	(3,897,305)
<u>577,897</u>	<u>-</u>	<u>577,897</u>	<u>1,615,451</u>	<u>5,933,933</u>
-	15,690	15,690	1,049,027	1,801,838
-	667,363	667,363	5,596,665	23,693,637
\$ -	\$ 683,053	\$ 683,053	\$ 6,645,692	\$ 25,495,475

City of Clearwater, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Community Redevelopment Agency
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - Local	\$ 1,407,630	\$ 1,408,720	\$ 1,408,720	\$ -
Investment earnings (loss):				
Interest	50,000	50,000	127,029	77,029
Net appreciation (depreciation) in fair value	-	-	(132,087)	(132,087)
Total investment earnings (loss)	<u>50,000</u>	<u>50,000</u>	<u>(5,058)</u>	<u>(55,058)</u>
Miscellaneous	68,624	68,624	68,624	-
Total revenues	<u>1,526,254</u>	<u>1,527,344</u>	<u>1,472,286</u>	<u>(55,058)</u>
EXPENDITURES				
Current - Economic environment	438,390	438,089	394,138	43,951
Debt Service - Interest & fiscal charges	-	-	5,202	(5,202)
Total expenditures	<u>438,390</u>	<u>438,089</u>	<u>399,340</u>	<u>38,749</u>
Excess of revenues over expenditures	<u>1,087,864</u>	<u>1,089,255</u>	<u>1,072,946</u>	<u>(16,309)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,154,490	1,151,254	1,473,122	321,868
Transfers out	<u>(2,242,354)</u>	<u>(2,240,509)</u>	<u>(2,510,138)</u>	<u>(269,629)</u>
Total other financing sources (uses)	<u>(1,087,864)</u>	<u>(1,089,255)</u>	<u>(1,037,016)</u>	<u>52,239</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	35,930	35,930
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,930</u>	<u>\$ 35,930</u>

The notes to the financial statements are an integral part of this statement.