



CITY OF CLEARWATER, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

2016/2017

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**City of Clearwater, Florida
Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2017**



George N. Cretekos
Mayor

Doreen Caudell
Councilmember

Dr. Bob Cundiff
Councilmember

Bill Jonson
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, 2017

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CITY OF CLEARWATER

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CITY MANAGER

March 23, 2018

The Honorable Mayor, Councilmembers,
and Citizens of the City of Clearwater:

The City of Clearwater Charter (Section 2.01(c)3), Florida Statutes, and various covenants relating to debt and pension obligations of the City require an annual audit of the financial statements of all funds of the City by a firm of licensed certified public accountants. These statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS). Pursuant to these requirements we hereby issue the comprehensive annual financial report of the City of Clearwater for the fiscal year ended September 30, 2017.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cherry Bekaert LLP, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are in the Single Audit section of this report.

George N. Cretekos, Mayor

Doreen Caudell, Councilmember
Dr. Bob Cundiff, Councilmember

David Albritton, Councilmember
Hoyt Hamilton, Councilmember



"Equal Employment and Affirmative Action Employer"

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 five consecutive years of increases: 3.3%, 6.0%, 6.6%, 7.5%, and 8.3% increases for January 1, 2013, 2014, 2015, 2016, and 2017 tax rolls, respectively. Additionally, the Tampa Bay metropolitan area experienced an improvement in the unemployment rate as it decreased from the September 1, 2016 rate of 4.8% to 3.3% as of September 30, 2017. The metro area rate of 3.3% compares favorably to a national rate of 4.2% and a state unemployment rate of 4.0% as of September 30, 2017. 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 Walk development has contributed to significant economic redevelopment on Clearwater Beach. Additionally, the downtown area is well-poised for similar redevelopment with the completion of downtown streetscaping, the Clearwater Harbor Marina, Capitol Theatre, and completion of an apartment complex of 257 high-end units adjacent to downtown's Prospect Lake Park. Additionally, the City is embarking on a significant development of the downtown waterfront bluff area, discussed under Major Initiatives below, that is expected to spur significant economic redevelopment of the downtown area.

Long-term Financial Planning

Financial planning continues to be of critical importance to the City in meeting the challenges of both the immediate and foreseeable future. Major projects undertaken by the City will continue to have long term financial implications for existing as well as future resources and revenues. The planning and decisions undertaken by the City are always evaluated in the context of the financial burden that will be placed on both current and prospective residents, as well as the potential economic and environmental impacts.

The economic downturn in recent years necessitated an emphasis on balancing demands for City services with significantly reduced General Fund revenues. Identifying operating efficiencies, consolidating City operations, prioritizing and/or eliminating programs and services, partnering with other governmental entities, and other cost saving initiatives have been the focal point of all City departments in recent years. The City continues to strategically review the efficiency and effectiveness of service operations for potential cost savings via reengineering and/or outsourcing of services.

Relevant Financial Policies

It is a policy of the City Council to maintain a minimum fund balance in the General Fund equal to eight and one-half percent (8.5%) of the subsequent year's budgeted expenditures to meet unanticipated financial needs. Per Council policy, excess funds may be appropriated by the City Council for specific capital improvement projects or other one-time needs.

It is a policy of the City Council that all enterprise fund operations shall be self-supporting. Council policy requires a review of rate schedules every five years, at a minimum, to help ensure that enterprise funds are self-supporting. Additionally, Council policy requires that unrestricted fund balances of the utility enterprise funds be maintained at a level equivalent to the greater of six months of operation and maintenance expenses, or other minimum reserve levels indicated in the current rate study for the utility enterprise fund. The minimum reserve level for non-utility enterprise funds is three months of operation and maintenance expenses.

Major Initiatives

The City continues to proactively fund capital projects to support the City's five utility operations, which consist of Water and Sewer, Stormwater, Solid Waste, Recycling, and Gas Utility operations. A total of \$110.5 million of utility projects are budgeted for fiscal 2018 with a total of \$338.2 million budgeted over the next six years.

In the Spring of 2014, the City sponsored an Urban Land Institute (ULI) Advisory Services Panel to provide strategic advice about the revitalization of the downtown area. A major initiative resulting from the ULI recommendations is "Imagine Clearwater," a multi-phase redevelopment plan for the downtown waterfront bluff. Phase 1 of the plan seeks to implement key investments north of Cleveland Street and along the waterfront to spark change along Osceola Avenue and into downtown. The plan will create a dynamic new open space from the waterfront to the downtown, activated by new uses and captivating elements that serve a broad pool of users with the flexibility to accommodate a great variety of activities, including passive and active recreation, to promote year-round enjoyment. Phase 2 builds upon the success of Phase 1, bringing redevelopment south of Cleveland Street with the activation of additional key City investments. The current Phase 1 design phase is expected to take up to a year, with construction planned to begin in early 2019.

Also relative to the ULI recommendations, the City conducted studies related to the City of Clearwater Boating Master Plan and the North Marina Area Master Plan in the Fall of 2015. Final detailed engineering plans are nearing completion for the North Marina Area Master Plan Project Phase I. It is anticipated that the project will

be able to go to bid by the middle of fiscal year 2018. Phase I improvements for the North Marina Area Master Plan include the addition of new parking, the enhancement of existing parking areas, expanded public use and amenity areas, additional open space, kayak launch, enhanced and decorative lighting, link to Pinellas Trail from waterfront recreation area, and new restroom facilities that serve the existing ramp area. Finally, day transient boat slips are currently in the process of being permitted.

The ULI initiatives remain a high priority for the City during fiscal year 2018. Major components of these and other initiatives comprise a series of projects now referred to as "Second Century Clearwater" projects. Second Century projects are redefining the face of Clearwater as the City embarks on its second century of achievement as a dynamic and changing city.

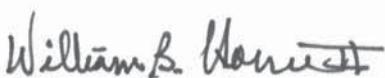
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the 38th consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for the fiscal year 2017 Budget document, the 31st consecutive year that this award has been received. In order to qualify, the City's Budget document was judged to be proficient in several categories including as a policy document, a financial plan, an operations guide, and a communications device.

We wish to thank the many members of the Citywide Annual Financial Reporting (CAFR) Team, which is composed of individuals in the Finance Department and other financial staff throughout the City, for their professionalism and dedication in producing this report. A special thank you goes to Monica Mitchell, Assistant Finance Director, for her leadership in completion of this report. Sincere appreciation is also extended to the City's external auditors, Cherry Bekaert LLP, for their advice and assistance in the preparation of this report. Finally, we would like to thank the City Council for their interest, continued support, and leadership in planning and conducting the financial operations of the City in a progressive and responsible manner.

Sincerely,



William B. Horne, II
City Manager



Brian Jay Ravins
Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Clearwater
Florida**

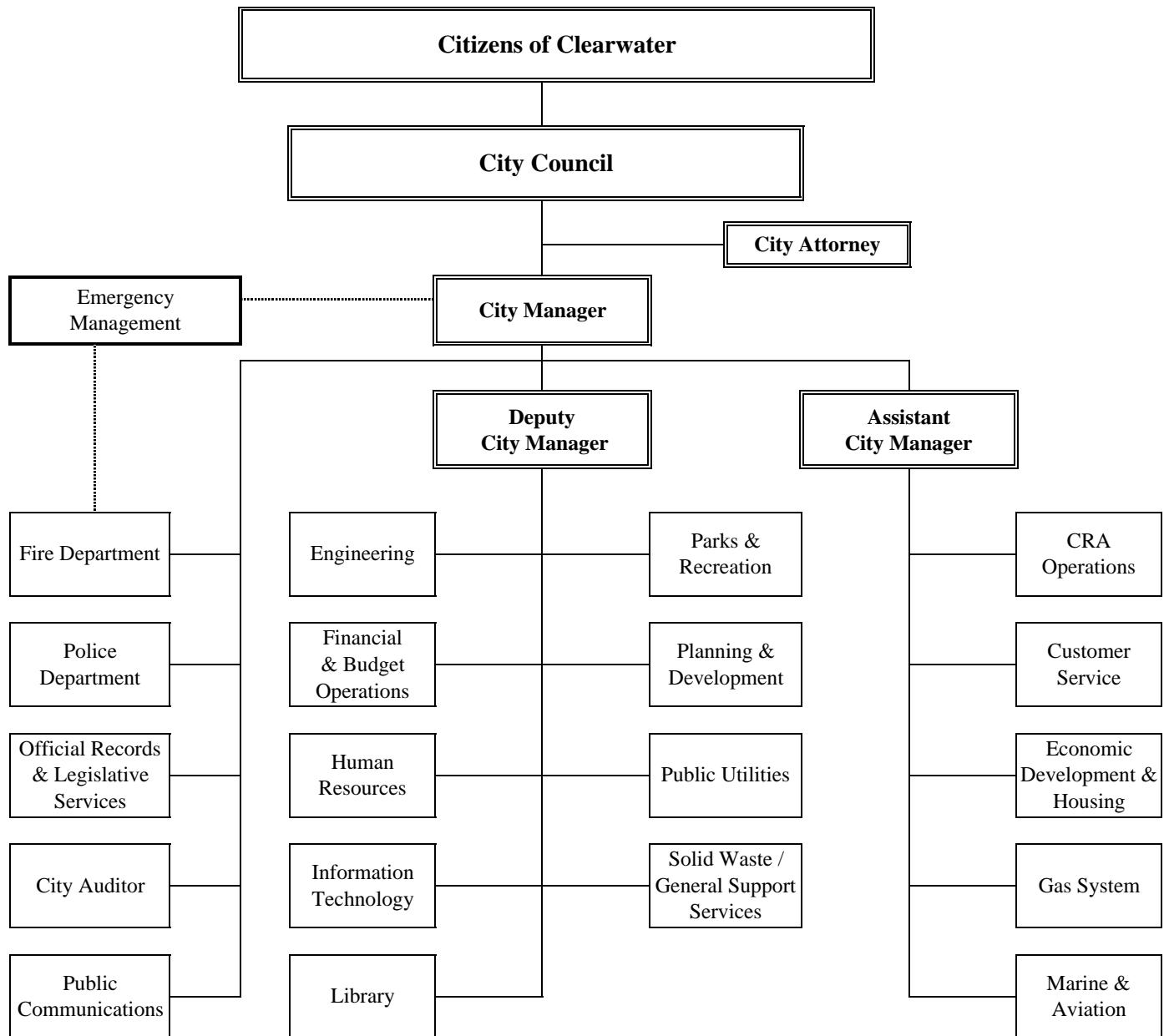
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Clearwater Organizational Chart



Report of Independent Auditor

To the Honorable Mayor and City Council Members
City of Clearwater, Florida

Report on 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 Clearwater, Florida (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended September 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and the special development fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the nonmajor governmental funds, nonmajor enterprise funds, internal service and fiduciary funds of the City as of September 30, 2017, 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 and the required supplementary information schedules - Pension Trust Funds and other Postemployment, as listed in the table of contents, 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's basic financial statements. The introductory section, budgetary comparison for the community redevelopment agency special revenue fund on page 119, 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 March 23, 2018 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 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 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 Bekaert LLP

Tampa, Florida
March 23, 2018

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Management's Discussion and Analysis

This *Management's Discussion and Analysis* report provides the reader with a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. *Management's Discussion and Analysis* (*MD&A*) should be read in conjunction with the City's *Transmittal Letter*, which begins on page v of this report.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$949.6 million (*net position*). Of this amount, \$256.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$40.7 million, or 4.5%, from the prior year's net position. Net position for governmental activities increased by \$17.9 million, or 4.0%, while the business-type net position increased by \$22.8 million, or 4.9%.
- Governmental net position increased \$17.9 million in fiscal 2017. A decrease of \$3.1 million in governmental program expenses, primarily in the public safety program, in addition to an increase in governmental program revenues of \$2.7 million, resulted in a decrease in net program expenses of \$5.8 million. General revenues and transfers increased \$7.6 million. Total general revenues for governmental activities increased by \$3.8 million, or 4.2%, primarily due to a \$3.3 million increase in property taxes and a \$1.6 million increase in communications services taxes, offset by a decrease of \$1.6 million in investment earnings due to a reduction in market values of the City's investment portfolio. Transfers from business-type activities increased \$3.8 million.
- Business-type net position increased \$22.8 million in fiscal 2017. Net revenue from business-type activities, before investment earnings and transfers, increased \$1.3 million, or 3.9%, as the result of an increase in charges for services of \$10.9 million offset by an increase in program expenses of \$9.6 million. The most significant increases in charges for services were in the Water & Sewer Utility (\$6.3 million) due to rate increases of 3.75% and the Gas Utility (\$2.0 million) due to fluctuating commodity costs and no change in rates. General revenues decreased \$1.9 million as the result of a decrease in investment earnings. Transfers to governmental activities increased \$3.8 million.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$116.5 million, an increase of \$52 thousand, or .05%, in comparison with the prior year. Of this amount, \$28.3 million (or 24.3%) is *available for spending* at the government's discretion (*unassigned fund balance*).
- At September 30, 2017, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$28.5 million, or 22.6% of total fiscal 2017 general fund expenditures.
- Total outstanding long-term liabilities increased \$2.1 million from the prior year, primarily due to a reduction in bonded debt in the amount of \$5.3 million, a net increase in lease purchase contracts of \$3.9 million, an increase in the liability for compensated absences of \$300 thousand, an increase in the liability for other postemployment benefits of \$2.1 million, and an increase in claims payable of \$1.1 million.

Overview of the Financial Statements

This discussion and analysis (*MD&A*) is intended to serve as an introduction to the City of Clearwater's *basic financial statements*. The City's basic financial statements are comprised of 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 the *statement of net position* and the *statement of activities*. These statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. Emphasis is placed on the net position of *governmental activities* and *business-type activities*, and the *change in net position*. Governmental activities are principally supported by taxes and intergovernmental revenues. Governmental activities include most of the City's basic services, including police, fire, public works, parks and recreation, and general administration. Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges. The City's water and sewer system, stormwater system, gas system, solid waste and recycling, marine, aviation, Clearwater Harbor Marina, and parking system operations are reported as business-type activities.

- The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, 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 as to whether the financial position of the City is improving or deteriorating. Net position is reported in three major categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.
- The *statement of activities* presents information showing how the City's net position changed as a result of the year's activities. All changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

The government-wide financial statements include not only the City of Clearwater itself but also the Clearwater Redevelopment Agency (CRA). The CRA, though legally separate, is reported as part of the *primary government* as a *blended component unit* because the City Council serves as the CRA's governing board and City management has operational responsibility for the CRA.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the City's major funds – not the City as a whole. *Fund accounting* helps to ensure and demonstrate *compliance* with finance-related legal requirements. Based on restrictions on the use of monies, the City has established many funds that account for the multitude of services provided to residents. These fund financial statements focus on the City's most significant funds: *governmental*, *proprietary*, and *fiduciary*.

Governmental funds. *Governmental funds* are used to report most of the City's basic services. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The funds focus on the *inflows and outflows of current resources* and the *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 City maintains ten individual governmental funds. 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, Special Development, and Capital Improvement funds, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated columnar presentation. Individual fund data for each of these nonmajor governmental funds is provided in *Combining and Individual Fund Statements and Schedules* section of this report.

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 42-102 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 103-109 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 114-136 of this report.

Government-Wide Financial Analysis

The total net position of the City increased in both fiscal 2017 and fiscal 2016. 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 \$949.6 million at the close of the fiscal year ended September 30, 2017. This represents an increase of \$40.7 million from the September 30, 2016 total net position of \$908.9 million. The City reports positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities, for both the current year and the prior year, as indicated in the following table:

City of Clearwater, Florida - Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 258,571,971	\$ 210,904,691	\$ 265,815,486	\$ 253,152,629	\$ 524,387,457	\$ 464,057,320
Capital assets	300,089,363	289,562,206	434,914,983	425,467,198	735,004,346	715,029,404
Total assets	558,661,334	500,466,897	700,730,469	678,619,827	1,259,391,803	1,179,086,724
Deferred Outflows of Resources						
Resources	3,243,712	14,767,600	14,806,580	8,822,265	18,050,292	23,589,865
Liabilities						
Current and other liabilities	11,695,301	10,733,114	19,552,496	17,724,145	31,247,797	28,457,259
Long-term debt outstanding:						
Due within one year	15,678,212	13,867,332	10,579,272	10,469,501	26,257,484	24,336,833
Due in more than one year	44,225,478	40,674,591	191,111,673	194,487,030	235,337,151	235,161,621
Total liabilities	71,598,991	65,275,037	221,243,441	222,680,676	292,842,432	287,955,713
Deferred Inflows of Resources						
Resources	26,874,581	4,427,305	8,118,362	1,371,851	34,992,943	5,799,156
Net position						
Net investment in capital assets	271,834,091	263,810,329	254,503,208	231,590,454	526,337,299	495,400,783
Restricted	119,002,793	52,936,521	47,946,129	36,802,794	166,948,922	89,739,315
Unrestricted	72,594,590	128,785,305	183,725,909	194,996,317	256,320,499	323,781,622
Total net position	\$ 463,431,474	\$ 445,532,155	\$ 486,175,246	\$ 463,389,565	\$ 949,606,720	\$ 908,921,720

A large portion of the City's net position (55.4%) represents its net investment in capital assets (e.g., land, infrastructure, land improvements, buildings, and equipment, less any related outstanding debt used to acquire those assets). The City uses these capital assets to provide services to citizens, and 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 resources, since the capital assets themselves will not be used to liquidate these liabilities.

There was an increase of \$8.0 million (3.0%) in *net investment in capital assets* for *governmental activities* versus the previous year. The increase was due to a decrease in related revenue bond debt of \$685 thousand and a net increase of \$3.2 million in capital lease purchase contracts, plus a net increase of \$10.5 million in governmental capital assets for the current fiscal year. The increase in governmental capital assets of \$10.5 million resulted from capital asset additions of \$31.4 million offset by depreciation expense of \$20.5 million, net capital asset retirements of \$405 thousand, and net transfers from business-type activities of \$42 thousand.

Net investment in capital assets for *business-type activities* increased by \$22.9 million, or 9.9%, due to a net increase in business-type capital assets of \$9.4 million consisting of \$32.4 million of net capital asset additions, \$22.9 million in current year depreciation expense, net capital asset retirements of \$110 thousand, and transfers to governmental activities of \$42 thousand, plus an increase of \$13.5 million in related debt, net of unspent bond proceeds.

An additional portion of the City's net position (17.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$256.3 million or 27.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

The following table reflects the changes in net position for the years ended September 30, 2017, and September 30, 2016:

City of Clearwater, Florida - Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 43,832,862	\$ 43,124,537	\$ 178,247,501	\$ 167,347,710	\$ 222,080,363	\$ 210,472,247
Operating grants and contributions	7,012,218	6,236,334	82,541	207,720	7,094,759	6,444,054
Capital grants and contributions	3,893,460	2,642,030	3,564,204	3,487,016	7,457,664	6,129,046
General revenues:						
Property taxes	46,852,628	43,579,658	-	-	46,852,628	43,579,658
Sales taxes	18,008,997	17,594,533	-	-	18,008,997	17,594,533
Utility taxes	14,834,609	14,518,154	-	-	14,834,609	14,518,154
Communications services taxes	4,511,892	4,617,875			4,511,892	4,617,875
Other taxes	8,395,207	6,845,168	-	-	8,395,207	6,845,168
Other	734,965	2,394,398	782,396	2,714,614	1,517,361	5,109,012
Total revenues	148,076,838	141,552,687	182,676,642	173,757,060	330,753,480	315,309,747
Expenses						
General Government	14,876,267	13,487,675	-	-	14,876,267	13,487,675
Public Safety	66,794,715	71,717,818	-	-	66,794,715	71,717,818
Physical Environment	3,992,892	4,141,571	-	-	3,992,892	4,141,571
Transportation	14,338,591	14,532,393	-	-	14,338,591	14,532,393
Economic Environment	5,304,679	4,018,814	-	-	5,304,679	4,018,814
Human Services	455,615	525,809	-	-	455,615	525,809
Culture and Recreation	39,497,439	36,894,334	-	-	39,497,439	36,894,334
Interest on Long-term Debt	747,990	740,286	-	-	747,990	740,286
Water and Sewer Utility	-	-	73,252,799	64,866,011	73,252,799	64,866,011
Gas Utility	-	-	30,716,158	29,195,218	30,716,158	29,195,218
Solid Waste Utility	-	-	17,625,829	17,989,428	17,625,829	17,989,428
Stormwater Utility	-	-	13,147,863	13,664,223	13,147,863	13,664,223
Recycling Utility	-	-	2,864,457	2,957,693	2,864,457	2,957,693
Other	-	-	9,453,186	8,835,399	9,453,186	8,835,399
Total expenses	146,008,188	146,058,700	147,060,292	137,507,972	293,068,480	283,566,672
Increase in net position before transfers	2,068,650	(4,506,013)	35,616,350	36,249,088	37,685,000	31,743,075
Transfers	12,830,669	9,068,691	(12,830,669)	(9,068,691)	-	-
Increase in net position	14,899,319	4,562,678	22,785,681	27,180,397	37,685,000	31,743,075
Net position - beginning	445,532,155	440,969,477	463,389,565	436,209,168	908,921,720	877,178,645
Net position - ending	\$ 460,431,474	\$ 445,532,155	\$ 486,175,246	\$ 463,389,565	\$ 946,606,720	\$ 908,921,720

Governmental Activities

Net position of governmental activities increased by \$17.9 million from \$445.5 million as of September 30, 2016, to \$463.4 million as of September 30, 2017. This represents a 4.0% increase in net position for governmental activities.

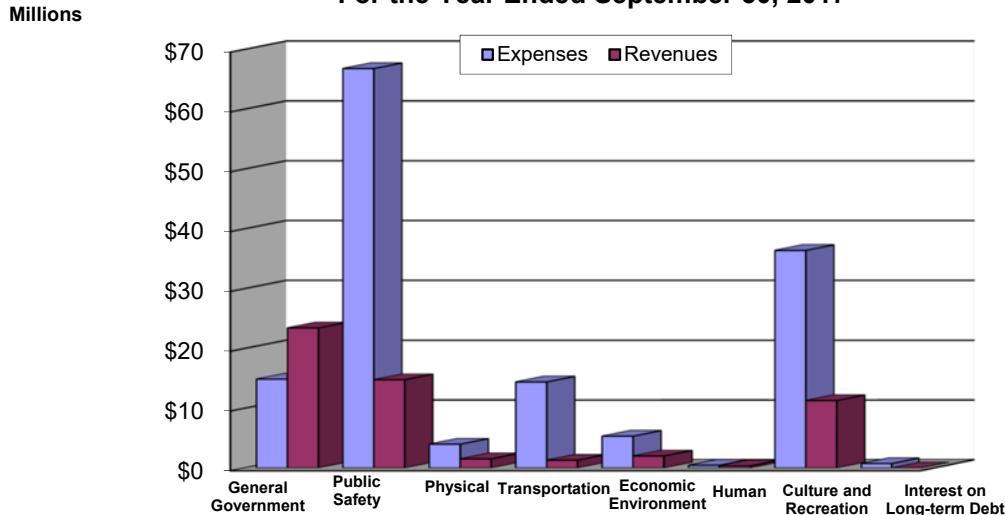
Total expenses for governmental activities decreased by \$3.1 million, or 2.1%, versus the prior year. The most significant decrease was in the public safety program (\$4.9 million), offset by increases in the general government program (\$1.4 million) and the economic environment program (\$1.3 million).

Total program revenues for governmental activities increased by \$2.7 million, or 5.3%, versus the prior year. This increase was primarily due to a \$708 thousand increase in charges for services, an increase in operating grants and contributions of \$776 thousand, and an increase of \$1.2 million in operating and capital grants and contributions.

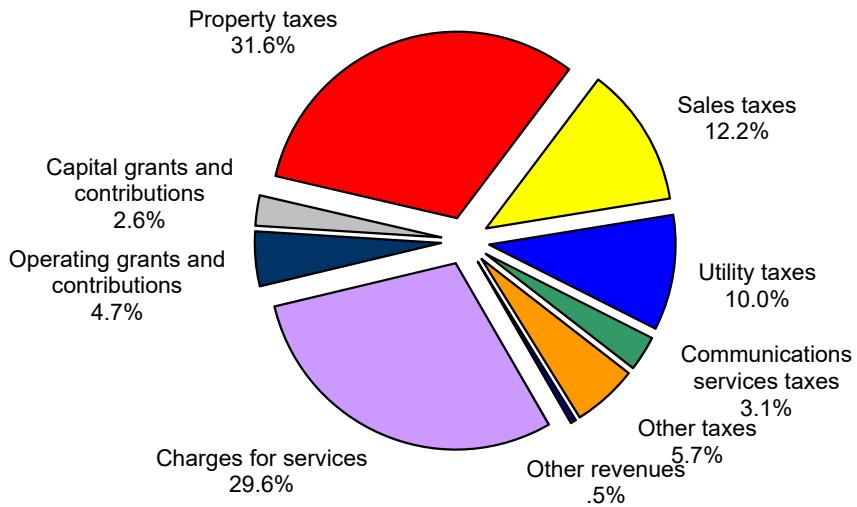
Total general revenues for governmental activities increased by \$3.8 million, or 4.2%, primarily due to a \$3.3 million increase in property taxes and a \$1.6 million increase in communications services taxes, offset by a decrease of \$1.6 million in investment earnings due to a reduction in market values of the City's investment portfolio. Transfers from business-type activities increased \$3.8 million.

The cost of all governmental activities this year was \$143.0 million. This reflects a decrease of \$3.1 million, or 2.1%, from the fiscal 2016 total of \$146.1 million. However, as shown on the *Statement of Activities*, the amount that the City's taxpayers ultimately financed for fiscal 2017 activities totaled \$88.3 million, because some of the cost was paid for by those who directly benefited from the programs (\$43.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10.9 million). This total of \$88.3 million is \$5.8 million, or 6.2%, less than the fiscal 2016 amount financed from general revenues.

**Expenses and Program Revenues - Governmental Activities
For the Year Ended September 30, 2017**



**Revenues by Sources - Governmental Activities
For the Year Ended September 30, 2017**



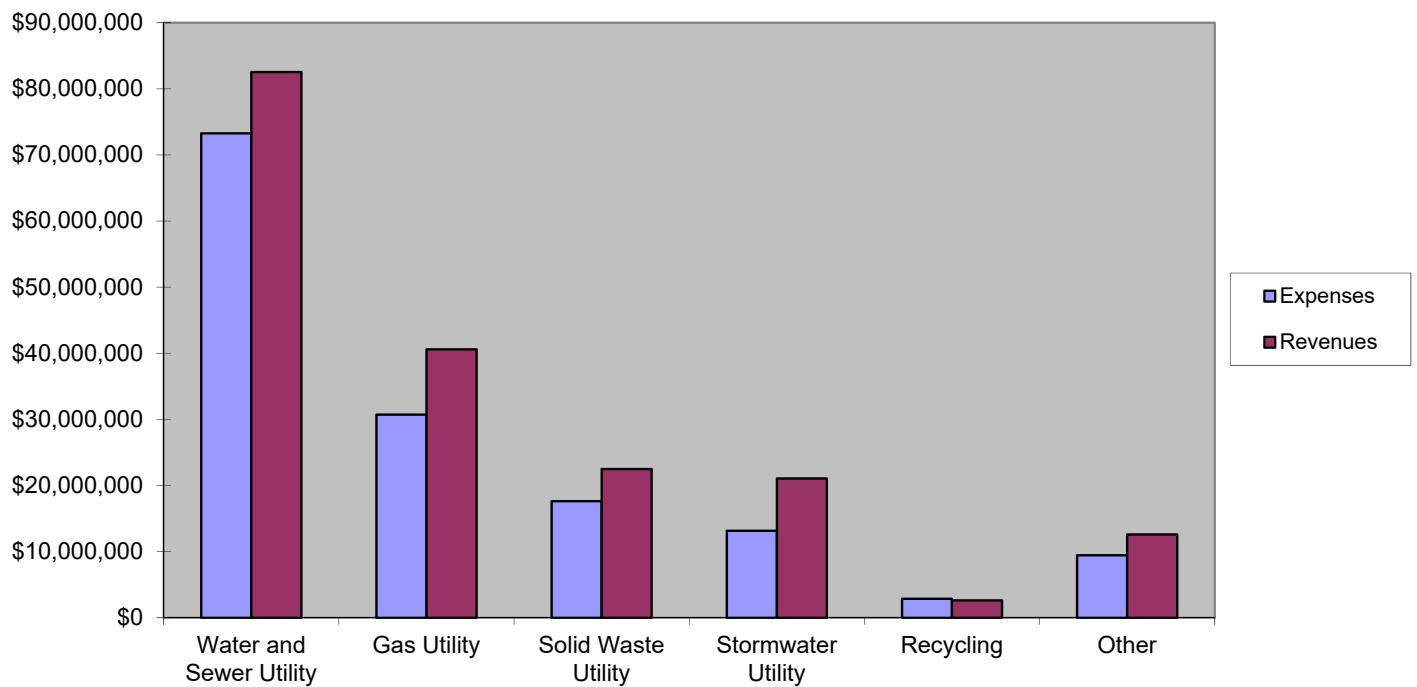
Business-type Activities

Net position for business-type activities increased by \$22.8 million from \$463.4 million as of September 30, 2016, to \$486.2 million as of September 30, 2017. This represents a 4.9% increase in net position for business-type activities. Net revenue from business-type activities, before investment earnings and transfers, increased from \$33.5 million for the prior year to \$34.8 million for fiscal 2017. This \$1.3 million, or 3.9%, increase was primarily the result of an increase in charges for services of \$10.9 million offset by an increase in program expenses of \$9.6 million. Grants and contributions decreased \$48 thousand in total.

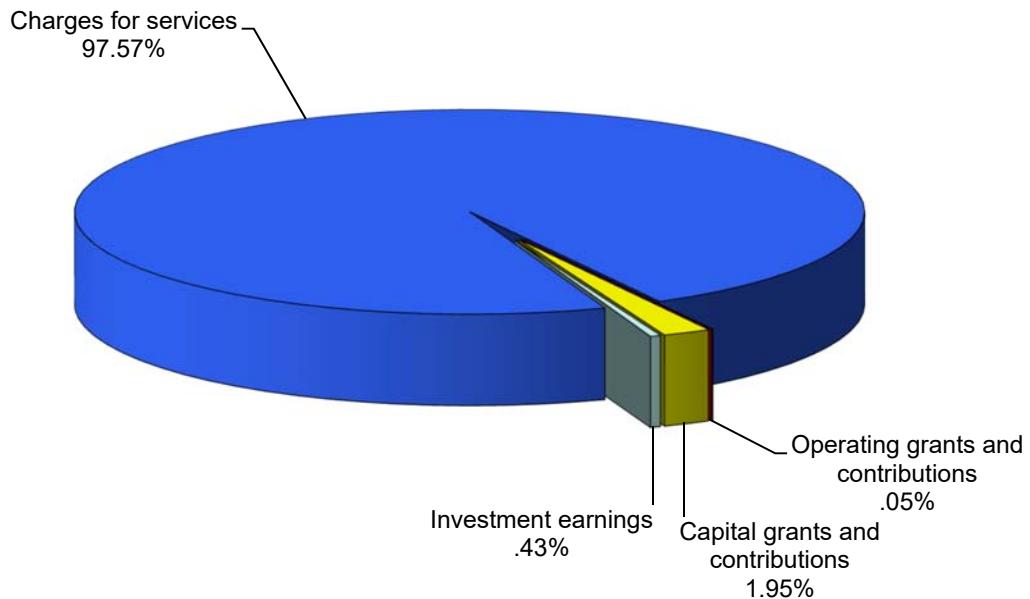
Total program revenues for business-type activities increased by \$10.9 million, or 6.3%, to \$181.9 million versus the prior year total of \$171.0 million, due primarily to an increase of \$10.9 million (6.5%) in charges for services. In the Water & Sewer Utility, charges for services increased as a result of a 3.75% rate increase effective October 1, 2016, and in the Gas Utility due to fluctuating commodity costs and no change in rates.

Total expenses for business-type activities increased by \$9.6 million, or 6.9%, from \$137.5 million in fiscal 2016 to \$147.1 million for fiscal 2017. The majority of this increase in the Water & Sewer Utility (\$8.4 million) and the Gas Utility (\$1.5 million). Transfers to governmental activities increased \$3.8 million, or 41.5%.

**Expenses and Program Revenue - Business-type Activities
For the Year Ended September 30, 2017**



**Revenues by Source - Business-type Activities
For the Year Ended September 30, 2017**



Financial Analysis of the City'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. The City reports the General Fund, Special Development Fund, and Capital Improvement Fund as *major governmental funds*.

The City's governmental funds for the year ended September 30, 2017, reflect a combined *fund balance* of \$116.5 million versus \$116.4 million for the prior year, an increase of \$52 thousand. A total of \$28.3 million, or 24.28%, represents *unassigned fund balance* available for spending at the government's discretion. The remainder of the fund balance is classified as *assigned* (\$7.3 million or 6.29%) to indicate that it is intended to be used for specific purposes supported by management's intent; *committed* (\$22.1 million or 19.00%) to indicate that it can be used only for the specific purposes determined by a formal vote of the City Council; *restricted* (\$58.7 million or 50.38%) to indicate that it can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation; or *nonspendable* (\$62 thousand or 0.05%) to indicate that it cannot be spent or is legally or contractually required to remain intact.

The General Fund is the chief operating fund of the City. At September 30, 2017, unassigned fund balance of the General Fund totaled \$28.3 million, with the remaining \$294 thousand in fund balance classified as nonspendable or assigned. As a measure of the general fund's liquidity it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 22.6% of total general fund expenditures (GAAP basis before transfers) for the current fiscal year.

The fund balance of the Special Development Fund increased from \$12.4 million to \$12.9 million, an increase of \$512 thousand or 4.1%, during the current fiscal year versus an increase of \$4.2 million for fiscal 2016. Total revenues increased by \$1.2 million, most significantly in the areas of impact fees and intergovernmental revenues. Transfers in decreased by \$543 thousand, while transfers out increased by \$4.3 million primarily due to an increase in Penny for Pinellas revenues transferred to the Capital Improvement Fund to fund projects in the Capital Improvement Plan.

The fund balance for the Capital Improvement Fund increased from \$46.6 million to \$51.3 million during the current fiscal year. This increase of \$4.7 million is primarily the result of current year capital project funding received from other funds in excess of year capital project expenditures. This is typical volatility for the Capital Improvement Fund due to timing differences between project funding and project spending.

The fund balances for Other (non-major) Governmental Funds posted a decrease of \$127 thousand (from \$23.8 million to \$23.7 million) during the current fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City reports the Water and Sewer Utility Fund, the Gas Utility Fund, the Solid Waste & Recycling Utility Fund, and the Stormwater Utility Fund as major funds.

The Water and Sewer Utility Fund realized a \$4.9 million increase in net position versus a \$9.2 million increase for the prior year. Operating revenues increased by \$6.3 million, or 8.4%, while operating expenses increased \$8.2 million, or 14.1%. This resulted in a net decrease in operating income of \$1.9, from \$17.1 million in fiscal 2016 to \$15.2 million in 2017. Additionally, capital grants and contributions decreased by \$1.1 million, or 51.8%, and investment earnings decreased by \$578 thousand (60.2%). The increase in operating revenues was primarily the result of a 3.75% rate increase effective October 1, 2016, as well as \$2.4 million insurance proceeds received from tropical storm damage. The decrease in capital grants and contributions was primarily the result of decreased grant revenues due to the completion of capital projects. The increase in operating expenses was primarily due to increased repair and maintenance costs at the Marshall Street facility, as well as increased rental costs for backup pumping equipment, due to damages caused by

Tropical Storm Hermine. Operating expenses also increased as a result of an increase in water purchased from Pinellas County due to Reverse Osmosis Plant #2 not operating at full capacity.

The Gas Utility Fund realized a \$5.4 million increase in net position versus a \$7.2 million increase for the prior year. Operating revenues increased by \$2.0 million, or 5.2%, from the prior year, and operating expenses also increased by \$1.5 million (5.2%). This resulted in a net increase in operating income of \$509 thousand from \$9.7 million in fiscal 2016 to \$10.2 million in 2017. The increase in operating expenses was primarily due to increased fuel purchases for resale in the amount of \$1.2 million. Transfers to other funds increased by \$1.9 million, or 73.2%, primarily due to the increased dividend to the General Fund computed on the fiscal 2016 change in net position.

The Solid Waste & Recycling Utility Fund realized a \$3.2 million increase in net position versus a \$2.4 increase in the prior year. Operating revenues increased by \$921 thousand, or 3.8%, while operating expenses decreased by \$632 thousand (3.0%), resulting in an increase of \$1.6 million in operating income. The increase in operating revenues was primarily due to a rate increase of 3.75% effective October 1, 2016. The decrease in operating expenses was primarily the result of a decrease in dump fees as well as a reduction in depreciation expense due to several assets being fully depreciated in fiscal 2016.

The Stormwater Utility Fund realized an increase in net position of \$6.7 million versus a prior year increase of \$4.8 million. Operating revenues increased by \$648 thousand, or 3.6%, while operating expenses decreased \$439 thousand, or 3.5%, resulting in an increase of \$1.1 million in operating income. Operating revenues increased primarily due to a rate increase of 1.25% effective October 1, 2016, as well as reimbursement in the amount of \$239 thousand received from the Army Corps of Engineers for the Stevens Creek Estuary Restoration Project. There was also an increase in capital grants and contributions of \$1.4 million (116.3%) due to increased contributions from the Southwest Florida Water Management District for the Mango, Magnolia and East Gateway drainage projects.

Unrestricted net position and changes in net position of the proprietary funds for fiscal years 2017 and 2016:

Fund	Unrestricted Net Position		Change in Net Position	
	2017	2016	2017	2016
Water and Sewer Utility	\$ 55,756,756	\$ 53,178,363	\$ 4,919,150	\$ 9,195,402
Gas Utility	41,641,050	44,505,891	5,441,658	7,192,155
Solid Waste & Recycling Utility	34,505,994	36,313,750	3,230,973	2,355,306
Stormwater Utility	33,924,607	33,825,551	6,661,074	4,753,078
Other funds	16,562,587	26,065,602	2,305,071	3,044,029
Totals	\$ 182,390,994	\$ 193,889,157	\$ 22,557,926	\$ 26,539,970

General Fund Budgetary Highlights

The final amended budget for General Fund expenditures reflected a net increase of \$4,056,263, or 3.31%, from the original budget. Key elements of this increase were as follows:

- First Quarter Budget Amendments included a decrease of \$1,500 to the City Manager's flex fund to provide funding for United Way campaign activities; an increase of \$33,500 to marine & aviation to reflect an increase of \$25,000 in utility charges, and increase of \$4,000 in other services/charges and an increase of \$4,500 in operating supplies at Pier 60;
- Mid-Year Budget Amendments included a decrease of \$128,000 to salaries in parks and recreation to provide funding for the Jack Russell Demolition & Refurbishment project; a decrease of \$62,416 to other contractual services in parks and recreation to provide funding for new vehicles; an increase of \$4,265,000 to fund the purchase of land at 301 Pierce Street; and an increase of \$68,632 to fund a legal settlement with a former employee;
- Third Quarter Budget Amendments included a decrease of \$212,426 to the fire department to reflect actual supplemental pension plan contributions; and an increase of \$93,473 to the police department to reflect actual supplemental pension plan contributions.

Final budgeted revenues reflect a net increase of \$883,917, or .74%, from the original budget primarily due to the following:

- First Quarter Budget Amendments included an increase of \$33,500 to charges for services to reflect an increase in Pier 60 concession revenues.
- Third Quarter Budget Amendments included an increase of \$179,370 to ad valorem property taxes to reflect actual collections for the year; a decrease of \$500,000 to communications services taxes to reflect actual collections for the year; a decrease of \$800,000 to franchise fees to reflect actual collections for the year from Duke Energy; an increase of \$290,000 to licenses, permits and fees to reflect an increase of \$150,000 in building permit revenue and an increase of \$140,000 in forfeited permit fee revenue; an increase of \$931,047 to intergovernmental revenues to reflect a decrease of \$118,953 in public safety supplemental pension revenue, an increase of \$250,000 in state revenue sharing, an increase of \$200,000 in half-cent sales tax revenue and an increase of \$600,000 in EMS tax revenue to reflect actual collections for the year; an increase of \$300,000 to fines and forfeitures to reflect actual red light camera fine revenues for the year; an increase of \$450,000 to miscellaneous revenues to reflect an increase in Pier 60 and South Beach umbrella rentals.

Final budgeted "transfers in" from other funds reflect a net increase of \$1,196,630, or 11.64%, from the original budget primarily due to:

- Return of General Fund revenues in the amount of \$2,750 from the Special Programs Fund from the completion of the Strategic Direction Action Plan;
- Return of General Fund revenues in the amount of \$1,789 from the Special Programs Fund from the completion of the Centennial Celebration;
- Return of General Fund revenues in the amount of \$21,301 from the Special Programs Fund from the completion of IDB Fees;
- An increase of \$1,170,790 from the Gas Utility Fund for the annual gas dividend payment.

Final budgeted "transfers out" reflect an increase of \$2,804,486, or 30.89%, from the original budget primarily due to:

- A transfer of \$439,820 to the Special Programs Fund for the Clearwater Ferry;
- A transfer of \$1,500 to the Special Programs Fund for United Way campaign activities;
- A transfer of \$62,416 to the Garage Fund for the purchase of vehicles;
- A transfer of \$128,000 to the Capital Improvement Fund for the Jack Russell Demolition & Refurbishment project;
- A transfer of \$107,750 to the Capital Improvement Fund for the Missouri Avenue Median Beautification project;
- A transfer of \$500,000 to the Capital Improvement Fund for the Imagine Clearwater Implementation project;
- A transfer of \$200,000 to the Capital Improvement Fund for the Clearwater Beach Infrastructure Repair & Improvements project;
- A transfer of \$815,000 to the Capital Improvement Fund for the Morningside Recreation Center project;
- A transfer of \$550,000 to the Capital Improvement Fund for the Jack Russell Stadium Practice Field Renovation project.

Total actual revenues for the General Fund for fiscal 2017 were \$487 thousand, or .40%, greater than final budgeted revenues. Although most categories posted a surplus of actual revenues versus final budgeted revenues, there was a budget deficit in other taxes of \$222 thousand, primarily due to a decrease in business tax receipts and a budget deficit in investment earnings of \$358 thousand to reflect an unrealized loss on investments.

Fiscal 2017 actual expenditures for the General Fund were \$815 thousand (.64%) less than final budgeted expenditures, primarily due to budget savings across most City departments for fiscal 2017.

Capital Asset and Debt Administration

Capital Assets

Capital assets include land, buildings and building improvements, improvements other than buildings, machinery and equipment, and infrastructure. The infrastructure asset category includes long-lived capital assets, typically stationary in nature, such as roads, sidewalks, and bridges. At September 30, 2017, the City had investments in capital assets totaling \$735,004,346 (net of accumulated depreciation).

City of Clearwater, Florida - Capital Assets*
(amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 87,325	\$ 81,390	\$ 31,745	\$ 31,845	\$ 119,070	\$ 113,235
Buildings	97,020	101,474	37,900	26,314	134,920	127,788
Improvements other than buildings	18,590	18,303	344,348	347,713	362,938	366,016
Machinery and equipment	26,982	23,947	8,381	9,082	35,363	33,029
Infrastructure	56,932	53,208	-	-	56,932	53,208
Construction in progress	13,240	11,240	12,541	10,513	25,781	21,753
Total	\$ 300,089	\$ 289,562	\$ 434,915	\$ 425,467	\$ 735,004	\$ 715,029

* Net of accumulated depreciation

Net capital assets for the City's *governmental activities* increased from \$289.6 million to \$300.1 million, reflecting an increase of \$10.5 million for the current fiscal year. Capital asset additions of \$31.4 million were offset by depreciation expense of \$20.5 million, net capital asset retirements totaling approximately \$405 thousand and net transfers from business-type activities of \$42 thousand. Major fiscal 2017 completed governmental capital projects included \$2.2 million for bridge maintenance and improvements, \$1.8 million for recreation trails and \$721 thousand for traffic calming.

Net capital assets for the City's *business-type activities* increased from \$425.5 million to \$434.9 million, reflecting an increase of \$9.4 million for the current fiscal year. Capital asset additions of \$32.4 million were offset by depreciation expense of \$22.9 million, net capital asset retirements totaling approximately \$110 thousand and net transfers to governmental activities of \$42 thousand. Major fiscal 2017 completed business-type capital projects included \$550 thousand for Magnolia Drive drainage outfall and \$3.6 million for water & sewer upgrades and improvements.

Additional information on the City's capital assets can be found in Note III (C) on the notes to the financial statements.

Long-term debt and other long-term liabilities

The City's total long-term liabilities increased from \$259.5 million to \$261.6 million, an increase of \$2.1 million or .81%. Long-term liabilities for governmental activities increased by \$5.4 million, or 9.83%, while long-term liabilities for business-type activities decreased by \$3.3 million or 1.59%. Key factors contributing to these changes included:

- The increase in long-term liabilities for governmental activities is primarily due to an increase in lease purchase contracts of \$3.2 million; an increase in compensated absences of \$359 thousand; an increase in other postemployment benefits of \$1.4 million; an increase of \$1.1 million in claims payable; and a reduction of \$703 thousand in bonded debt.

- The decrease in long-term liabilities for business-type activities is primarily due to an increase in lease purchase contracts of \$704 thousand; a decrease in compensated absences of \$59 thousand; an increase in other postemployment benefits of \$678 thousand; and a reduction of \$4.6 million in bonded debt.

The City's bonded debt as of September 30, 2017, consists entirely of revenue bonds (secured solely by specified revenue sources) with no general obligation debt or special assessment debt outstanding. Governmental activities revenue bonds totaled \$7.0 million while business-type activities totaled \$193.1 million.

The City's Charter limits indebtedness to 20% of the assessed valuation of non-exempt real estate. The current debt limitation is approximately \$2.1 billion, which is significantly in excess of the City's applicable indebtedness of approximately \$200 million at September 30, 2017.

Additional information on the City's long-term debt can be found in Note III (F) of the notes to the financial statements.

Economic Factors and Year 2018 Budgets and Rates

Factors considered in preparing the City of Clearwater's budget for fiscal year 2018 included:

- An increase of 8.4% in property values, from \$9.4 billion to \$10.2 billion, including new construction. This is the fifth year of increased valuations that the City has recognized since the recessionary years 2008-2012. City taxable values are still approximately 8% below peak values of 2007.
- The approved millage rate of 5.1550 mills for fiscal year 2018 remains the same for the ninth consecutive fiscal year.
- A net increase of 39.3 full-time equivalent positions City-wide to a total of 1829.6 FTE's. 21.3 positions were added to the General Fund, 17.6 positions were added in the utility and enterprise funds, and .4 positions were added in the Special Programs Fund. There were no changes to internal services funds.
- A decrease of \$285 thousand in the actuarially required contribution to the Employees' Pension Plan, from \$8.93 million, or 11.13% of covered payroll, for fiscal 2017 to \$8.65 million, or 10.91% of covered payroll, for fiscal 2018. The approved budget plans for a contribution rate of 13% of covered payroll, which will provide for the actuarially required contribution of 10.91% as well as restore approximately \$2.64 million to the credit balance (contributions in excess of the actuarially required amount) to prepare us for future economic challenges.
- An increase in employee medical insurance costs of \$403,450 to a total of \$17.3 million across all City operations. This includes a small increase to fund estimated insurance costs and to account for additional FTE's. Included in the budget is \$1.7 million of health clinic operating costs. Savings in claims costs should continue to offset the cost of the health clinic.
- Budgeted Water and Sewer utility revenues for 2018 reflect a 6.25% rate increase effective October 1, 2017, per a rate study adopted in September 2017. Fiscal 2018 budgeted Stormwater utility revenues reflect a 0.5% rate increase effective October 1, 2017, per a rate study adopted in August 2017. Budgeted revenue for the Solid Waste & Recycling Utility reflect an increase of 3.75% effective October 1, 2017 based upon a rate structure that was approved in August 2015. There are no planned rate increases for the Gas Utility.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in our government and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Clearwater, Finance Department, 100 South Myrtle Avenue, Clearwater, Florida 33756-5520.

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Basic Financial Statements

City of Clearwater, Florida
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 183,609,505	\$ 186,358,878	\$ 369,968,383
Receivables (net)	8,067,024	16,347,514	24,414,538
Internal balances	(1,334,915)	1,334,915	-
Due from other governments	5,378,820	976,067	6,354,887
Prepaid items	2,063,155	4,400	2,067,555
Inventories	466,594	2,710,352	3,176,946
Restricted assets:			
Cash and investments	-	40,066,593	40,066,593
Net pension asset	60,321,788	18,016,767	78,338,555
Capital assets:			
Land	87,325,195	31,745,237	119,070,432
Buildings	97,020,082	37,899,509	134,919,591
Improvements other than buildings	18,590,104	344,348,112	362,938,216
Machinery and equipment	26,981,964	8,381,302	35,363,266
Infrastructure	56,931,968	-	56,931,968
Construction in progress	13,240,050	12,540,823	25,780,873
Total assets	<u>558,661,334</u>	<u>700,730,469</u>	<u>1,259,391,803</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - bond refunding	-	13,826,709	13,826,709
Deferred outflows - pension	<u>3,243,712</u>	<u>979,871</u>	<u>4,223,583</u>
Total deferred outflows of resources	<u>3,243,712</u>	<u>14,806,580</u>	<u>18,050,292</u>
LIABILITIES			
Accounts payable and other current liabilities	6,548,903	8,322,501	14,871,404
Accrued liabilities	2,834,358	927,912	3,762,270
Accrued interest payable	30,169	48,498	78,667
Due to other governments	595,263	-	595,263
Deposits	5,300	89,900	95,200
Unearned revenue and liens	1,681,308	26,454	1,707,762
Payable from restricted assets:			
Construction contracts payable	-	461,342	461,342
Accrued interest payable	-	2,160,813	2,160,813
Customers deposits	-	7,515,076	7,515,076
Non-current liabilities due within one year:			
Compensated absences	4,518,034	1,136,842	5,654,876
Capital lease purchases payable	6,578,709	257,430	6,836,139
Revenue bonds payable	725,000	9,185,000	9,910,000
Claims payable	3,856,469	-	3,856,469
Long-term debt and liabilities:			
Compensated absences	3,816,522	960,324	4,776,846
Other postemployment benefits	12,223,793	5,355,295	17,579,088
Capital lease purchases payable	14,662,656	883,798	15,546,454
Revenue bonds payable	6,288,907	183,912,256	190,201,163
Claims payable	7,233,600	-	7,233,600
Total liabilities	<u>71,598,991</u>	<u>221,243,441</u>	<u>292,842,432</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	<u>26,874,581</u>	<u>8,118,362</u>	<u>34,992,943</u>
NET POSITION			
Net investment in capital assets	271,834,091	254,503,208	526,337,299
Restricted for:			
Capital projects	45,239,232	-	45,239,232
Debt service	667,363	16,334,045	17,001,408
Renewal and replacement	-	11,440,063	11,440,063
Grant programs	12,774,410	-	12,774,410
Impact fees	-	2,155,254	2,155,254
Pensions	60,321,788	18,016,767	78,338,555
Unrestricted	<u>72,594,590</u>	<u>183,725,909</u>	<u>256,320,499</u>
Total net position	<u>\$ 463,431,474</u>	<u>\$ 486,175,246</u>	<u>\$ 949,606,720</u>

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

City of Clearwater, Florida
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 14,876,267	\$ 23,380,071	\$ -	\$ 51,900	\$ 8,555,704	\$ -	\$ 8,555,704
Public safety	66,794,715	11,787,899	2,396,666	592,507	(52,017,643)	-	(52,017,643)
Physical environment	3,992,892	66,729	-	1,470,737	(2,455,426)	-	(2,455,426)
Transportation	14,338,591	156,840	525,979	629,033	(13,026,739)	-	(13,026,739)
Economic environment	5,304,679	104,896	1,909,494	-	(3,290,289)	-	(3,290,289)
Human services	455,615	-	367,907	-	(87,708)	-	(87,708)
Culture and recreation	36,497,439	8,336,427	1,812,172	1,149,283	(25,199,557)	-	(25,199,557)
Interest on long-term debt	747,990	-	-	-	(747,990)	-	(747,990)
Total governmental activities	<u>143,008,188</u>	<u>43,832,862</u>	<u>7,012,218</u>	<u>3,893,460</u>	<u>(88,269,648)</u>	<u>-</u>	<u>(88,269,648)</u>
Business-type activities:							
Water & Sewer Utility	73,252,799	81,514,268	-	1,017,233	-	9,278,702	9,278,702
Gas Utility	30,716,158	40,601,810	-	-	-	9,885,652	9,885,652
Solid Waste Utility	17,625,829	22,492,147	-	-	-	4,866,318	4,866,318
Stormwater Utility	13,147,863	18,511,494	-	2,540,501	-	7,904,132	7,904,132
Recycling Utility	2,864,457	2,546,010	82,541	-	-	(235,906)	(235,906)
Marine	3,781,003	4,444,492	-	3,121	-	666,610	666,610
Aviation	470,385	310,918	-	3,349	-	(156,118)	(156,118)
Parking System	4,378,773	7,027,071	-	-	-	2,648,298	2,648,298
Clearwater Harbor Marina	823,025	799,291	-	-	-	(23,734)	(23,734)
Total business-type activities	<u>147,060,292</u>	<u>178,247,501</u>	<u>82,541</u>	<u>3,564,204</u>	<u>-</u>	<u>34,833,954</u>	<u>34,833,954</u>
Total primary government	<u>\$ 290,068,480</u>	<u>\$ 222,080,363</u>	<u>\$ 7,094,759</u>	<u>\$ 7,457,664</u>	<u>(88,269,648)</u>	<u>34,833,954</u>	<u>(53,435,694)</u>
General revenues:							
Taxes:							
Property taxes				46,852,628	-	46,852,628	
Sales taxes				18,008,997	-	18,008,997	
Utility taxes				14,834,609	-	14,834,609	
Communications services taxes				4,511,892	-	4,511,892	
Other taxes				8,395,207	-	8,395,207	
Investment earnings				698,573	782,396	1,480,969	
Miscellaneous				36,392	-	36,392	
Transfers				12,830,669	(12,830,669)	-	
Total general revenues and transfers				<u>106,168,967</u>	<u>(12,048,273)</u>	<u>94,120,694</u>	
Change in net position				<u>17,899,319</u>	<u>22,785,681</u>	<u>40,685,000</u>	
Net position - beginning				<u>445,532,155</u>	<u>463,389,565</u>	<u>908,921,720</u>	
Net position - ending				<u>\$ 463,431,474</u>	<u>\$ 486,175,246</u>	<u>\$ 949,606,720</u>	

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

City of Clearwater, Florida
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Special Development Fund	Capital Improvement Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and investments	\$ 29,708,900	\$ 11,190,738	\$ 52,896,878	\$ 19,384,748	\$ 113,181,264
Receivables (net where applicable, of allowances for estimated uncollectible amounts):					
Accrued interest	141,444	112,088	640	53,665	307,837
Accounts and contracts	511,142	-	-	-	511,142
Mortgages, notes and other loans	-	-	-	4,889,016	4,889,016
Property taxes	94,937	6,086	-	-	101,023
Utility taxes	1,081,911	-	-	-	1,081,911
Franchise fees	902,190	-	-	-	902,190
Other	30,102	-	1,940	7,748	39,790
Due from other governmental entities - grants	-	-	511,950	56,096	568,046
Due from other governmental entities - other	1,999,073	2,018,890	592,507	200,304	4,810,774
Inventories, at cost	62,195	-	-	-	62,195
Advances to other funds	-	-	-	325,440	325,440
Total assets	<u>\$ 34,531,894</u>	<u>\$ 13,327,802</u>	<u>\$ 54,003,915</u>	<u>\$ 24,917,017</u>	<u>\$ 126,780,628</u>
LIABILITIES					
Accounts and contracts payable	\$ 1,433,334	\$ -	\$ 2,654,687	\$ 410,760	\$ 4,498,781
Accrued payroll	2,506,869	-	-	41,473	2,548,342
Due to other funds	-	-	-	316,667	316,667
Due to other governmental entities	37,083	457,523	-	100,657	595,263
Deposits	5,300	-	-	-	5,300
Construction escrows	-	-	-	28,383	28,383
Unearned revenue	1,979,605	6,086	-	-	1,985,691
Advances from other funds	-	-	-	325,440	325,440
Total liabilities	<u>5,962,191</u>	<u>463,609</u>	<u>2,654,687</u>	<u>1,223,380</u>	<u>10,303,867</u>
FUND BALANCES					
Nonspendable inventories	62,195	-	-	-	62,195
Restricted	-	7,070,795	32,593,854	19,016,356	58,681,005
Committed	-	282,920	18,704,824	3,144,491	22,132,235
Assigned	231,464	5,510,478	50,550	1,532,790	7,325,282
Unassigned	28,276,044	-	-	-	28,276,044
Total fund balances	<u>28,569,703</u>	<u>12,864,193</u>	<u>51,349,228</u>	<u>23,693,637</u>	<u>116,476,761</u>
Total liabilities and fund balances	<u>\$ 34,531,894</u>	<u>\$ 13,327,802</u>	<u>\$ 54,003,915</u>	<u>\$ 24,917,017</u>	<u>\$ 126,780,628</u>

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

City of Clearwater, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2017

Total fund balances of governmental funds	\$ 116,476,761
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets totals \$567,528,575 and the accumulated depreciation totals \$267,439,212	300,089,363
Other assets are prepaid or are not available as financial resources and, therefore, are not recognized in the funds:	
Accrued property taxes	\$ 101,023
Accrued liens	508,788
Accrued permit fees	13,600
Accrued intergovernmental revenues	623,411
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds.	60,321,788
Deferred outflows are not current assets or financial resources and, therefore, are not reported in the funds	3,243,712
Deferred inflows are not current liabilities or financial uses and, therefore, are not reported in the funds	(26,874,581)
Accrued pollution remediation obligation expenses are not financial uses and, therefore, are not reported in the funds.	(224,726)
Accrued general long-term debt interest expenses are not financial uses and, therefore, are not reported in the funds.	(30,169)
The assets and liabilities of the internal service funds (funds used to charge the costs of certain activities to individual funds) are included in the governmental activities in the statement of net position.	
Net position of internal service funds	69,709,663
Less: Capital assets included in total governmental capital assets above	(28,000,170)
Less: Net pension asset included in total governmental net pension asset above	(6,049,595)
Less: Deferred outflows included in total governmental above	(329,017)
Add: Deferred inflows included in total governmental above	2,725,951
Add: Capital lease purchases payable included in total governmental below	19,546,717
Add: Compensated absences included in total governmental below	813,084
Add: Other post-employment benefits included in total governmental below	1,537,818
Less: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,334,915)
	58,619,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable	(6,910,000)
Add: Issuance premium (to be amortized as a reduction of interest expense)	(103,907)
Capital lease purchases payable	(21,241,365)
Other post-employment benefits	(12,223,793)
Compensated absences	(8,334,556)
	(48,813,621)
Total net position of governmental activities	\$ 463,431,474

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

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Special Development Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 44,620,095	\$ 2,232,186	\$ -	\$ -	\$ 46,852,281
Sales	-	11,013,554	-	-	11,013,554
Utility	14,834,609	-	-	-	14,834,609
Communications services	4,511,892	-	-	-	4,511,892
Other taxes	1,913,492	1,545,537	-	-	3,459,029
Total taxes	<u>65,880,088</u>	<u>14,791,277</u>	<u>-</u>	<u>-</u>	<u>80,671,365</u>
Franchise fees	9,393,528	-	-	-	9,393,528
Licenses, permits, and fees	2,893,783	999,446	-	-	3,893,229
Intergovernmental:					
Federal	-	-	263,666	1,447,278	1,710,944
State	13,569,493	-	223,634	1,272,740	15,065,867
Local	9,346,060	1,341,676	592,507	2,179,378	13,459,621
Total intergovernmental	<u>22,915,553</u>	<u>1,341,676</u>	<u>1,079,807</u>	<u>4,899,396</u>	<u>30,236,432</u>
Charges for services	16,065,232	-	-	1,238,939	17,304,171
Fines and forfeitures	1,421,063	-	-	305,736	1,726,799
Investment earnings	166,528	188,501	2,225	103,096	460,350
Miscellaneous	2,354,460	-	250,500	1,446,023	4,050,983
Total revenues	<u>121,090,235</u>	<u>17,320,900</u>	<u>1,332,532</u>	<u>7,993,190</u>	<u>147,736,857</u>
EXPENDITURES					
Current:					
General government	16,174,944	-	91,254	11,193	16,277,391
Public safety	68,852,698	-	1,036,241	1,863,095	71,752,034
Physical environment	3,616,310	-	525,282	43,270	4,184,862
Transportation	5,984,559	-	3,356,076	285,239	9,625,874
Economic environment	2,043,750	-	-	2,782,635	4,826,385
Human services	114,538	-	-	351,308	465,846
Culture and recreation	29,144,534	-	3,189,937	1,533,529	33,868,000
Debt service:					
Principal	-	-	-	1,087,535	1,087,535
Interest & fiscal charges	-	-	-	413,760	413,760
Capital outlay	-	-	12,807,767	206,908	13,014,675
Total expenditures	<u>125,931,333</u>	<u>-</u>	<u>21,006,557</u>	<u>8,578,472</u>	<u>155,516,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,841,098)</u>	<u>17,320,900</u>	<u>(19,674,025)</u>	<u>(585,282)</u>	<u>(7,779,505)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,445,884	21,632	27,867,562	6,077,652	45,412,730
Transfers out	(11,689,259)	(16,830,480)	(4,518,840)	(5,619,667)	(38,658,246)
Other long-term debt issued	-	-	1,076,592	-	1,076,592
Total other financing sources (uses)	<u>(243,375)</u>	<u>(16,808,848)</u>	<u>24,425,314</u>	<u>457,985</u>	<u>7,831,076</u>
Net change in fund balances	(5,084,473)	512,052	4,751,289	(127,297)	51,571
Fund balances - beginning	<u>33,654,176</u>	<u>12,352,141</u>	<u>46,597,939</u>	<u>23,820,934</u>	<u>116,425,190</u>
Fund balances - ending	<u>\$ 28,569,703</u>	<u>\$ 12,864,193</u>	<u>\$ 51,349,228</u>	<u>\$ 23,693,637</u>	<u>\$ 116,476,761</u>

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

City of Clearwater, Florida
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ 51,571
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	
Expenditures for capital assets	\$ 19,345,102
Less current year depreciation	<u>(12,307,732)</u>
	7,037,370
In the Statement of Activities, capital assets donated from enterprise funds are reported as transfers in. Governmental funds do not report capital assets.	30,278
In the Statement of Activities, capital assets donated to enterprise funds are reported as transfers out. Governmental funds do not report capital assets.	(8,200)
In the Statement of Activities the loss on disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds.	(323,453)
Loan proceeds provide current financial resources to governmental funds; however issuing debt increases long-term liabilities in the Statement of Net Position. In the current year these amounts are:	
Capital lease proceeds	(1,076,592)
Deferred outflows and deferred inflows are not current resources or uses of current financial resources and consequently are not reported in the funds:	
Current year change in deferred outflows	(10,350,883)
Current year change in deferred inflows	(20,171,629)
Repayment of long term debt principal is an expenditure in the governmental funds, however the repayment reduces long-term liabilities in the Statement of Net Position. Current year amounts are:	
Revenue bond principal payments	685,000
Capital lease principal payments	<u>402,535</u>
	1,087,535
Net pension asset is not a current financial resource and consequently is not reported in the funds. However it is an asset in the Statement of Net Position.	
Current year change in the net pension asset	36,206,595
Liability for other post-employment benefits (OPEB) does not require the use of current financial resources and consequently is not reported in the funds. However, it is a liability in the Statement of Net Position.	
Current year change in the liability for other post-employment benefits	(1,203,338)
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 the governmental funds:	
Current year change in compensated absences	(268,317)
Amortization of bond discounts and premiums	18,016
Current year change in pollution remediation obligation	7,587
Current year change in accrued interest expense	<u>3,068</u>
	(239,646)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Current year change in accrued property taxes receivable	347
Current year change in accrued liens receivable	95,257
Current year change in deferred permit fees	(74,994)
The net revenues of internal service funds (funds used to charge the costs of certain activities to individual funds) for governmental activities are reported in the Statement of Activities but not in the governmental funds.	6,839,101
Total change in net position of governmental activities	<u>\$ 17,899,319</u>

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

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
	Positive (Negative)			
REVENUES				
Taxes:				
Property	\$ 44,384,830	\$ 44,564,200	\$ 44,620,095	\$ 55,895
Utility taxes	14,717,600	14,717,600	14,834,609	117,009
Communications services	4,965,400	4,465,400	4,511,892	46,492
Other taxes	2,135,000	2,135,000	1,913,492	(221,508)
Total taxes	<u>66,202,830</u>	<u>65,882,200</u>	<u>65,880,088</u>	<u>(2,112)</u>
Franchise fees	10,280,100	9,480,100	9,393,528	(86,572)
Licenses, permits, and fees	2,372,250	2,662,250	2,893,783	231,533
Intergovernmental:				
State	13,236,070	13,567,117	13,569,493	2,376
Local	8,703,750	9,303,750	9,346,060	42,310
Total intergovernmental	<u>21,939,820</u>	<u>22,870,867</u>	<u>22,915,553</u>	<u>44,686</u>
Charges for services	15,988,040	16,021,540	16,065,232	43,692
Fines and forfeitures	950,400	1,250,400	1,421,063	170,663
Investment earnings	525,000	525,000	166,528	(358,472)
Miscellaneous	1,461,180	1,911,180	2,354,460	443,280
Total revenues	<u>119,719,620</u>	<u>120,603,537</u>	<u>121,090,235</u>	<u>486,698</u>
EXPENDITURES				
General government				
City Council	317,360	317,360	302,865	14,495
City Manager's Office	993,950	992,450	886,271	106,179
City Attorney's Office	1,651,920	1,651,920	1,488,097	163,823
Official Records & Legislative Services	1,060,210	1,060,210	981,449	78,761
Public Communications	997,000	997,000	998,626	(1,626)
Finance	2,472,950	2,472,950	2,262,180	210,770
Human Resources	1,029,640	1,029,640	946,019	83,621
Non-Departmental	2,072,280	6,405,912	6,383,032	22,880
Engineering	61,709	61,709	61,657	52
Planning	1,901,810	1,901,810	1,621,946	279,864
City Auditor's Office	216,330	216,330	213,129	3,201
Total general government	<u>12,775,159</u>	<u>17,107,291</u>	<u>16,145,271</u>	<u>962,020</u>
Public safety				
Police	39,635,920	39,729,393	39,601,808	127,585
Fire	25,362,720	25,150,294	25,569,634	(419,340)
Development & Neighborhood Services	3,721,460	3,721,460	3,630,984	90,476
Total public safety	<u>68,720,100</u>	<u>68,601,147</u>	<u>68,802,426</u>	<u>(201,279)</u>
Physical environment				
Engineering	2,746,059	2,746,059	2,743,740	2,319
Parks and Recreation	984,670	984,670	934,534	50,136
Total physical environment	<u>3,730,729</u>	<u>3,730,729</u>	<u>3,678,274</u>	<u>52,455</u>
Transportation				
Engineering	4,737,962	4,737,962	4,691,684	46,278
Parks and Recreation	1,264,120	1,264,120	1,246,687	17,433
Total transportation	<u>6,002,082</u>	<u>6,002,082</u>	<u>5,938,371</u>	<u>63,711</u>
Economic environment				
CRA Administration	395,140	395,140	407,119	(11,979)
Economic Development	1,702,420	1,702,420	1,687,201	15,219
Total economic environment	<u>2,097,560</u>	<u>2,097,560</u>	<u>2,094,320</u>	<u>3,240</u>
Human Services				
Human Resources / Equity Services	196,490	196,490	114,538	81,952
Total human services	<u>196,490</u>	<u>196,490</u>	<u>114,538</u>	<u>81,952</u>
Culture and recreation				
Parks and Recreation	21,021,310	20,830,894	21,185,048	(354,154)
Library	6,846,090	6,846,090	6,685,914	160,176
Marine	1,179,360	1,212,860	1,166,191	46,669
Total culture and recreation	<u>29,046,760</u>	<u>28,889,844</u>	<u>29,037,153</u>	<u>(147,309)</u>
Total expenditures (budgetary basis)	<u>122,568,880</u>	<u>126,625,143</u>	<u>125,810,353</u>	<u>814,790</u>
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	<u>(2,849,260)</u>	<u>(6,021,606)</u>	<u>(4,720,118)</u>	<u>1,301,488</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,276,910	11,473,540	11,445,884	(27,656)
Transfers out	(9,079,650)	(11,884,136)	(11,689,258)	194,878
Total other financing sources (uses) (budgetary basis)	<u>1,197,260</u>	<u>(410,596)</u>	<u>(243,374)</u>	<u>167,222</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	<u>(1,652,000)</u>	<u>(6,432,202)</u>	<u>(4,963,492)</u>	<u>1,468,710</u>
Encumbered purchase orders, beginning of year	-	-	(352,445)	(352,445)
Encumbered purchase orders, end of year	-	-	231,464	231,464
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	<u>(1,652,000)</u>	<u>(6,432,202)</u>	<u>(5,084,473)</u>	<u>1,347,729</u>
Fund balances - beginning	<u>33,654,176</u>	<u>33,654,176</u>	<u>33,654,176</u>	<u>-</u>
Fund balances - ending	<u>\$ 32,002,176</u>	<u>\$ 27,221,974</u>	<u>\$ 28,569,703</u>	<u>\$ 1,347,729</u>

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

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Special Development Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 2,220,420	\$ 2,230,150	\$ 2,232,186	\$ 2,036
Sales	10,442,200	10,842,200	11,013,554	171,354
Other taxes	1,535,350	1,535,350	1,545,537	10,187
Total taxes	<u>14,197,970</u>	<u>14,607,700</u>	<u>14,791,277</u>	<u>183,577</u>
Licenses, permits, and fees	270,000	1,014,200	999,446	(14,754)
Intergovernmental:				
Local	-	-	1,341,676	1,341,676
Investment earnings	575,000	575,000	188,501	(386,499)
Total revenues	<u>15,042,970</u>	<u>16,196,900</u>	<u>17,320,900</u>	<u>1,124,000</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	<u>15,042,970</u>	<u>16,196,900</u>	<u>17,320,900</u>	<u>1,124,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	21,632	21,632	-
Transfers out	(17,594,120)	(17,594,120)	(16,830,480)	763,640
Total other financing sources (uses)	<u>(17,594,120)</u>	<u>(17,572,488)</u>	<u>(16,808,848)</u>	<u>763,640</u>
Excess of revenues and other sources over expenditures and other uses	(2,551,150)	(1,375,588)	512,052	1,887,640
Fund balances - beginning	<u>12,352,141</u>	<u>12,352,141</u>	<u>12,352,141</u>	<u>-</u>
Fund balances - ending	\$ <u>9,800,991</u>	\$ <u>10,976,553</u>	\$ <u>12,864,193</u>	\$ <u>1,887,640</u>

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

City of Clearwater, Florida
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
ASSETS			
Current assets:			
Cash and investments	\$ 55,499,819	\$ 42,304,489	\$ 36,618,273
Accrued interest receivable	195,183	106,415	85,747
Accounts and contracts receivable:			
Billed	4,517,118	1,632,287	1,288,650
Unbilled charges estimated	<u>3,289,100</u>	<u>1,768,000</u>	<u>1,041,770</u>
	7,806,218	3,400,287	2,330,420
	<u>(122,485)</u>	<u>(64,768)</u>	<u>(33,109)</u>
Less: Allowance for uncollectable accounts			
Total receivables, net	<u>7,683,733</u>	<u>3,335,519</u>	<u>2,297,311</u>
Other receivables	-	26,652	-
Due from other funds	-	-	-
Due from other governmental entities	312,163	-	-
Inventories, at cost	927,935	1,734,439	-
Prepaid expenses and other assets	4,400	-	-
Total current assets - unrestricted	<u>64,623,233</u>	<u>47,507,514</u>	<u>39,001,331</u>
Current assets - restricted:			
Restricted cash and investments	11,398,657	3,065,489	1,122,753
Total current assets - restricted	<u>11,398,657</u>	<u>3,065,489</u>	<u>1,122,753</u>
Total current assets	<u>76,021,890</u>	<u>50,573,003</u>	<u>40,124,084</u>
Noncurrent assets:			
Restricted:			
Restricted cash and investments	20,958,217	300,000	-
Net pension asset	6,871,222	3,489,972	4,543,021
Capital assets:			
Land and other nondepreciable assets	10,903,263	525,788	1,777,794
Capital assets, net of accumulated depreciation	<u>246,876,115</u>	<u>63,731,014</u>	<u>1,834,525</u>
Total noncurrent assets	<u>285,608,817</u>	<u>68,046,774</u>	<u>8,155,340</u>
Total assets	<u>361,630,707</u>	<u>118,619,777</u>	<u>48,279,424</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - bond refunding	12,323,168	420,382	-
Deferred outflows - pension	<u>373,703</u>	<u>189,808</u>	<u>247,079</u>
Total deferred outflows of resources	<u>12,696,871</u>	<u>610,190</u>	<u>247,079</u>

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

Activities Funds			Governmental Activities - Internal Service Funds	
	Stormwater Utility	Other Funds	Total	
\$	33,621,085	\$ 18,315,212	\$ 186,358,878	\$ 70,428,241
	82,941	59,700	529,986	151,169
	993,532	18,409	8,449,996	-
	1,489,400	-	7,588,270	-
	2,482,932	18,409	16,038,266	-
	(27,028)	-	(247,390)	-
	2,455,904	18,409	15,790,876	-
	-	-	26,652	82,946
	-	-	-	316,667
	663,904	-	976,067	-
	-	47,978	2,710,352	404,399
	-	-	4,400	2,063,155
	36,823,834	18,441,299	206,397,211	73,446,577
	1,846,165	-	17,433,064	-
	1,846,165	-	17,433,064	-
	38,669,999	18,441,299	223,830,275	73,446,577
	1,375,312	-	22,633,529	-
	1,933,696	1,178,856	18,016,767	6,049,595
	28,126,347	2,952,868	44,286,060	1,471,431
	48,791,290	29,395,979	390,628,923	26,528,739
	80,226,645	33,527,703	475,565,279	34,049,765
	118,896,644	51,969,002	699,395,554	107,496,342
	1,083,159	-	13,826,709	-
	105,167	64,114	979,871	329,017
	1,188,326	64,114	14,806,580	329,017

(Continued)

City of Clearwater, Florida
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
LIABILITIES			
Current liabilities:			
Accounts and contracts payable	3,197,339	2,626,667	791,700
Accrued payroll	335,462	178,749	234,729
Accrued interest payable	21,557	19,766	7,175
Deposits	-	-	-
Unearned revenue and liens	-	-	-
Current portion of long-term liabilities:			
Compensated absences	403,130	345,491	190,192
Revenue bonds	1,164,167	595,833	-
Capital lease purchases payable	109,344	85,781	-
Claims payable	-	-	-
Total current liabilities (payable from current assets)	5,230,999	3,852,287	1,223,796
Current liabilities (payable from restricted assets):			
Construction contracts payable	461,342	-	-
Accrued interest payable	1,713,274	22,207	-
Current portion of long-term liabilities, revenue bonds	5,820,833	54,167	-
Customer deposits	3,403,208	2,989,115	1,122,753
Total current liabilities payable from restricted assets	11,398,657	3,065,489	1,122,753
Total current liabilities	16,629,656	6,917,776	2,346,549
Noncurrent liabilities:			
Compensated absences	340,536	291,847	160,660
Other postemployment benefits	1,845,980	1,021,169	1,310,873
Revenue bonds (net of unamortized premiums/discounts)	143,877,234	9,905,000	-
Capital lease purchases payable	307,817	335,709	-
Claims payable	-	-	-
Total non-current liabilities	146,371,567	11,553,725	1,471,533
Total liabilities	163,001,223	18,471,501	3,818,082
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	3,096,176	1,572,583	2,047,087
Total deferred inflows of resources	3,096,176	1,572,583	2,047,087
NET POSITION			
Net investment in capital assets	118,823,151	53,700,694	3,612,319
Restricted for:			
Revenue bond debt service and sinking fund requirements	13,483,733	54,167	-
Revenue bond renewal and replacement requirements	11,140,063	300,000	-
Water and sewer impact fees	2,155,254	-	-
Pensions	6,871,222	3,489,972	4,543,021
Unrestricted	55,756,756	41,641,050	34,505,994
Total net position	\$ 208,230,179	\$ 99,185,883	\$ 42,661,334

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

Activities Funds		Governmental Activities - Internal Service Funds	
Stormwater Utility	Other Funds	Total	
1,274,271	432,524	8,322,501	1,797,013
94,126	84,846	927,912	286,016
-	-	48,498	-
-	89,900	89,900	-
-	26,454	26,454	319,028
137,689	60,340	1,136,842	440,760
129,167	-	1,889,167	-
58,351	3,954	257,430	6,054,157
-	-	-	3,856,469
<u>1,693,604</u>	<u>698,018</u>	<u>12,698,704</u>	<u>12,753,443</u>
-	-	461,342	-
425,332	-	2,160,813	-
1,420,833	-	7,295,833	-
-	-	7,515,076	-
<u>1,846,165</u>	<u>698,018</u>	<u>17,433,064</u>	<u>12,753,443</u>
116,311	50,970	960,324	372,324
510,673	666,600	5,355,295	1,537,818
30,130,022	-	183,912,256	-
224,722	15,550	883,798	13,492,560
-	-	-	7,233,600
<u>30,981,728</u>	<u>733,120</u>	<u>191,111,673</u>	<u>22,636,302</u>
<u>34,521,497</u>	<u>1,431,138</u>	<u>221,243,441</u>	<u>35,389,745</u>
<u>871,324</u>	<u>531,192</u>	<u>8,118,362</u>	<u>2,725,951</u>
<u>871,324</u>	<u>531,192</u>	<u>8,118,362</u>	<u>2,725,951</u>
46,037,701	32,329,343	254,503,208	8,453,453
2,796,145	-	16,334,045	-
-	-	11,440,063	-
-	-	2,155,254	-
1,933,696	1,178,856	18,016,767	6,049,595
33,924,607	<u>16,562,587</u>	<u>182,390,994</u>	<u>55,206,615</u>
<u>\$ 84,692,149</u>	<u>\$ 50,070,786</u>	<u>\$ 484,840,331</u>	<u>\$ 69,709,663</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds		1,334,915	
Net position of business-type activities		\$ <u>486,175,246</u>	

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Operating revenues:			
Sales to customers	\$ 78,160,151	\$ 38,319,205	\$ 22,376,563
Service charges to customers	557,802	1,873,633	91,115
User charges to customers	-	-	2,123,308
Billings to departments	-	-	-
Rentals	108,859	-	-
Other	2,687,456	408,972	529,712
Total operating revenues	81,514,268	40,601,810	25,120,698
Operating expenses:			
Personal services	11,358,189	5,456,900	7,309,642
Purchases for resale	7,531,079	12,035,123	18,908
Operating materials and supplies	3,542,496	1,210,109	499,003
Transportation	1,390,044	658,844	5,120,071
Utility service	2,846,663	108,262	102,896
Dumping charges	2,479	-	4,262,893
Depreciation	16,083,185	2,483,019	245,692
Interfund administrative charges	6,877,930	2,612,960	1,533,000
Other current charges:			
Professional fees	2,173,513	880,223	246,745
Advertising	54,724	1,476,757	173,531
Communications	208,863	109,335	88,354
Printing and binding	12,282	11,494	16,768
Insurance	757,660	228,070	319,060
Repairs and maintenance	9,612,870	268,498	173,232
Rentals	2,803,016	11,923	3,696
Miscellaneous	260,667	346,911	100,771
Data processing charges	744,220	485,810	209,340
Taxes	-	2,026,211	-
Total other current charges	16,627,815	5,845,232	1,331,497
Total operating expenses	66,259,880	30,410,449	20,423,602
Operating income	15,254,388	10,191,361	4,697,096

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
\$ 18,174,361	\$ 9,126,396	\$ 166,156,676	\$ -
71,284	-	2,593,834	-
-	253,043	2,376,351	-
-	-	-	53,897,839
-	2,639,524	2,748,383	47,175
325,076	240,545	4,191,761	206,560
18,570,721	12,259,508	178,067,005	54,151,574
3,004,852	2,962,294	30,091,877	9,522,265
-	1,730,243	21,315,353	3,834,497
303,952	362,539	5,918,099	1,016,612
998,668	124,996	8,292,623	237,730
37,801	520,949	3,616,571	535,460
106,854	-	4,372,226	-
3,134,322	893,958	22,840,176	8,199,730
1,727,510	1,478,440	14,229,840	253,820
614,102	359,851	4,274,434	7,024,397
6,997	14,707	1,726,716	-
38,367	79,015	523,934	1,045,520
2,452	13,838	56,834	19,315
88,690	84,870	1,478,350	18,604,348
1,769,134	140,667	11,964,401	2,212,462
2,475	33,311	2,854,421	508,064
78,360	564,493	1,351,202	295,254
262,390	119,200	1,820,960	488,560
-	1,355	2,027,566	16,592
2,862,967	1,411,307	28,078,818	30,214,512
12,176,926	9,484,726	138,755,583	53,814,626
6,393,795	2,774,782	39,311,422	336,948

(Continued)

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Nonoperating revenues (expenses):			
Investment earnings (loss)	382,536	171,488	130,492
Interest expense	(6,521,377)	(385,624)	(8,069)
Bond issuance costs	(634,364)	-	-
Gain (loss) on disposal of capital assets	(21,627)	(2,232)	-
Total nonoperating revenue (expenses)	<u>(6,794,832)</u>	<u>(216,368)</u>	<u>122,423</u>
Income before contributions and transfers	8,459,556	9,974,993	4,819,519
Capital grants and contributions	1,025,433	-	-
Transfers in	-	-	-
Transfers out	<u>(4,565,839)</u>	<u>(4,533,335)</u>	<u>(1,588,546)</u>
Change in net position	4,919,150	5,441,658	3,230,973
Total net position - beginning	203,311,029	93,744,225	39,430,361
Total net position - ending	<u>\$ 208,230,179</u>	<u>\$ 99,185,883</u>	<u>\$ 42,661,334</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities (page 21)

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
114,729	(16,849)	782,396	267,429
(980,696)	(102)	(7,895,868)	(365,420)
-	-	(634,364)	-
(8,651)	322,264	289,754	721,892
<u>(874,618)</u>	<u>305,313</u>	<u>(7,458,082)</u>	<u>623,901</u>
5,519,177	3,080,095	31,853,340	960,849
2,481,274	6,470	3,513,177	51,900
-	16,978	16,978	6,416,176
<u>(1,339,377)</u>	<u>(798,472)</u>	<u>(12,825,569)</u>	<u>(362,069)</u>
6,661,074	2,305,071	22,557,926	7,066,856
78,031,075	47,765,715		62,642,807
\$ <u>84,692,149</u>	\$ <u>50,070,786</u>		\$ <u>69,709,663</u>
		227,755	
		\$ <u>22,785,681</u>	

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 80,573,196	\$ 40,066,123	\$ 24,938,214
Cash received from other funds	-	-	-
Cash payments to suppliers	(27,725,296)	(17,907,411)	(5,307,526)
Cash payments to employees	(11,929,738)	(6,387,158)	(7,634,244)
Cash payments to other funds	(10,632,786)	(4,223,078)	(7,398,056)
Net cash provided by operating activities	30,285,376	11,548,476	4,598,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(4,565,839)	(4,533,335)	(1,588,546)
Receipt of cash on loans to/from other funds	-	-	-
Payment of cash on loans to/from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	(4,565,839)	(4,533,335)	(1,588,546)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on debt	(110,317,573)	(875,361)	-
Interest paid	(7,329,244)	(305,366)	(7,471)
Acquisition of capital assets	(6,152,228)	(5,992,572)	(741,400)
Proceeds from issuance of debt	98,504,800	419,661	-
Payment of bond issuance costs	(634,364)	-	-
Capital contributed by:			
Other governmental entities	376,070	-	-
Property owners	6,154	-	-
Developers	748,358	-	-
Net cash provided (used) by capital and related financing activities	(24,798,027)	(6,753,638)	(748,871)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	409,233	187,188	143,886
Net cash provided (used) by investing activities	409,233	187,188	143,886
Net increase (decrease) in cash and cash equivalents	1,330,743	448,691	2,404,857
Cash and cash equivalents at beginning of year	86,525,950	45,221,287	35,336,169
Cash and cash equivalents at end of year	\$ 87,856,693	\$ 45,669,978	\$ 37,741,026
Cash and cash equivalents classified as:			
Cash and investments	\$ 55,499,819	\$ 42,304,489	\$ 36,618,273
Restricted cash and investments	32,356,874	3,365,489	1,122,753
Total cash and cash equivalents	\$ 87,856,693	\$ 45,669,978	\$ 37,741,026

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

Activities Funds			Governmental Activities - Internal Service Funds	
Stormwater Utility	Other Funds	Total		
\$ 18,453,205	\$ 12,263,221	\$ 176,293,959	\$ -	\$ 54,163,427
(2,066,015)	(3,494,735)	(56,500,983)	(32,873,660)	
(3,099,744)	(3,027,747)	(32,078,631)	(9,891,579)	
(3,136,456)	(1,999,766)	(27,390,142)	(3,436,109)	
<u>10,150,990</u>	<u>3,740,973</u>	<u>60,324,203</u>	<u>7,962,079</u>	
-	16,978	16,978	6,416,176	
(1,339,377)	(798,472)	(12,825,569)	(362,069)	
-	-	-	808,320	
-	-	-	(91,654)	
<u>(1,339,377)</u>	<u>(781,494)</u>	<u>(12,808,591)</u>	<u>6,770,773</u>	
(1,549,635)	(976)	(112,743,545)	(5,571,055)	
(825,449)	(102)	(8,467,632)	(365,420)	
(6,618,282)	(11,220,428)	(30,724,910)	(11,217,100)	
271,792	20,480	99,216,733	8,103,409	
-	-	(634,364)	-	
2,051,386	13,247	2,440,703	-	
-	-	6,154	-	
-	-	<u>748,358</u>	<u>-</u>	
<u>(6,670,188)</u>	<u>(11,187,779)</u>	<u>(50,158,503)</u>	<u>(9,050,166)</u>	
<u>128,444</u>	<u>(1,117)</u>	<u>867,634</u>	<u>289,779</u>	
<u>128,444</u>	<u>(1,117)</u>	<u>867,634</u>	<u>289,779</u>	
<u>2,269,869</u>	<u>(8,229,417)</u>	<u>(1,775,257)</u>	<u>5,972,465</u>	
<u>34,572,693</u>	<u>26,544,629</u>	<u>228,200,728</u>	<u>64,455,776</u>	
<u>\$ 36,842,562</u>	<u>\$ 18,315,212</u>	<u>\$ 226,425,471</u>	<u>\$ 70,428,241</u>	
\$ 33,621,085	\$ 18,315,212	\$ 186,358,878	\$ 70,428,241	
3,221,477	-	40,066,593	-	
<u>\$ 36,842,562</u>	<u>\$ 18,315,212</u>	<u>\$ 226,425,471</u>	<u>\$ 70,428,241</u>	

(Continued)

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 15,254,388	\$ 10,191,361	\$ 4,697,096
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,083,185	2,483,019	245,692
Capitalized labor and materials	(96,630)	(963,568)	-
Change in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in accounts receivable	(1,163,696)	(658,226)	(219,012)
(Increase) decrease in inventory	3,953	65,644	-
(Increase) decrease in prepaid expenses	-	-	1,208
(Increase) decrease in net pension asset	(4,621,475)	(2,331,879)	(3,085,327)
(Increase) decrease in deferred outflows	1,375,143	710,439	886,064
Increase (decrease) in accounts and contracts payable	474,007	418,932	161,478
Increase (decrease) in accrued payroll	(2,255)	3,881	42,851
Increase (decrease) in deposits	222,624	122,539	36,528
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in other postemployment benefits	184,258	203,644	124,439
Increase (decrease) in deferred inflows	2,571,874	1,302,690	1,707,371
Total adjustments	15,030,988	1,357,115	(98,708)
Net cash provided by operating activities	\$ 30,285,376	\$ 11,548,476	\$ 4,598,388

Non-cash investing, capital and financing activities:

Contributions from developers	\$ 210,712	\$ -	\$ -
Contributions from other governments	-	-	-

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

Activities Funds		Governmental Activities - Internal Service Funds	
Stormwater Utility	Other Funds	Total	
\$ 6,393,795	\$ 2,774,782	\$ 39,311,422	\$ 336,948
3,134,322	893,958	22,840,176	8,199,730
-	-	(1,060,198)	-
(117,516)	4,723	(2,153,727)	11,328
-	(14,135)	55,462	(1,456)
-	-	1,208	(603,164)
(1,302,891)	(788,677)	(12,130,249)	(4,117,366)
385,191	239,192	3,596,029	1,173,005
835,281	148,108	2,037,806	451,812
49,926	(73,573)	20,830	108,824
-	11,362	393,053	-
-	(12,372)	(12,372)	(63,805)
48,567	117,344	678,252	190,576
724,315	440,261	6,746,511	2,275,647
<u>3,757,195</u>	<u>966,191</u>	<u>21,012,781</u>	<u>7,625,131</u>
<u>\$ 10,150,990</u>	<u>\$ 3,740,973</u>	<u>\$ 60,324,203</u>	<u>\$ 7,962,079</u>
\$ -	\$ -	\$ 210,712	\$ -
-	-	-	51,900

City of Clearwater, Florida
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 4,977,076	\$ 391,898
Managed investment accounts, at fair value:		
Cash and cash equivalents	20,450,512	-
Government bonds	94,703,610	-
Index linked government bonds	1,873,301	-
Agency bonds	8,694,016	-
Municipal bonds	3,854,244	-
Domestic corporate bonds	87,907,937	-
International equity securities	130,530,777	-
Domestic stocks	373,930,748	-
Mortgage backed bonds	95,673,077	-
Asset backed securities	2,326,824	-
Other/Rights/Warrants	1,342	-
Domestic equity mutual funds	62,213,104	-
International equity mutual funds	47,487,273	-
Infrastructure	30,683,363	-
Real estate	91,254,528	-
Total managed investment accounts	1,051,584,656	-
Securities lending collateral	184,130,367	-
Receivables:		
Interest and dividends	2,767,731	333
Unsettled investment sales	17,249,318	-
Securities lending earnings	40,920	-
Due from others	45	-
Total receivables	20,058,014	333
Total assets	1,260,750,113	392,231
LIABILITIES		
Accounts payable	881,346	-
Unsettled investment purchases	53,653,584	-
Obligations under securities lending	184,130,367	-
Other miscellaneous payables:		
Downtown Development Board	-	159,267
Special purpose funds	-	7,833
Other	-	225,131
Total miscellaneous payables	-	392,231
Total liabilities	238,665,297	\$ 392,231
FIDUCIARY NET POSITION		
Restricted for pensions	1,022,084,816	
Total fiduciary net position	\$ 1,022,084,816	

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

City of Clearwater, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
Contributions from employer	\$ 11,898,912
Contributions from employer - state tax	2,086,047
Contributions from employees	7,004,943
Total contributions	<u>20,989,902</u>
Investment income:	
Net appreciation in fair value of investments	91,018,957
Interest	9,317,252
Dividends	<u>10,417,491</u>
	<u>110,753,700</u>
Less investment expenses:	
Investment management / custodian fees	<u>(5,896,818)</u>
Net income from investing activities	<u>104,856,882</u>
Securities lending income:	
Gross earnings	1,954,680
Rebate received (paid)	(1,042,798)
Bank fees	<u>(318,951)</u>
Net income from securities lending	<u>592,931</u>
Total additions	<u>126,439,715</u>
DEDUCTIONS	
Benefits and withdrawal payments:	
Benefits	48,541,861
Withdrawal payments	<u>1,366,008</u>
Total benefits and withdrawal payments	<u>49,907,869</u>
Income before administrative expenses	76,531,846
Administrative expenses	<u>(342,566)</u>
Net increase	76,189,280
Fiduciary net position restricted for pensions	
Fiduciary net position - beginning	<u>945,895,536</u>
Fiduciary net position - ending	<u>\$ 1,022,084,816</u>

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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 113,723 and is located in the four-county Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA), which has an estimated population of 3,028,896.

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 considered to be 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, 2017 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 (0.9651 mills for fiscal 2017) 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, 2017 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, 2017

Agreement, dated July 1, 1996, then amended and restated by the Second Amended and Restated Interlocal Agreement, dated July 27, 1999, and then amended and restated by the Third Amended and Restated Interlocal Agreement dated March 25, 2011 (the Interlocal Agreement), executed and delivered among FGU and its members, which include municipalities, municipal utilities, and an interlocal agreement consisting of such entities. Due to the diverse needs of municipal utility systems, FGU established itself as a project-oriented agency. Under this structure, each member has the option whether or not to participate in a project. FGU has the authority to, among other things, plan, finance, acquire, construct, manage, operate, deliver, service, utilize, own, broker, exchange, and distribute natural gas, or other energy and energy services, pursuant to the Interlocal Agreement. As of September 30, 2017, FGU has 22 members. Separate audited financial statements of FGU as of September 30, 2017, are available from FGU.

I.B. Basis of Presentation

The City's Basic Financial Statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

I.B.1. Government-wide financial statements. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit using the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. 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 net position presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City. Net position is defined as the residual of all other elements presented in a statement of financial position. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Changes in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

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. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Taxes and other items not properly included among program revenues are reported instead as general revenues. All revenues and expenses are reported as soon as the underlying transaction has occurred, regardless of when cash is received or paid.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

I.B.2. Fund financial statements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. An emphasis is on the major funds in either the governmental or business-type categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds (by category) are summarized into a single column.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

The Special Development Fund is a special revenue fund used to account for impact fees, property taxes for road improvements, local option gas taxes, infrastructure taxes, and other revenues which are restricted legally or by City Council policy to be used for specific capital improvement projects.

The Capital Improvement Fund is used to provide combined accounting presentation for all City capital improvement projects except those financed from proprietary funds or bond proceeds where bond ordinance provisions require the segregation of bond proceeds in separate funds.

The City reports the following major enterprise funds:

The Water and Sewer Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the water and sewer services of the City from charges made to users of the service.

The Gas Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the gas services of the City from charges made to the users of the service.

The Solid Waste & Recycling Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the solid waste and recycling services of the City from charges made to the users of the service.

The Stormwater Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the stormwater management system of the City from charges assessed against each developed property.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following fund types:

Internal service funds account for fleet management, information technology, telephone, employee relations, facilities management, radio communications, insurance, and risk management services provided to other City departments on a cost reimbursement basis. The Garage, Administrative Services, General Services, and Central Insurance funds primarily benefit governmental funds and are consequently included as governmental activities.

Pension trust funds account for the financial operation and condition of the Employees' Pension Plan, the Firefighters' Relief and Pension Plan, the Police Supplemental Pension Plan, and the Firefighters Supplemental Pension Plan.

The Treasurer's Escrow Agency Fund accounts for the receipt, custody, and expenditure of monies held temporarily in an agency capacity for other parties.

The pension trust funds and the agency fund are fiduciary funds used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

I.C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency fund included within the fiduciary fund financial statements also uses the accrual basis of accounting but does not have a measurement focus. 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. Other revenues are considered to be available if they are collected within 90 days of fiscal year-end. 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.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met, and funds are available from the grantor agency or government.

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

I.D. Assets, Liabilities, and Net position or Fund Balance

I.D.1. Deposits, pooled cash, and investments

Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; and GASB Statement No. 72, *Fair Value Measurement and Application*.

Investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments are held by the City's consolidated pool of cash and investments. The City utilizes the consolidated cash pool to account for cash and investments of all City funds other than those that are required by ordinance to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all City receipts and disbursements.

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 in pooled cash account is considered a cash equivalent, regardless of the maturities of investments held by the pool.

All individual fund cash equity in a deficit (overdraft) position with respect to the consolidated cash pool is reclassified at year-end to short-term interfund payables to the Capital Improvement Fund. The Capital Improvement Fund is the fund selected by management to reflect the offsetting interfund receivables in such cases.

The City has an agreement with its depository bank which pays interest at the federal funds rate, with no requirement for a minimum compensating balance. The federal funds rate was 1.06% at September 30, 2017. This account is collateralized in accordance with the Florida Security for Public Deposits Act.

The City Charter and the current Investment Policy, adopted by the City Council on September 9, 2010, authorize consolidated cash pool investments in the following: direct federal government obligations; federal agencies and instrumentalities; SEC registered money market funds with the highest credit quality rating; interest bearing time deposits or savings accounts in qualified public depositories; debt issued by the State of Florida or any political subdivision thereof including pools; securities of open-end or closed-end management-type investment companies as defined in the policy; collateralized repurchase agreements and reverse repurchase agreements; local government investment pools per Section 163.01, Florida Statutes; and commercial paper of prime quality as defined in the policy. All investments are reported at fair value.

The City utilizes a very conservative investment philosophy when it invests its pooled cash funds in that the return of the principal is more important than the return on the principal. The City does not actively trade its portfolio and generally holds

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

investments until maturity. Through the use of a laddered approach to maturities and by timing maturities to cash needs, the City does not anticipate selling investments to meet cash flow requirements.

Under the City's Investment Policy, a performance measurement standard has been established. The performance measure chosen is a weighted average of: the overnight interest rate; and three month, six month, one year, three year, five year, and ten year Treasury rates, respectively. For the fiscal year ended September 30, 2017, the performance measure weighted average was 1.21%. The actual pooled cash earnings performance before bank charges was 1.60%.

Investments being held outside of the consolidated cash pool include escrowed debt service investments and employee retirement investments. Permissible escrowed debt service investments are specifically defined in each individual debt instrument, but generally follow the same limitations applicable to consolidated cash pool investments. The City maintains four different employee retirement programs, and each one has its own list of permitted investments. Generally, each plan allows the same type of investments as the consolidated cash pool, but additionally allows some portion of its assets to be invested in corporate bonds, notes of corporations, and stocks that are listed on one or more of the recognized national or international stock exchanges.

I.D.2. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable less than 60 days are included in the trade accounts receivable allowance for uncollectible accounts at the five-year average loss experience rate of 2.94%. Trade accounts receivable in excess of 60 days are reserved at 40%. The property tax receivable allowance for uncollectible accounts is 10% of the current year portion of the receivable, and 30%, 50%, 70%, 90%, and 95% for the receivable portions attributable to the prior five years respectively (fiscal 2012 thru 2016), and 100% of the receivable attributable to fiscal years 2011 and prior.

Property tax revenue is recognized in the fiscal year for which the taxes are levied, provided the availability test is met, in conformance with National Council on Governmental Accounting Interpretation No. 3. Property taxes for the following fiscal year are levied by City Council action in September of each year. This levy is apportioned to property owners based on the previous January 1 assessed values. Tax bills are mailed out on or about November 1, and the collection period runs from November 1 through March 31. On April 1, unpaid property taxes are considered delinquent and become a lien. Tax certificates are sold in June for real property with delinquent taxes.

Since taxes are not collected prior to November 1, the City does not record revenue for advance collections. Uncollected taxes receivable at year-end are recorded, with an appropriate allowance for estimated uncollectible amounts. The net amount deemed to be collectible but not current (not expected to be collected within sixty days after the close of the fiscal year) is shown as deferred revenue in the appropriate fund.

All delinquent property taxes, except those levied specifically for the restricted purposes of financing activities accounted for in the Special Development Fund, are recorded in the General Fund. Property tax revenues are recognized in the General Fund and the required transfers to the appropriate debt service or pension fund are recorded as operating transfers from the General Fund.

The City is permitted by State law to levy ten mills without referendum. Additional millage not subject to the ten mill limitation is authorized if approved by referendum, for a period not to exceed two years. The tax rate of 5.1550 mills for the year ended September 30, 2017 was the same rate that was levied for the seven preceding fiscal years.

Water, gas, stormwater, solid waste and recycling charges to customers are based on actual consumption. Consumption is determined on a monthly cycle basis. The City recognizes the unbilled consumption as revenue as of September 30th.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

I.D.3. Inventories and prepaid items

Inventories of proprietary funds are stated at cost and valued on the first-in first-out (FIFO) basis. In governmental funds, the majority of inventory items are accounted for under the purchases method, which provides that expenditures are recognized when the inventory item is purchased. The only governmental fund inventory that is accounted for under the consumption method is the General Fund inventory of items for resale at the City's public fishing pier. Under the consumption method, the expenditure/expense is recognized when the inventory item is sold (or consumed).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

I.D.4. Restricted assets

Certain resources of the City's enterprise funds are classified as restricted assets. Restricted assets include: Water and Sewer improvement charges restricted by the authorizing ordinances to the construction of additions and improvements to the water and sewer systems; Water & Sewer Utility, Gas Utility and Solid Waste & Recycling Utility restricted customer deposits; assets of the Water & Sewer Utility, Gas Utility, and Stormwater Utility funds restricted under the provisions of authorizing ordinances for revenue bonds to the payment of future revenue bond debt service, system construction, and renewals and replacements; and the net pension assets of the Water & Sewer Utility, Gas Utility, Solid Waste & Recycling Utility and Stormwater Utility funds that are in an irrevocable trust are restricted for pensions.

I.D.5. Capital assets

Capital assets, which include property, plant, equipment, and certain infrastructure assets, (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, as defined by the City, are assets with an initial individual cost of more than \$5,000 (amount not rounded). Individual assets that cost less than \$5,000, but that operate as part of a network system, may be capitalized in the aggregate, using the group method. Additionally, higher thresholds for capitalization apply to the following categories: land improvements, \$50,000; buildings, building improvements, and utility systems, \$100,000; intangible assets, \$100,000; and infrastructure, \$500,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities during the current fiscal year was \$8,238,727, of which \$342,859 was capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	10 – 40
Public domain infrastructure	20 – 40
Utility systems	18 – 40
Machinery & equipment	3 – 15
Vehicles	5 – 10
Intangible assets	5 – 20

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

I.D.6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave "caps" vary depending upon an employee's bargaining unit, hire date, etc, but generally employees may accumulate vacation time not exceeding 320 hours and sick leave not exceeding 1,560 hours. Upon retirement from City service a qualified employee is paid for all vacation time not exceeding the applicable vacation "cap" and one-half of accumulated unused sick leave not exceeding the sick leave cap (i.e. maximum pay-out of 780 hours for an employee with a 1,560 hour cap). The City accrues for all earned but unused vacation pay up to the applicable cap and the portion of unused sick leave estimated to be payable upon retirement. The current portion of compensated absences is the amount estimated to be used in the following year. For governmental activities, compensated absences are liquidated within the same governmental funds where the employee vacation and/or sick leave was earned.

I.D.7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of 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.

I.D.8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption on net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The City reports deferred outflows related to bond refundings and pensions.

Similarly, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies for a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows related to pensions.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows related to deferred amounts on bond refundings are reported in the Water and Sewer Utility, Gas Utility and Stormwater Utility funds, as well as in the government-wide statements. These amounts represent the difference between the reacquisition price and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, changes in total pension liability arising from the differences between expected and actual experience, changes of assumption of future economic and demographic factors and the net difference between projected and actual earnings on pension plan investments are recognized as deferred outflows of resources or deferred inflows of resources and are reported in all enterprise and internal service funds, as well as in the government-wide statements. Changes between expected and actual experience and changes of assumptions are recognized in pension expense over a closed period equal to the average of the expected remaining service lives of all active and inactive employees, while the difference between projected and actual earnings is recognized in pension expense over a closed five-year period.

City of Clearwater, Florida
Notes to the Basic Financial Statements
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I.D.9. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both unrestricted resources and restricted resources, such as restricted bond or grant proceeds. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made regarding the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

I.D.10. Fund balance flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made regarding the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

I.D.11. Fund balance policies

The fund balance of governmental funds is reported in various classifications that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Each classification of fund balance is based on the relative strength of the constraints that control how specific amounts can be spent. The order of spending follows the same hierarchy. Restricted resources are applied first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Nonspendable fund balance represents amounts that cannot be spent, such as inventories, prepaid amounts, and amounts that are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by the adoption of an ordinance prior to the end of the fiscal year by the City Council, the highest level of decision-making authority. Once adopted by ordinance, a commitment can only be revised or removed by the adoption of another ordinance.

Assigned fund balance includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed because they are supported by management's intent rather than a formal action of the City Council. The Finance Director is authorized by Section 2.511 of the Code of Ordinances to assign fund balance. Since assignments only exist temporarily, no further action is required to revise or remove them.

Unassigned fund balance includes amounts not classified in the above categories. Positive unassigned fund balance may only be reported in the general fund. In all other funds, unassigned fund balance is limited to negative residual fund balances.

Minimum fund balance: Per City Council Policy, a minimum General Fund unassigned balance of 8.0% of the subsequent year's budgeted expenditures must be maintained as a contingency fund for unanticipated financial needs. In addition, 0.5% of the subsequent year's budgeted expenditures must be maintained to fund unanticipated retirements of employees residing in General Fund departments. Budgeted appropriations will maintain these minimum reserves of 8.5%.

City of Clearwater, Florida
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of subsequent year's budgeted expenditures, with excess reserves available for specific capital improvement projects or other "one-time" needs.

Stabilization arrangement. As of September 30, 2017, the City Council has not established a revenue stabilization reserve.

I.D.12. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

I.E. Adoption of new GASB pronouncements:

During the fiscal year ended September 30, 2017, the City implemented the following GASB pronouncements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Issued in June 2015, this statement applies to OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. Because the City has no assets set aside for OPEB benefits, in a dedicated trust or otherwise, the provisions of this statement do not apply.

GASB Statement No. 77, *Tax Abatement Disclosures*. Issued in August 2015, this statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement was implemented in the fiscal year ending September 30, 2017, adding the required disclosures in Note IV.G. to these financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Issued in January 2016, this statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Because the City does not have a component unit that is incorporated as a not-for-profit corporation, the provisions of this statement do not apply.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Issued in March 2016, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was implemented in the fiscal year ending September 30, 2017, but had no impact because the City's definition of covered payroll does not include payroll not subject to pension benefits, there were no changes necessary to the assumptions, and the City does not make contributions to satisfy required employee contributions.

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

City of Clearwater, Florida
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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.

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 also 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 the use of 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.

Deposits

All cash of the City is entirely insured either by federal depository insurance or via banks' participation as qualified public depositories pursuant to Florida Statutes, Chapter 280, "Security for Public Deposits". The City is required to verify that monies are invested in "qualified public depositories" as defined in Florida Statutes section 280.02.

Pooled Cash and Investments

To increase returns and minimize fees, the City follows the practice of pooling available cash and investments of all funds with the exception of retirement plan investments and assets held under Bond Trust Indenture Agreements. Please refer to Note (I)(D)(1) for a discussion of allowable investments under the pooled cash and investments investment policy. All investments at year-end were in compliance with the pooled cash and investments investment policy.

Pooled cash and investments as of September 30, 2017 are classified in the accompanying financial statements as follows:

<u>Statement of net position</u>	<u>9/30/2017</u>
Primary Government:	
Cash and investments	\$ 369,968,383
Restricted cash and investments	40,066,593
Fiduciary Funds:	
Cash and investments-agency fund	391,898
Total pooled cash and investments	<u><u>\$ 410,426,874</u></u>

City of Clearwater, Florida
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<u>Pooled Cash and Investments</u>	Carrying Amount	% of Portfolio	Investment Maturities in Years			<u>Moody's Rating</u>
			<u>Less than 1</u>	<u>1-3 Years</u>	<u>More than 3</u>	
Cash and cash equivalents:						
Cash on hand	\$ 88,745	0.02%				N/A
Time / interest bearing account	<u>4,759,729</u>	1.16%				N/A
Total cash and cash equivalents	<u>4,848,474</u>					
Investments:						
Local Government Investment Pools:						
Florida Safe Investment Pool	4,069,613	0.99%	4,069,613	-	-	AAAm
Florida Cooperative Liquid Assets Securities System	<u>5,064,599</u>	1.23%	<u>5,064,599</u>	-	-	AAAm
Florida Local Government Investment Trust - Short Term Bonds	<u>95,708,593</u>	23.32%	-	95,708,593	-	AAAf
	<u>104,842,805</u>		<u>9,134,212</u>	<u>95,708,593</u>		
Treasuries						
Treasuries	<u>2,035,548</u>	0.50%	<u>1,008,517</u>	<u>1,027,031</u>	-	N/A
U.S. Agencies:						
Federal Home Loan Bank (FHLB)	38,292,060	9.33%	1,998,588	11,006,295	25,287,177	Aaa
Federal National Mortgage Assn (FNMA)	<u>49,290,970</u>	12.01%	-	<u>39,431,575</u>	<u>9,859,395</u>	Aaa
Federal Farm Credit Bank (FFCB)	14,922,565	3.64%	-	9,949,360	4,973,205	Aaa
Federal Home Loan Mortgage Corp (FHLMC)	<u>79,238,395</u>	19.30%	<u>5,001,490</u>	<u>24,800,585</u>	<u>49,436,320</u>	Aaa
Federal Home Loan Mortgage Corp Zeroes	1,788,810	0.44%	-	-	1,788,810	Aaa
Other Government Sponsored Agencies	<u>2,191,932</u>	0.53%	<u>2,020,418</u>	<u>171,514</u>	-	Aaa
Federal National Mortgage Assn (FNMA) Zeroes	<u>9,093,404</u>	2.22%	-	-	<u>9,093,404</u>	Aaa
Farmer Mac (FAMCA)	3,634,641	0.89%	-	-	3,634,641	Aaa
Tennessee Valley Authority (TVA) Zeroes	<u>2,612,469</u>	0.64%	-	<u>2,209,694</u>	<u>402,775</u>	Aaa
Total U.S. Agencies	<u>201,065,246</u>		<u>9,020,496</u>	<u>87,569,023</u>	<u>104,475,727</u>	
Municipal bonds						
Municipal bonds	11,388,114	2.77%	5,491,894	5,896,220	-	Aa1/Aa2/Aa3
Total municipal bonds	<u>3,931,508</u>	0.96%	<u>3,124,136</u>	<u>807,372</u>	-	A1/A2/A3
	<u>15,319,622</u>		<u>8,616,030</u>	<u>6,703,592</u>		
Mortgage backed securities						
Mortgage backed securities	<u>79,390,174</u>	19.34%	<u>862,821</u>	<u>25,110,076</u>	<u>53,417,277</u>	Aaa
Asset backed securities						
Asset backed securities	<u>2,925,005</u>	0.71%	-	<u>452,091</u>	<u>2,472,914</u>	Aaa
Total investments	<u>405,578,400</u>		<u>28,642,076</u>	<u>216,570,406</u>	<u>160,365,918</u>	
Total pooled cash and investments	<u>\$ 410,426,874</u>	100.00%				

Interest Rate Risk – Pooled Cash and Investments:

As a means of limiting exposure to fair value losses arising from rising interest rates, the City's pooled cash investment policy prohibits investments in securities maturing more than fifteen years from the date of purchase, unless matched to a specific cash flow requirement. Additionally, the policy allows no more than 10% of the portfolio to have maturities in excess of ten years unless specifically matched against a debt or obligation. Finally, the investment policy states that it is the City's intent to keep the weighted average maturity to three years or less, except for temporary situations due to market conditions and/or cash needs when the average maturity may exceed three years but shall not exceed five years. Weighted average maturities for the City's pooled cash investments are indicated in the table above.

City of Clearwater, Florida
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Credit Risk – Pooled Cash and Investments:

The City's pooled cash investment policy, in accordance with Florida Statutes, allows investments to direct obligations of the United States, federal agencies, debt issued by the State of Florida or any political subdivision, and commercial paper of prime quality of the highest letter and numerical rating as provided by at least one nationally recognized rating service. Ratings for the City's pooled cash investments are disclosed in the preceding table.

Concentration of Credit Risk – Pooled Cash and Investments:

The City's pooled cash investment policy limits the investment in any one issuer to 40% of the portfolio. Concentrations for several issuers exceeded 5% as disclosed in the preceding table, though none exceeded the 40% limit per the policy.

Fair Value Measurement:

The City has adopted the provisions of GASB Statements No. 72 and No. 79 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under generally accepted accounting principles. 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.

Fixed Income 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. Debt securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of 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.

The City has the following recurring fair value measurements as of September 30, 2017:

(in thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value
U.S. Government securities	\$ 2,035	\$ -	\$ 2,035	\$ -	\$ -
Federal Agency securities	201,065	-	201,065	-	-
Municipal obligations	15,320	-	15,320	-	-
Mortgage backed securities	79,390	-	79,390	-	-
Asset backed securities	2,925	-	2,925	-	-
Florida Safe Investment Pool	4,070	-	-	-	4,070
Florida Cooperative Liquid Assets Securities System	5,065	-	-	-	5,065
Florida Local Govt. Investment Trust-Short Term Bonds	95,708	-	-	-	95,708
	\$ 405,578	\$ -	\$ 300,735	\$ -	\$ 104,843

City of Clearwater, Florida
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The Florida SAFE Investment Pool (FLSAFE), the Florida Cooperative Liquid Assets Securities System (FLCLASS), and the Florida Local Government Investment Trust – Short Term Bonds (FLGIT-Short Term Bonds), are independent local government investment pools created under the laws of Florida to provide eligible units of local government with investment vehicles to pool their surplus funds. FLSAFE and FLCLASS investment pools are Stable Net Asset Value investment pools rated AAAm by Standard & Poors, while FLGIT – Short Term Bonds pool is a Variable Net Asset Value investment pool rated AAAf by Standard & Poors. The investment advisor and administrator for the FLSAFE investment pool is PMA Financial Network, Inc.; the investment advisor and administrator for the FLCLASS investment pool is Public Trust Advisors, LLC; while Payden & Rygel serves as the investment advisor for the FLGIT Short Term Bonds investment pool and CiviTek as administrator.

The three local government investment pools, Florida Safe Investment Pool (FLSAFE), Florida Cooperative Liquid Assets Securities System (FLCLASS), and the Florida Local Government Investment Trust (FLGIT) Short Term Bonds Fund, have no unfunded commitments and all provide same day or next day redemption. The investment strategies of all three prioritize safety of principal and liquidity over return, consistent with the City's investment strategy, investing in high quality short term investments.

Pension Plan Assets

The City reports four pension funds in the accompanying financial statements. Each of the plans has a separate governing board of trustees, a separate investment policy, and differing investment restrictions/risks. Consequently, each is disclosed separately below. All investments at year-end were in compliance with the respective plan investment policies. Please refer to Note (I)(D)(1) for a discussion of allowable investments under the pension plans.

Investments are reported at fair value or net asset value, as disclosed, and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments in certain alternative investments are valued using the net asset value (NAV) per shares outstanding.

City of Clearwater, Florida
Notes to the Basic Financial Statements
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Employees' Pension Plan

At year-end, the Employees' Pension Plan cash and investment balances were as follows:

<u>Employees' Pension Plan Cash and Investments</u>	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
Cash and cash equivalents:				
Cash and cash equivalents - pooled cash	\$ 4,115,406	0.41%	N/A	N/A
Cash in managed investment accounts	<u>19,395,658</u>	<u>1.91%</u>	<u>N/A</u>	<u>N/A</u>
Total cash and cash equivalents	<u>23,511,064</u>			
Investments:				
Government bonds	2,195,618	0.22%	5.2	AGY
Government bonds	87,410,285	8.61%		Aaa
Government bonds	1,953,404	0.19%		A
Government bonds	223,600	0.02%		Baa
Government bonds	2,705,700	0.27%		NR
Index linked treasuries	1,873,301	0.18%	24.5	Aaa
U.S. agencies	2,221,063	0.22%	9.8	AGY
U.S. agencies	998,210	0.10%		Aaa
U.S. agencies	2,516,230	0.25%		Baa
Municipal bonds	2,973,563	0.29%	15.6	A
Municipal bonds	682,236	0.07%		NR
Domestic corporate bonds	1,263,537	0.12%		Aaa
Domestic corporate bonds	3,455,906	0.34%		Aa
Domestic corporate bonds	17,765,094	1.75%	11.7	A
Domestic corporate bonds	52,656,207	5.19%		Baa
Domestic corporate bonds	4,784,223	0.47%		Ba
Domestic corporate bonds	1,472,720	0.15%		B
Domestic corporate bonds	3,726,279	0.37%		NR
Asset backed bonds	89,120	0.01%		AGY
Asset backed bonds	245,247	0.02%	6.9	Aaa
Asset backed bonds	1,992,457	0.20%		NR
Other/Rights/Warrants	1,342	0.00%	N/A	NR
Domestic stocks	369,405,883	36.40%	N/A	N/A
International equity securities	130,530,777	12.86%	N/A	N/A
Mortgage backed bonds	94,354,299	9.30%		AGY
Mortgage backed bonds	75,172	0.01%	24.9	Aaa
Mortgage backed bonds	230,291	0.02%		NR
International equity mutual funds	38,874,299	3.83%	N/A	N/A
Domestic equity mutual funds	45,575,552	4.49%	N/A	N/A
Infrastructure	30,683,363	3.02%	N/A	N/A
Real Estate/Timber	88,389,818	8.71%	N/A	N/A
Total investments	<u>991,324,796</u>			
Total cash and investments	<u>\$ 1,014,835,860</u>	<u>100.00%</u>		

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Interest Rate Risk – Employees’ Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Employees’ Pension Plan investment policy limits the investment in fixed income investments to no more than 50% of the portfolio. There are no limits related to weighted average maturities due to the long-term nature of pension plan investing.

Credit Risk – Employees’ Pension Plan:

The Employees’ Pension Plan investment policy limits credit risk by restricting equity investments to corporations that are listed on one of the national or international stock exchanges. Additionally, fixed income corporate bonds must carry an “investment grade” rating as established by one of the nationally recognized rating agencies. At September 30, 2017, the Plan had \$6,256,943 invested in domestic corporate bonds that had fallen below investment grade (Ba1 and lower) as the result of investment downgrades, as indicated on the previous table. The respective money managers notified the Plan administrators of the downgrades and the planned courses of action related to these securities on a timely basis, consistent with the policy’s individual manager guidelines.

Concentration of Credit Risk – Employees’ Pension Plan:

The Employees’ Pension Plan investment policy limits concentration of credit risk by limiting the investment in common stock or capital stock of any one corporation to 3% of the plan equity assets, unless due to a higher percentage included in a nationally recognized market index at least as broad as the Standard and Poor’s Composite Index of 500 companies, or upon a specific finding by the investment committee that such higher percentage is in the best interest of the fund. Additionally, the individual manager guidelines associated with the policy provide further diversification of both equity and fixed income investments to minimize concentration of credit risk.

Foreign Currency Risk – Employees’ Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Employees’ Pension Plan investment policy does not have a formal policy to limit foreign currency risk, other than a guideline of no more than 25% of the plan assets invested in international equities. The Pension Plan’s exposure to foreign currency risk is as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>	<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>
Common Stock	Euro currency	\$ 26,373,675	Common Stock	Qatari rial	500,390
Common Stock	Japanese yen	16,273,089	Common Stock	Egyptian pound	347,303
Common Stock	British pound sterling	10,925,006	Common Stock	Vietnamese dong	319,858
Common Stock	Chinese Yuan	5,080,675	Common Stock	Czech koruna	317,564
Common Stock	Swiss franc	4,950,198	Common Stock	Saudi riyal	302,947
Common Stock	Hong Kong dollar	3,947,383	Common Stock	Mauritian rupee	299,799
Common Stock	Australian dollar	3,108,276	Common Stock	Kenyan shilling	290,780
Common Stock	South Korean won	2,684,420	Common Stock	Argentine peso	289,419
Common Stock	South African rand	2,644,737	Common Stock	Omani rial	286,348
Common Stock	New Russian ruble	2,575,462	Common Stock	Kazakhstan tenge	284,715
Common Stock	Brazilian real	2,392,791	Common Stock	Moroccan dirham	282,694
Common Stock	Indian rupee	2,209,071	Common Stock	Hungarian forint	277,524
Common Stock	New Taiwan dollar	2,170,508	Common Stock	Swedish krona	271,080
Common Stock	Mexican peso	2,153,375	Common Stock	Romanian leu	270,954
Common Stock	Danish Krone	1,574,001	Common Stock	Bangladesh taka	270,215
Common Stock	Thailand baht	1,242,927	Common Stock	Sri Lankan rupee	267,650
Common Stock	Polish zloty	1,224,113	Common Stock	Jordanian dinar	263,762
Common Stock	Chilean peso	1,193,908	Common Stock	Croatian kuna	255,715
Common Stock	Malaysian ringgit	1,176,767	Common Stock	Bahraini dinar	232,740
Common Stock	Indonesian rupiah	1,157,133	Common Stock	Nigerian naira	212,487
Common Stock	Philippine peso	1,090,735	Common Stock	Panama balboa	105,155
Common Stock	Turkish lira	1,077,213	Common Stock	Tunisian dinar	103,483
Common Stock	Singapore dollar	844,790	Common Stock	Lebanese pounds	64,143
Common Stock	Peruvian nouveau sol	636,644	Common Stock	Botswana pula	82,258
Common Stock	Kuwaiti dinar	572,657	Common Stock	Ghana cedi	43,734
Common Stock	Columbian peso	557,963	Common Stock	Bulgarian lev	8,475
Common Stock	Pakistan rupee	525,192			
Common Stock	UAE dirham	509,564			
			Total		\$ 107,123,465

Fair Value Measurement:

The Employees' Pension Plan has adopted the provisions of GASB Statement No. 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. The City's independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments in certain alternative investments are valued using the net asset value (NAV) per shares outstanding.

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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 the use of 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.

The Plan has the following recurring fair value measurements as of September 30, 2017:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Measured at Net Asset Value
	Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)			
Government bonds	\$ 94,489	\$ -	\$ 94,489	\$ -	\$ -	\$ -	
Index linked treasures	1,873	-	1,873	-	-	-	
U.S. agencies	5,735	-	5,735	-	-	-	
Municipal bonds	3,656	-	3,656	-	-	-	
Domestic corporate bonds	85,124	-	85,124	-	-	-	
Asset backed bonds	2,327	-	2,327	-	-	-	
Other/Rights/Warrants	1	-	-	-	1	-	
Domestic stocks	369,406	369,406	-	-	-	-	
International equity securities	130,531	130,531	-	-	-	-	
Mortgage backed bonds	94,660	-	94,660	-	-	-	
International equity mutual funds	38,874	-	-	-	-	38,874	
Domestic equity mutual funds	45,576	-	45,576	-	-	-	
Infrastructure	30,683					30,683	
Real Estate/Timber	88,390	-	-	-	-	88,390	
	\$ 991,325	\$ 499,937	\$ 333,440		1	\$ 157,947	

**City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017**

Net Asset Value Investments (in thousands):

Money Manager	Value	Unfunded Commitments	Investment Strategy	Redemption Restrictions
Eaton Vance	\$ 38,874	\$ -	Emerging markets equity collective investment trust seeking long term capital appreciation by investing at least 80% of net assets in equity securities of companies located in emerging market countries.	None
Multi-Employer Property Trust	45,857	-	An open-end commingled real estate equity fund organized as a bank collective trust. Strategy to create top-quality, core, income-producing assets through development, rehab, or acquisition and repositioning of undervalued assets.	Quarterly redemptions with one day notice
Molpus Woodlands Group Funds III & IV	11,843	1,255	Limited Partnership providing income through acquisition, holding, and distribution of timberland	No redemption due to Limited Partnership term of up to 14 years, ending 10/22/2027.
Hancock Timberland XI LP	8,267	559	Limited Partnership providing income through acquisition, holding, and distribution of timberland	No redemption due to Limited Partnership. Two-year wind-up period begins 12/31/2025 and ends 12/31/2027.
IFM Infrastructure	30,683	-	Limited Partnership investing in a diversified portfolio of global infrastructure assets, favoring proprietary investment opportunities over competitive bidding processes.	Quarterly redemptions with 90 days notice; manager's best efforts within 36 months of end of quarter.
USAA U.S. Government Buildings	10,788	-	Core plus real estate strategy for acquisition and build-to-suit development of high quality assets leased to agencies of the U.S. Federal and State Governments.	Quarterly redemptions with 60 days notice.
Intercontinental U.S. Real Estate Investment Trust	11,635	-	Primarily investing in high-quality core and core plus properties for stable predictable cash flow and opportunity for capital appreciation. To a lesser degree, additional enhanced-core and value properties to further enhance diversification and return.	Quarterly redemptions with 60 days notice.
	\$ 157,947	\$ 1,814		

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Firefighters' Relief and Pension Plan

At year-end, the Firefighters' Relief and Pension Plan cash and investment balances were as follows:

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents	\$ 853,117	22.38%	N/A	N/A
Total cash and cash equivalents	<u>853,117</u>			
<u>Investments:</u>				
U.S. agency - Federal Agricultural Mortgage Corp (FAMCA)	1,134,059	29.75%	6.62	Aaa
U.S. agency - Federal Home Loan Bank (FHLB)	<u>1,824,454</u>	47.87%	18.92	Aaa
Total investments	<u>2,958,513</u>			
Total managed cash and investments	<u>\$ 3,811,630</u>	100.00%		

Interest Rate Risk – Firefighters' Relief and Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Firefighters' Relief and Pension Plan investment policy stipulates that the Plan does not trade securities and will typically hold securities to maturity. There are no limits related to weighted average maturities due to the long-term nature of pension plan investing.

Credit Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy limits credit risk by restricting the fixed income investments to investment grade securities, per a nationally recognized ranking agency.

Concentration of Credit Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy limits concentration of credit risk by limiting the recommended target allocation of the plan to domestic fixed income to 70% of the portfolio, with the remainder of the portfolio allocated to the City's well-diversified pooled cash portfolio (see above disclosure). There are no additional limitations on concentrations with individual issuers or agencies due to the relatively small portfolio of this closed pension plan.

Foreign Currency Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy does not permit investment in foreign fixed income or equity securities.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Fair Value Measurement:

The Firefighters' Relief and Pension Plan has adopted the provisions of GASB Statement No. 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under the generally accepted accounting principles. The Plan has the following recurring fair value measurements as of September 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agency securities	-	\$ 2,958,513	-

Police Supplemental Pension Plan

At year-end, the Police Supplemental Pension Plan cash and investment balances were as follows:

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
<u>Cash and cash equivalents:</u>				
Cash in bank	\$ 8,553	0.05%	N/A	N/A
Cash in managed investment accounts	861,038	4.53%	N/A	N/A
Total cash and cash equivalents	<u>869,591</u>			
<u>Investments:</u>				
Domestic equity mutual funds	10,968,869	57.77%	N/A	N/R
International equity mutual funds	7,148,572	37.65%	N/A	N/R
Total investments	<u>18,117,441</u>			
Total managed cash and investments	<u>\$ 18,987,032</u>	100.00%		

Interest Rate Risk – Police Supplemental Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Police Supplemental Pension Plan investment policy limits the duration of the fixed income portfolio to 125% of the duration of the Barclays Intermediate Government/Credit Bond Index subject to quarterly review. Additionally, no issues, Treasury, or Corporate Bonds may be purchased with more than 15 years to maturity.

Credit Risk – Police Supplemental Pension Plan:

The Police Supplemental Pension Plan investment policy limits credit risk by restricting equity investments to corporations that are listed on any one or more of the recognized national stock exchanges. Additionally, fixed income security investments are limited to U.S. Government and agency obligations; "BBB" rated or higher corporate bonds, debentures and preferred stocks; and bonds and other evidence of indebtedness issued or guaranteed by a corporation organized

City of Clearwater, Florida
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under the laws of the United States, any state, or organized territory of the United States or District of Columbia provided the corporation meets the standards set forth in section 185.06(1)(b), Florida Statutes, as amended from time to time. Finally, the investment policy requires that investment managers dispose of any issue that has been downgraded below "BBB" as soon as is economically feasible.

Concentration of Credit Risk – Police Supplemental Pension Plan:

The Police Supplemental Pension Plan investment policy limits concentration of credit risk by limiting the stock position of the equity portfolio to no more than 3 percentage points in excess of the S&P 500. Additionally, any sector position of the equity portfolio may not exceed the S&P 500 sector weighting by more than 10 percentage points without written approval from the Board. Investments in fixed income securities of a single issuer, with the exception of the U.S. Government and its agencies, may not exceed 5 percent of the fixed income portfolio's value at cost.

Foreign Currency Risk – Police Supplemental Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Police Supplemental Pension Plan investment policy does not have a formal policy to limit foreign currency risk, other than a guideline of that no more than 25% of the total portfolio at cost may be invested in foreign securities. The Plan has no current exposure to foreign currency risk.

Fair Value Measurement:

The Police Supplemental Pension Plan has adopted the provisions of GASB Statement No. 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under generally accepted accounting principles. The Plan has the following recurring fair value measurements as of September 30, 2017:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
Domestic equity mutual funds	\$ 10,968,869	\$ -	\$ 10,968,869	\$ -
International equity mutual funds	7,148,572	-	7,148,572	-
	<u>\$ 18,117,441</u>	<u>\$ -</u>	<u>\$ 18,117,441</u>	<u>\$ -</u>

City of Clearwater, Florida
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Firefighters Supplemental Pension Plan

At year-end, the Firefighters Supplemental Pension Plan cash and investment balances were as follows:

	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted avg maturity (years)</u>	<u>Moody's Rating</u>
Cash and cash equivalents:				
Cash in managed investment accounts	\$ 193,816	1.02%	N/A	N/A
Total cash and cash equivalents	<u>193,816</u>			
Investments:				
U.S. Treasury obligations	215,003	1.14%	10.9	Aaa
Municipal obligations	72,850	0.38%		A3
Municipal obligations	29,768	0.16%		Aa1
Municipal obligations	95,827	0.51%		N/R
Domestic corporate bonds	1,092,678	5.77%		A1/A2/A3
Domestic corporate bonds	236,219	1.25%		Aaa/Aa1/Aa3
Domestic corporate bonds	1,392,337	7.36%	5.7	Baa1/Baa2/Baa3
Domestic corporate bonds	62,737	0.33%		N/R
Domestic stocks	4,524,865	23.91%	N/A	N/R
Mortgage backed bonds	1,013,315	5.35%	21.2	N/R
Domestic equity mutual funds	5,668,683	29.94%	N/A	N/R
International equity mutual funds	1,464,402	7.74%	N/A	N/R
Real estate	2,864,710	15.14%	N/A	N/R
Total investments	<u>18,733,394</u>			
Total managed cash and investments	<u>\$ 18,927,210</u>	100.00%		

Interest Rate Risk – Firefighters Supplemental Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Firefighters Supplemental Pension Plan investment policy limits the duration of the fixed income portfolio to less than 135% of the duration of the Bloomberg Barclay's Capital Aggregate Bond Index.

Credit Risk – Firefighters Supplemental Pension Plan:

The Firefighters Supplemental Pension Plan investment policy limits credit risk by restricting equity investments to securities that are fully and easily negotiable. Investments in corporations whose stock has been publicly traded for less than one year are limited to 15% at cost value of the equity portfolio. Investment in equity securities whose market capitalization is less than \$10 billion dollars shall be limited to 25% of the total equity portfolio. The average credit quality of the bond portfolio shall be "A" or higher, and those securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.

Concentration of Credit Risk – Firefighters Supplemental Pension Plan:

The Firefighters Supplemental Pension Plan investment policy limits concentration of credit risk by limiting the investment in common stock or capital stock of any one issuing company within an investment manager's portfolio to 5% of the portfolio. Similarly, no more than 5% at cost value of a fixed income investment manager's portfolio may be invested in the securities of any single corporate issuer per the plan investment policy. Finally, investments in collateralized mortgage obligations are limited to 25% of the fair value of the investment manager's total portfolio.

City of Clearwater, Florida
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Foreign Currency Risk – Firefighters Supplemental Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Firefighters Supplemental Pension Plan requires that no more than 25% of the market value of the plan's total assets may be invested in foreign equity securities, commingled or mutual funds. Direct investment in foreign companies is limited to those traded on a national exchange and/or American Depository Receipts (ADR's).

Fair Value Measurement:

The Firefighters Supplemental Pension Plan has adopted the provisions of GASB Statement No. 72 and fully disclosed in the notes to the financial statements the fair value hierarchy and the methods of valuing the related investments as required under generally accepted accounting principles. The Plan has the following recurring fair value measurements as of September 30, 2017:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>	<u>Assets (Level 1)</u>	<u>Inputs (Level 2)</u>	<u>Inputs (Level 3)</u>
U.S. Treasury obligations	\$ 215,003	\$ 215,003	\$ -	\$ -
Municipal obligations	198,445	-	198,445	-
Domestic corporate bonds	2,783,971	-	2,783,971	-
Domestic stocks	4,524,865	4,524,865	-	-
Mortgage backed bonds	1,013,315	-	1,013,315	-
Domestic equity mutual funds	5,668,683	5,668,683	-	-
International equity mutual funds	1,464,402	-	-	1,464,402
Real estate	2,864,710	71,071	-	2,793,639
	<hr/> <u>\$ 18,733,394</u>	<hr/> <u>\$ 10,479,622</u>	<hr/> <u>\$ 3,995,731</u>	<hr/> <u>\$ 4,258,041</u>

III.B. Receivables

Receivables as of year-end for the City's governmental, proprietary and internal service funds, including the applicable allowances for uncollectible accounts for the proprietary funds, are segregated on the fund financial statements. Mortgages, Notes, and Other Loans in the amount of \$4,889,016 are reported on the Governmental Funds Balance Sheet net of an allowance for uncollectible accounts in the amount of \$12,496,442. The gross receivable of \$17,385,458 includes \$1,170,750 of long-term loans receivable that are not expected to be collected within the next fiscal year. Mortgage notes receivable and the related payment history are reviewed individually on an annual basis to determine collectability for allowance and bad debt determinations.

Receivables as of year-end for the primary government's individual major funds, as well as non-major funds and internal service funds in the aggregate, are as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Receivables, net of applicable allowances for uncollectible accounts (amounts in thousands):

	<u>Taxes</u>	<u>Franchise Fees</u>	<u>Interest</u>	<u>Accounts and Contracts</u>	<u>Notes</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 1,467	\$ 902	\$ 141	\$ 511	\$ -	\$ 30	\$ 3,051
Special Development	46	-	112	-	-	-	158
Capital Improvement	-	-	1	-	-	2	3
Non-major governmental funds	-	-	54	-	17,385	8	17,447
Internal service funds	-	-	151	-	-	83	234
Total governmental	1,513	902	459	511	17,385	123	20,893
Less: Allowance for uncollectable accounts	(330)	-	-	-	(12,496)	-	(12,826)
Net governmental receivables	<u>\$ 1,183</u>	<u>\$ 902</u>	<u>\$ 459</u>	<u>\$ 511</u>	<u>\$ 4,889</u>	<u>\$ 123</u>	<u>\$ 8,067</u>
Water and Sewer Utility	\$ -	\$ -	\$ 195	\$ 7,806	\$ -	\$ -	\$ 8,001
Gas Utility	-	-	106	3,400	-	27	3,533
Solid Waste and Recycling Utility	-	-	86	2,331	-	-	2,417
Stormwater Utility	-	-	83	2,483	-	-	2,566
Non-major enterprise funds	-	-	60	18	-	-	78
Total business-type	-	-	530	16,038	-	27	16,595
Less: Allowance for uncollectable accounts	-	-	-	(247)	-	-	(247)
Net business-type receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530</u>	<u>\$ 15,791</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 16,348</u>

III.C. Capital assets

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

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers / Reclassifications</u>	<u>Ending Balance</u>
Non-depreciable capital assets:					
Land	\$ 81,390,446	\$ 6,248,749	\$ (314,000)	\$ -	\$ 87,325,195
Construction in progress	11,240,197	6,953,274	(4,983,699)	30,278	13,240,050
Total non-depreciable capital assets	<u>92,630,643</u>	<u>13,202,023</u>	<u>(5,297,699)</u>	<u>30,278</u>	<u>100,565,245</u>
Depreciable capital assets:					
Buildings	173,144,513	997,131	-	-	174,141,644
Improvements other than buildings	37,691,496	1,854,177	-	-	39,545,673
Machinery and equipment	90,923,009	11,760,595	(6,288,792)	27,795	96,422,607
Infrastructure	148,285,962	8,567,445	-	-	156,853,407
Total depreciable capital assets	<u>450,044,980</u>	<u>23,179,348</u>	<u>(6,288,792)</u>	<u>27,795</u>	<u>466,963,331</u>
Less accumulated depreciation for:					
Buildings	(71,670,794)	(5,450,768)	-	-	(77,121,562)
Improvements other than buildings	(19,388,605)	(1,566,964)	-	-	(20,955,569)
Machinery and equipment	(66,975,779)	(8,646,530)	6,197,702	(16,036)	(69,440,643)
Infrastructure	(95,078,239)	(4,843,200)	-	-	(99,921,439)
Total accumulated depreciation	<u>(253,113,417)</u>	<u>(20,507,462)</u>	<u>6,197,702</u>	<u>(16,036)</u>	<u>(267,439,213)</u>
Net depreciable capital assets	<u>196,931,563</u>	<u>2,671,886</u>	<u>(91,090)</u>	<u>11,759</u>	<u>199,524,118</u>
Net governmental activities capital assets	<u>\$ 289,562,206</u>	<u>\$ 15,873,909</u>	<u>\$ (5,388,789)</u>	<u>\$ 42,037</u>	<u>\$ 300,089,363</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers / Reclassifications</u>	<u>Ending Balance</u>
Non-depreciable capital assets:					
Land	\$ 31,845,237	\$ -	\$ (100,000)	\$ -	\$ 31,745,237
Construction in progress	10,513,065	9,705,220	(7,647,184)	(30,278)	12,540,823
Total non-depreciable capital assets	<u>42,358,302</u>	<u>9,705,220</u>	<u>(7,747,184)</u>	<u>(30,278)</u>	<u>44,286,060</u>
Depreciable capital assets:					
Buildings	35,067,731	12,662,198	-	-	47,729,929
Improvements other than buildings	645,963,219	17,049,814	-	-	663,013,033
Machinery and equipment	17,801,396	670,383	(675,605)	(27,795)	17,768,379
Total depreciable capital assets	<u>698,832,346</u>	<u>30,382,395</u>	<u>(675,605)</u>	<u>(27,795)</u>	<u>728,511,341</u>
Less accumulated depreciation for:					
Buildings	(8,753,831)	(1,076,589)	-	-	(9,830,420)
Improvements other than buildings	(298,249,751)	(20,415,170)	-	-	(318,664,921)
Machinery and equipment	(8,719,868)	(1,348,417)	665,172	16,036	(9,387,077)
Total accumulated depreciation	<u>(315,723,450)</u>	<u>(22,840,176)</u>	<u>665,172</u>	<u>16,036</u>	<u>(337,882,418)</u>
Net depreciable capital assets	<u>383,108,896</u>	<u>7,542,219</u>	<u>(10,433)</u>	<u>(11,759)</u>	<u>390,628,923</u>
Net business-type activities capital assets	<u><u>\$ 425,467,198</u></u>	<u><u>\$ 17,247,439</u></u>	<u><u>\$ (7,757,617)</u></u>	<u><u>\$ (42,037)</u></u>	<u><u>\$ 434,914,983</u></u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 682,797
Public safety	945,284
Physical environment	21,172
Transportation, including depreciation on infrastructure assets	4,917,620
Economic environment	525,747
Culture and recreation	5,215,112
Capital assets held by governmental internal service funds are charged to the various functions based on their usage of assets	8,199,730
	<u><u>\$ 20,507,462</u></u>

Business-type activities:	
Water and sewer utility	\$ 16,083,185
Gas utility	2,483,019
Solid waste and recycling utility	245,692
Stormwater utility	3,134,322
Marine operations	58,264
Aviation operations	260,715
Parking system operations	236,516
Clearwater Harbor Marina operations	338,463
	<u><u>\$ 22,840,176</u></u>

City of Clearwater, Florida
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Construction commitments

At September 30, 2017, material outstanding construction commitments were as follows:

<u>Project</u>	<u>Fund</u>	<u>Construction Commitments Outstanding</u>
Morningside Recreation Center	Capital Improvement Fund	\$ 4,637,142
East Gateway Stormwater Improvements	Stormwater Utility Enterprise Fund	3,427,330
East Gateway Sewer Improvements	Water & Sewer Utility Enterprise Fund	3,398,208
East Gateway Water Improvements	Water & Sewer Utility Enterprise Fund	1,723,949
Sherwood Yard Street Sweeping Facility	Stormwater Utility Enterprise Fund	1,642,413
Druid Road/Allen's Creek Stormwater Improvements	Stormwater Utility Enterprise Fund	1,487,656
Annual Street Resurfacing	Capital Improvement Fund	1,456,607
Marshall Street Influent Pump Station Repairs	Water & Sewer Utility Enterprise Fund	1,349,525
Annual Stormwater Improvements	Stormwater Utility Enterprise Fund	985,343
Lift Station #7 and #8 Improvements	Water & Sewer Utility Enterprise Fund	967,949
Fire Station #50	Capital Improvement Fund	827,446
Corona Sewer Improvements	Water & Sewer Utility Enterprise Fund	551,170
Joint Use Library at St. Petersburg College	Capital Improvement Fund	543,378
Total Construction Commitments		<u>\$ 22,998,116</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, 2017, 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, 2017, 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.

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Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds
Special Revenue Funds:				
Special Programs	\$ -	\$ -	\$ 325,440	\$ -
Community Redevelopment Agency	-	316,667	-	325,440
Internal Service Funds:				
Central Insurance	316,667	-	-	-
	<u>\$ 316,667</u>	<u>\$ 316,667</u>	<u>\$ 325,440</u>	<u>\$ 325,440</u>

Descriptions of interfund loans as of September 30, 2017:

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 Community Redevelopment Agency special revenue fund in the amount of \$1,900,000 to underwrite the acquisition, closing costs and site demolition costs related to the acquisition of the Economy Inn and surrounding properties in the East Gateway area for redevelopment purposes. This loan, which commenced on September 9, 2010, provides for interest-only payments at the cash-pool rate through fiscal year 2012, and level debt service (principal and interest) from fiscal year 2013 through fiscal year 2018. Because the final principal payment (\$316,667) is due within one year, this loan is classified as due to/due from other funds.

III.D.2. Interfund transfers

Interfund transfers for the year ended September 30, 2017 consisted of the following:

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Transfers to General Fund from:	
Water & Sewer Utility Enterprise Fund	\$ 3,881,550
Gas Utility Enterprise Fund	3,570,795
Solid Waste & Recycling Utility Enterprise Fund	1,216,490
Stormwater Utility Enterprise Fund	959,500
Nonmajor governmental funds	1,042,496
Nonmajor enterprise funds	775,053
Total	<u>11,445,884</u>
Transfers to Special Development Fund from:	
Capital Improvement Fund	<u>21,632</u>
Transfers to Capital Improvements Fund from:	
General Fund	9,610,640
Special Development Fund	16,830,480
Water & Sewer Utility Enterprise Fund	353,373
Gas Utility Enterprise Fund	385,000
Stormwater Utility Enterprise Fund	153,069
Nonmajor governmental funds	535,000
Total	<u>27,867,562</u>
Transfers to Nonmajor governmental funds from:	
General Fund	2,012,459
Gas Utility Enterprise Fund	40,000
Nonmajor governmental funds	<u>4,025,193</u>
Total	<u>6,077,652</u>
Transfer to Nonmajor enterprise funds from:	
Nonmajor governmental funds	<u>16,978</u>
Transfers to Internal service funds from:	
General Fund	66,160
Capital Improvement Fund	4,497,208
Water & Sewer Utility Enterprise Fund	330,916
Gas Utility Enterprise Fund	537,540
Solid Waste & Recycling Utility Enterprise Fund	372,056
Stormwater Utility Enterprise Fund	226,808
Nonmajor enterprise funds	23,419
Internal Service Funds	362,069
Total	<u>6,416,176</u>
Total interfund transfers	<u><u>\$ 51,845,884</u></u>

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 \$4,539 from the Special Programs Fund to the General Fund to reflect the closure of the Strategic Direction Action Plan program (\$2,750) and the Centennial Celebration program (\$1,789); a transfer of \$439,820 from the General Fund to the Special Programs Fund for the Clearwater Ferry program; a transfer of \$50,000 from the Solid Waste Fund to the Capital Improvements Fund for the Solid Waste Commercial Container Acquisitions project; a transfer of \$16,978 from the Special Programs Fund to the Parking Fund to reflect the closure of the FY16 Jolley Trolley Summer Pilot program; a transfer of \$95,000 from the General Services Fund to the Capital Improvement Fund for the Building Systems project (\$35,000) and the City Wide Air Conditioner Replacement project (\$60,000); a transfer of \$500,000 from the Administrative Services Fund to the Capital Improvement Fund for the Advanced Enterprise Audio Visual R&R project; a transfer of \$9,259 from the Capital Improvements Fund to the Special Development Fund to return unspent Infrastructure Sales Tax revenue in the Capitol Theatre project; a transfer of

City of Clearwater, Florida
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\$607,750 from the General Fund to the Capital Improvements Fund for the Missouri Avenue Beautification Project (\$107,750) and the Imagine Clearwater Implementation project (\$500,000); a transfer of \$1,170,795 from the Gas Fund to the General Fund for the increased dividend; a transfer of \$7,500 from the Parking Fund to the Capital Improvements Fund for the Beach Guard Facility Maintenance project; a transfer of \$21,301 from the Special Programs Fund to the General Fund to reflect the closure of the IDB Fees program; a transfer of \$1,365,000 from the General Fund to the Capital Improvements Fund for the Morningside Recreation Center project (\$815,000) and the Jack Russell Stadium Practice Field Renovations project (\$550,000); a transfer of \$200,000 from General Fund to the Capital Improvements Fund for the Clearwater Beach Infrastructure Repairs and Improvements project; and a transfer of \$12,373 from the Capital Improvements Fund to the Special Development Fund to return unspent Infrastructure Sales Tax revenue in the Countryside Library Renovations project.

III.E. Leases

The City purchases various equipment for governmental and business-type activities under lease purchase financing agreements. The equipment is purchased with cash and subsequently provided as collateral via a "lease purchase" financing arrangement, typically for a five-year term. Obligations under these lease purchase agreements are recorded at the present value of their future minimum lease payments as of date of inception. Purchase of the assets is recorded as a cash outflow and the subsequent receipt of the financing proceeds is recorded as "proceeds from issuance of debt" for Statement of Cash Flows reporting.

Capitalized equipment subject to lease purchase financing as of September 30, 2017:

	Governmental Activities	Business-type Activities
Equipment	\$ 32,616,967	\$ 1,321,201
Less: Accumulated Depreciation	(9,303,177)	(121,964)
Total	\$ 23,313,790	\$ 1,199,237

The future minimum lease payments under capital lease purchase agreements are as follows as of September 30, 2017:

<u>Year Ending Sept. 30</u>	Governmental Activities	Business-type Activities
2018	\$ 6,954,561	\$ 278,332
2019	6,030,966	278,332
2020	4,986,187	267,384
2021	2,920,481	231,998
2022	1,180,416	139,196
	22,072,611	1,195,242
Deduction of the amount of imputed interest necessary to reduce net minimum lease payments to present value	(831,246)	(54,014)
	\$ 21,241,365	\$ 1,141,228

The City also leases personal computers under a three-year operating lease that is cancelable on an annual basis. Lease payments for fiscal year ended September 30, 2017, totaled \$395,719.

City of Clearwater, Florida
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III.F. Long-term debt

III.F.1. Revenue Bonds

\$14,810,000 in Spring Training Facility Revenue Bonds, Series 2002; issued to provide a portion of the costs of the acquisition, construction, rehabilitation and equipping of a spring training facility to be used by the Philadelphia Phillies major league baseball team; serial bonds due in annual installments of \$725,000 due March 1, 2018, to \$295,000 due March 1, 2022, with maximum principal of \$845,000 due March 1, 2021, interest at 4.50% to 5.375%; 5.375% term bonds in the amount of \$1,730,000 due March 1, 2027; and 5.375% term bonds in the amount of \$1,750,000 due March 1, 2031.	\$6,910,000
Total revenue bonds for governmental activities	<u>6,910,000</u>
 \$8,410,000 Water and Sewer Revenue Refunding Bonds, Series 2003; issued to refund and redeem on December 1, 2003, all of the City's Water and Sewer Refunding Revenue Bonds, Series 1993, maturing after December 1, 2003; serial bonds due in annual installments of \$250,000 at December 1, 2017, to \$260,000 due December 1, 2018, interest at 4.00%.	510,000
 \$420,000 Water and Sewer Revenue Bonds, Series 2009A; issued to pay the costs of the design, acquisition, construction, or reconstruction of capital improvements to the City's water and sewer system; serial bonds due in annual installments of \$420,000 at December 1, 2019; interest at 5.00%.	420,000
 \$41,700,000 Water and Sewer Revenue Refunding Bonds, Series 2009B; issued to currently refund and redeem all of the outstanding principal amount of the City's Water and Sewer Refunding Revenue Bonds, Series 1998; serial bonds due in annual installments of \$4,895,000 at December 1, 2017 to \$5,150,000 due December 1, 2018; interest at 5.00%.	10,045,000
 \$9,175,000 Water and Sewer Revenue Refunding Bonds, Series 2011; issued to refund and redeem on December 1, 2011 the City's callable Water and Sewer Revenue Bonds, Series 2002, maturing after December 1, 2011; serial bonds due in annual installments of \$1,685,000 at December 1, 2017, to \$2,020,000 due December 1, 2021, interest at 5.00%.	9,175,000
 \$27,520,000 Water and Sewer Revenue Refunding Bonds, Series 2014; issued to refund and redeem the outstanding principal of the City's Water and Sewer Revenue Bonds, Series 2006, maturing on and after December 1, 2019; term bonds due in annual installments of \$155,000 at December 1, 2017, to \$2,305,000 due December 1, 2032; interest at 3.18%.	27,200,000
 \$69,270,000 Water and Sewer Revenue Refunding Bonds, Series 2017; issued to refund and redeem the outstanding principal of the City's Water and Sewer Revenue Bonds, Series 2009A, maturing on and after December 1, 2020; term bonds due in annual installments of \$670,000 at December 1, 2021, to \$9,265,000 due December 1, 2039; interest at 3.50% to 5.00%.	69,270,000
 \$29,080,000 Water and Sewer Revenue Refunding Bonds, Series 2017B; issued to refund and redeem the outstanding principal of the City's Water and Sewer Revenue Refunding Bonds, Series 2011, maturing on and after December 1, 2022; term bonds due in annual installments of \$375,000 at December 1, 2019, to \$2,895,000 due December 1, 2032; interest at 2.40%.	29,080,000

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\$7,365,000 Gas System Revenue Refunding Bonds, Series 2013; issued to current refund the City's callable Gas System Revenue Refunding Bonds, Series 2004, maturing after September 1, 2013; term bonds due in annual installments of \$390,000 due September 1, 2018, to \$1,520,000 due September 1, 2026; interest at 2.41%.	5,900,000
\$5,405,000 Gas System Revenue Refunding Bonds, Series 2014; issued to current refund the City's callable Gas System Revenue Refunding Bonds, Series 2005, maturing after September 1, 2014; term bonds due in annual installments of \$260,000 due September 1, 2018, to \$2,040,000 due September 1, 2027; interest at 2.67%.	4,655,000
\$19,365,000 Stormwater System Revenue Refunding Bonds, Series 2012, issued to pay and redeem all of the Stormwater Revenue Bonds, Series 2002, currently outstanding; serial bonds due in annual installments of \$725,000 due November 1, 2017, to \$1,350,000 due November 1, 2032, interest at 2.00% to 5.00%.	16,195,000
\$11,025,000 Stormwater System Revenue Refunding Bonds, Series 2013; issued to advance refund the City's callable Stormwater System Revenue Bonds, Series 2004, maturing after November 1, 2014; term bonds due in annual installments of \$505,000 due November 1, 2017, to \$780,000 due November 1, 2032; interest at 2.98%.	9,990,000
\$5,450,000 Stormwater System Revenue Refunding Bonds, Series 2014; issued to advance refund the City's callable Stormwater System Revenue Bonds, Series 2005, maturing after November 1, 2014; term bonds due in annual installments of \$320,000 due November 1, 2017, to \$435,000 due November 1, 2029; interest at 2.72%.	4,850,000
Total revenue bonds for business-type activities	<u>187,290,000</u>
Total revenue bonds	<u>\$194,200,000</u>

III.F.2. Restrictive covenants and collateral requirements

The Spring Training Facility Revenue Bonds are special, limited obligations of the City, payable solely from and secured by a lien upon and pledge of the (i) payments received by the City from the State of Florida pursuant to Section 212.20, Florida Statutes (State payments); and (ii) payments received by the City from Pinellas County, Florida pursuant to the Interlocal Agreement dated December 1, 2000 (County payments). The pledge of the State Payments and County Payments does not constitute a lien upon any property of the City. Furthermore, neither the City, Pinellas County, the State of Florida, nor any political subdivision thereof has pledged its faith or credit or taxing power to the payment of the bonds. However, the City has pledged, per a municipal bond insurance debt service agreement, to supplement State and County payments on deposit in the Revenue Fund with non-ad valorem City revenues, if necessary, to pay debt service.

The Water and Sewer Revenue Bonds, Series 2009A; and the Water and Sewer Revenue Refunding Bonds, Series 2003, Series 2009B, Series 2011, Series 2014, Series 2017 and Series 2017B; are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's water and sewer system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix and maintain such rates, and collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, which will provide gross revenues in each fiscal year sufficient to pay the cost of operation and maintenance of the system; one hundred fifteen percent (115%) of the bond service requirement becoming due in such fiscal year on the outstanding bonds; plus one hundred percent (100%) of all reserve and other payments required to be

City of Clearwater, Florida
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made pursuant to the ordinances authorizing the bonds. The City further covenants that such rates, fees, rentals and other charges will not be reduced so as to render them insufficient to provide gross revenues for such purpose.

The Gas System Revenue Refunding Bonds, Series 2013 and Series 2014 are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's gas system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix, establish, revise from time to time whenever necessary, maintain and collect always, such fees, rates, rentals and other charges for the use of the product, services and facilities of the System which will always provide revenues in each year sufficient to pay, and out of such funds pay, 100% of the cost of operations and maintenance of the system in such year and all reserve and other payments provided for in the ordinances authorizing the bonds, along with one hundred twenty five percent (125%) of the bond service requirement due in such year on all outstanding bonds.

The Stormwater Revenue Refunding Bonds, Series 2012, Series 2013 and Series 2014 are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's stormwater management system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix, revise from time to time whenever necessary, and maintain and collect always such fees, rates, rentals and other charges for use of the products, services, and facilities which will always provide net revenues in each year sufficient to pay one hundred fifteen percent (115%) of the bond service requirement becoming due in such fiscal year on the outstanding bonds. The City further covenants that such rates, fees, rentals and other charges will not be reduced so as to render them insufficient to provide revenues for such purpose. Additionally, the covenants of each of the above issues includes a "Reserve Requirement" equal to the lesser of: the Maximum Bond Service Requirement for any given year; 125% of the Average Annual Bond Service Requirement; or the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. A Reserve Fund has been funded for the Series 2012 Bonds.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 725,000	\$ 342,543	\$ 9,185,000	\$ 6,438,386
2019	760,000	302,634	9,570,000	6,229,946
2020	805,000	260,574	6,530,000	5,903,944
2021	845,000	219,928	6,765,000	5,659,500
2022	295,000	193,983	7,020,000	5,394,010
2023-2027	1,730,000	712,994	42,145,000	23,241,590
2028-2032	1,750,000	194,038	40,005,000	16,664,351
2033-2037	-	-	39,345,000	9,539,199
2038-2040	-	-	26,725,000	1,631,900
Totals	<u>\$ 6,910,000</u>	<u>\$ 2,226,694</u>	<u>\$ 187,290,000</u>	<u>\$ 80,702,826</u>

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III.F.3. Pledged revenues

State of Florida and Pinellas County Payments Pledged: The City has pledged future revenues derived from payments received from the State of Florida pursuant to Section 212.20, Florida Statutes, and payments from Pinellas County, Florida pursuant to an Interlocal Agreement, together with any investment income earned on the revenues, to repay \$14.8 million in Spring Training Facility Revenue bonds issued in September 2002. Proceeds from the bonds provided financing for a portion of the costs of the acquisition, construction, rehabilitation, and equipping of a spring training facility to be used by the Philadelphia Phillies major league baseball team. The bonds are payable solely from the State of Florida and Pinellas County, Florida payments and are payable through March 2031. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$9,136,693. Principal and interest paid for the current year and total revenue received were \$1,065,437 and \$1,090,405 respectively.

Water and Sewer Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Water & Sewer Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

\$8.4 million in Water & Sewer Revenue Refunding bonds issued in October 2003. Proceeds from the bonds provided financing to refund and redeem the City's then outstanding Water and Sewer Revenue Refunding Bonds, Series 1993. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2018.

\$67.7 million in Water & Sewer Revenue bonds issued in May 2009. Proceeds from the bonds provided financing for the costs of design, acquisition, construction or reconstruction of capital improvements to the City's water and sewer system. The bonds are payable solely from the Water and Sewer Utility net revenues and, after a partial refunding in February 2017, are payable through December 2019.

\$41.7 million in Water and Sewer Revenue Refunding bonds issued in May 2009. Proceeds from the bonds provided financing to refund and redeem the City's then outstanding Water and Sewer Revenue Refunding Bonds, Series 1998. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2018.

\$47.0 million in Water and Sewer Revenue Refunding bonds issued in September 2011. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing after December 1, 2011 of the City's Water and Sewer Revenue Bonds, Series 2002. The bonds are payable solely from the Water and Sewer Utility net revenues and, after a partial refunding in September 2017, are payable through December 2021.

\$27.5 million in Water and Sewer Revenue Refunding bonds issued in December 2014. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing on and after December 1, 2019 of the City's Water and Sewer Revenue Bonds, Series 2006. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2032.

\$69.3 million in Water and Sewer Revenue Refunding bonds issued in February 2017. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing on or after December 1, 2020 of the City's Water and Sewer Revenue Bonds, Series 2009A. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2039.

\$29.1 million in Water and Sewer Revenue Refunding bonds issued in September 2017. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing on or after December 1, 2022 of the City's Water and Sewer Revenue Refunding Bonds, Series 2011. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2032.

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Annual principal and interest payments on the bonds are expected to require less than 85 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$215,955,065. Principal and interest paid for the current year (\$12,634,182) required 39.83% of total net revenue (\$31,720,109).

Stormwater Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Stormwater Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

\$19.4 million in Stormwater Revenue Refunding bonds issued in February 2012. Proceeds from the bonds provided sufficient funds to be available on March 5, 2012 to pay and redeem the City's outstanding Stormwater Revenue Bonds, Series 2002. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$11.0 million in Stormwater Revenue Refunding bonds issued in June 2013. Proceeds from the bonds provided sufficient funds to pay and redeem the City's Stormwater Revenue Bonds, Series 2004, maturing after November 1, 2014. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$5.4 million in Stormwater Revenue Refunding bonds issued in August 2014. Proceeds from the bonds provided sufficient funds to pay and redeem the City's Stormwater Revenue Refunding Bonds, Series, 2005, maturing after November 1, 2014. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2029.

Annual principal and interest payments on the bonds are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$39,674,809. Principal and interest paid for the current year (\$2,539,296) required 26.33% of total net revenue (\$9,642,846).

Gas System Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Gas System Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

\$7.4 million in Gas System Revenue Refunding Bonds issued in June 2013. Proceeds from the bonds provided financing to refund the outstanding principal of the Gas System Revenue Refunding bonds, Series 2004. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2026.

\$5.4 million in Gas System Revenue Refunding Bonds issued in June 2014. Proceeds from the bonds provided financing to refund the outstanding principal of the Gas System Revenue Refunding bonds, Series 2005. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2027.

Annual principal and interest payments on the bonds are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$12,362,952. Principal and interest paid for the current year (\$1,297,125) required 10.10% of total net revenue (\$12,845,868).

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III.F.4. Advance refunding of bonds

On February 28, 2017, the City issued at a premium \$69,270,000 of Water & Sewer Revenue Refunding Bonds, Series 2017, for the purpose of advance refunding and redeeming on December 1, 2019, \$67,295,000 principal of Water & Sewer Revenue Bonds, Series 2009A, maturing on or after December 1, 2020. The net proceeds in the amount of \$75,014,549 (after payment of \$553,863 plus additional cash of \$1,394,248 from released debt service reserve escrow), were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunding transaction resulted in an aggregate debt service reduction in the amount of \$11,505,504 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6,335,204.

The outstanding principal of the refunded bonds was \$67,295,000 at September 30, 2017.

On September 21, 2017, the City issued at a discount \$29,080,000 of Water & Sewer Revenue Refunding Bonds, Series 2017B, for the purpose of advance refunding and redeeming on December 1, 2021, \$30,465,000 principal of Water & Sewer Revenue Refunding Bonds, Series 2011, maturing on or after December 1, 2022. The net proceeds in the amount of \$34,708,045 (after payment of \$91,402 plus additional cash of \$5,792,147 from released debt service reserve escrow), were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunding transaction resulted in an aggregate debt service reduction in the amount of \$9,757,105 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,336,358.

The outstanding principal of the refunded bonds was \$30,465,000 at September 30, 2017.

A portion of the proceeds of the above-referenced bond issues was deposited into an irrevocable trust with an escrow agent and used to purchase securities of the United States Government and related agencies at various maturities and interest rates sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the City defeased its obligation for payment of the refunded debt upon completion of the refunding transactions.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

III.F. 5. Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 7,595,000	\$ -	\$ (685,000)	\$ 6,910,000	\$ 725,000
Add (subtract) deferred amounts:					
For issuance premiums (discounts)	121,923	-	(18,016)	103,907	-
Net revenue bonds payable	7,716,923	-	(703,016)	7,013,907	725,000
Lease purchase contracts (a)	18,034,954	9,180,001	(5,973,590)	21,241,365	6,578,709
Compensated absences (b)	7,975,162	4,919,737	(4,560,343)	8,334,556	4,518,034
Other postemployment benefits (c)	10,829,879	2,186,877	(792,963)	12,223,793	-
Claims payable (d)	9,985,005	16,321,912	(15,216,848)	11,090,069	3,856,469
Governmental activity					
Long-term liabilities	\$ 54,541,923	\$ 32,608,527	\$ (27,246,760)	\$ 59,903,690	\$ 15,678,212
Business-type activities:					
Revenue bonds payable	\$ 195,860,000	\$ 98,350,000	\$ (106,920,000)	\$ 187,290,000	\$ 9,185,000
Less deferred amounts:					
For issuance premiums (discounts)	1,825,902	4,831,465	(850,111)	5,807,256	-
Net revenue bonds payable	197,685,902	103,181,465	(107,770,111)	193,097,256	9,185,000
Lease purchase contracts (a)	437,207	866,734	(162,713)	1,141,228	257,430
Compensated absences (b)	2,156,379	1,088,274	(1,147,487)	2,097,166	1,136,842
Other postemployment benefits (c)	4,677,043	1,064,093	(385,841)	5,355,295	-
Business-type activity					
Long-term liabilities	\$ 204,956,531	\$ 106,200,566	\$ (109,466,152)	\$ 201,690,945	\$ 10,579,272

- (a) Governmental activities lease purchase contract additions of \$9,180,001 includes \$8,103,409 attributable to internal service funds and \$1,076,592 attributable to governmental funds. The lease purchase contracts reduction of \$5,973,590 includes \$5,571,055 for internal service funds and \$402,535 for governmental funds.
- (b) Compensated absences are paid by the fund where salaries are incurred, which is primarily the General Fund for governmental activities.
- (c) Since the plan's inception in fiscal 2008, other postemployment benefits costs are allocated to and paid by funds based on their percentage of full time equivalent employees, which is primarily the General Fund for governmental activities.
- (d) The Central Insurance Fund, an internal service fund, accrues for estimated claims and pays claims for all departments.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

III.G. Restricted assets

Restricted assets are classified as current or noncurrent on the Statement of Net Position on the basis of the underlying liabilities payable from the restricted assets.

III.G.1. Water and Sewer Utility Fund

Assets in the Water and Sewer Utility Fund restricted for construction include:

Sewer Improvement charges, the use of which is restricted by the authorizing ordinance to the construction of additions to the sewer system; assets remaining at September 30, 2017, are:

Cash and Investments	\$2,155,254
Assets of the Water and Sewer Utility Fund restricted under the provisions of the ordinances authorizing the issuance of Water and Sewer Revenue Bonds consisted of the following at September 30, 2017:	
Water and Sewer Revenue Bonds Debt Service:	
Cash and Investments	15,197,008
Water and Sewer Revenue Bonds Renewals and Replacements:	
Cash and Investments	11,601,404
Assets of the Water and Sewer Utility Fund representing Customers' Deposits and therefore restricted, consisting entirely of Cash and Investments at September 30, 2016	
	<u>3,403,208</u>
Total restricted assets – Water and Sewer Utility Fund	<u>\$32,356,874</u>

III.G.2. Gas Utility Fund

Assets in the Gas Utility Fund restricted under the provisions of the ordinance authorizing the issuance of revenue bonds consisted of the following at September 30, 2017:

<u>Gas System Revenue Bonds</u>	
Debt Service:	
Cash and Investments	\$ 76,374
Renewals and Replacements:	
Cash and Investments	300,000
Assets of the Gas Utility Fund representing Customers' Deposits at September 30, 2016:	
Cash and Investments	<u>2,989,115</u>
Total restricted assets – Gas Utility Fund	<u>\$ 3,365,489</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

III.G.3. Solid Waste & Recycling Utility Fund

Restricted assets in the Solid Waste & Recycling Utility Fund represent customer deposits in the amount of \$1,122,753 at September 30, 2017, and consisted entirely of Cash and Investments.

III.G.4. Stormwater Utility Fund

Assets restricted under the provisions of the ordinances for the issuance of revenue bonds consisted of the following at September 30, 2017:

<u>Stormwater Revenue Refunding Bonds – Series 2012</u>	
Debt Service: Cash and Investments	\$2,286,218
<u>Stormwater Revenue Refunding Bonds – Series 2013</u>	
Debt Service: Cash and Investments	586,959
<u>Stormwater Revenue Refunding Bonds – Series 2014</u>	
Debt Service: Cash and Investments	<u>348,300</u>
Total restricted assets – Stormwater Utility Fund	<u>\$ 3,221,477</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

II.H. Fund Balance Classification

	General Fund	Special Development Fund	Capital Improvement Fund	Non-Major Governmental Funds
Non Spendable:				
Inventories	\$ 62,195	\$ -	\$ -	\$ -
Restricted for:				
General government	-	-	256,022	103,567
Public safety	-	-	7,859,227	2,067,280
Physical environment	-	18,083	643,926	625,804
Transportation	-	1,516,108	12,731,320	-
Economic environment	-	-	-	14,821,601
Human services	-	-	-	606,028
Culture and recreation	-	1,526,019	11,103,359	792,076
Infrastructure capital projects	-	4,010,585	-	-
Committed to:				
General government	-	-	2,994,267	216,290
Public safety	-	-	943,495	2,114,730
Physical environment	-	-	2,707,761	-
Transportation	-	282,920	7,038,492	188,605
Economic environment	-	-	-	490,425
Human services	-	-	-	8,012
Culture and recreation	-	-	5,020,809	126,429
Assigned to:				
General government	15,455	-	-	59,421
Public safety	61,158	-	-	776,903
Physical environment	-	-	-	116,257
Transportation	-	-	-	35,038
Economic environment	68,200	-	-	384,444
Human services	-	-	-	114,072
Culture and recreation	86,651	56,918	50,550	46,655
Infrastructure capital projects	-	5,453,560	-	-
Unassigned	<u>28,276,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 28,569,703</u>	<u>\$ 12,864,193</u>	<u>\$ 51,349,228</u>	<u>\$ 23,693,637</u>

General Fund assigned fund balance (\$231,464) relates to encumbrances.

In the Special Development Fund, restricted amounts relate to collections from drainage fees (\$18,083), sidewalk fees (\$177,022), transportation impact fees (\$1,201,239), local option gas tax (\$137,847), recreation impact fees (\$1,526,019) and the local infrastructure sales tax (\$4,010,585). Committed amounts relate to the portion of property tax revenues that is set aside in the budget process to provide funding for road maintenance projects (\$282,920). Assigned amounts relate to interest earned on recreation impact fees (\$56,918) and local infrastructure sales tax balances (\$5,453,560).

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 (\$2,038,668) and EMS programs (\$28,612); and economic environment restrictions for economic development programs (\$779,619), low income housing (\$8,467,399) and community redevelopment (\$5,574,583). Significant commitments include consulting services for various general government programs (\$216,290); commitments to public safety for police vehicles (\$201,034), emergency operations (\$1,877,857) and law enforcement programs (\$35,839); and various consulting services for economic development programs (\$490,425). Assigned amounts relate to interest earned on program balances for general government (\$59,421), public safety (\$776,903), physical environment (\$116,257), transportation (\$35,038), economic environment (\$235,939), human services (\$114,072), and culture and recreation (\$46,655). Additional amounts assigned for economic environment purposes are for low income housing (\$126,423) and community redevelopment (\$22,082).

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, 2017 in the amount of \$1,156,069.

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, 2017, 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, 2017

Changes in the claims liability amounts in fiscal years 2017 and 2016 were:

	Self Insurance
Balance at September 30, 2015	\$ 9,542,650
Current year claims and changes in estimates	13,934,394
Claims paid	<u>(13,492,039)</u>
Balance at September 30, 2016	9,985,005
Current year claims and changes in estimates	16,321,912
Claims paid	<u>(15,216,848)</u>
Balance at September 30, 2017	<u>\$ 11,090,069</u>

IV.B. Statements of cash flows

For purposes of the statements of cash flows, 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 also 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.

IV.D. Employee retirement systems and pension plans

IV.D.1. Defined benefit pension plans

The City contributes to two separate single-employer, self-administered defined benefit pension plans covering approximately three-fourths of all City employees. The Employees' Pension Plan covers all permanent, full-time City employees who successfully pass the required physical examination, except for firefighters employed prior to July 1, 1963, and certain unclassified (primarily managerial) employees. The Firefighters' Relief and Pension Plan covered eligible firefighters hired prior to July 1, 1963, and is closed to new entrants. As indicated, both plans are self-administered, and the administrative costs of the plans are financed from the respective plan assets.

Each pension fund is accounted for as a pension trust fund; therefore, each is accounted for in substantially the same manner as proprietary funds with an economic resources measurement focus and the accrual basis of accounting. Fund assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Detailed information about each plan's fiduciary net position is available on pages 103-108 and pages 134-135 of this Comprehensive Annual Financial Report. Neither of these plans issues a stand-alone financial report.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

The **Employees' Pension Plan** is authorized by and operates under the provisions of Sections 2.391 through 2.428 of the Municipal Code of the City of Clearwater. Sections 2.391 through 2.401 apply to those participants who attained a vested benefit and terminated employment prior to January 1, 2013. Sections 2.410 through 2.428 apply to those participants who are actively employed by the City of Clearwater as of or after January 1, 2013. Plan provisions have been duly approved as required by the voters in referendums. There were no changes to the plan provisions during the year; however, there was a change in actuarial assumptions as described below.

Management of the Employees' Pension Plan is vested in the Clearwater City Council, serving as the Pension Trustees.

Plan membership/Employees covered by benefit terms. As of the most recent actuarial valuation date, January 1, 2017, the membership of the Employees' Pension Plan was as follows:

	Employees' Pension Plan
Retirees and beneficiaries currently receiving benefits	1,212
Terminated employees entitled to benefits but not yet receiving them	66
Active employees	1,520
Total number of participants	<u><u>2,798</u></u>

Benefits provided. The normal retirement benefit is a monthly benefit equal to 2.75% of average monthly compensation (2.00% for participants in non-hazardous duty hired on or after January 1, 2013) for the highest five of the final ten years of service multiplied by the number of years of service to date of retirement. Eligibility for normal retirement occurs upon completion of 10 years of service and the attainment of age 65, or completion of 20 years of service and the attainment of age 55, or completion of 30 years of service regardless of age, for employees hired before January 1, 2013 who are engaged in non-hazardous duty. For employees hired on or after January 1, 2013 who are engaged in non-hazardous duty, eligibility for normal retirement occurs upon completion of 25 years of service and attainment of age 60 or completion of 10 years of service and attainment of age 65. For those engaged in hazardous duty, eligibility occurs upon completion of 20 years of service or upon completion of 10 years of service and attainment of age 55. For all hazardous duty participants and non-hazardous duty participants eligible to retire as of January 1, 2013, the normal monthly benefit is payable for the life of the participant and will continue, after the participant's death, to be paid at the same amount for 5 years to the surviving spouse; after 5 years, the survivor annuity is reduced to 50% of the original amount and ceases upon death or remarriage of the spouse. For non-hazardous duty participants not eligible to retire as of January 1, 2013, the normal benefit is a monthly annuity paid for the life of the participant. There are several other benefit payment options that are computed to be the actuarial equivalent of the normal benefit. The plan provides for an annual cost of living increase of up to 1.5% for benefits accrued prior to January 1, 2013. For non-hazardous duty members, there is a five-year delay until the cost of living increase is applied to benefits accrued after January 1, 2013, and for hazardous duty members, there is no cost of living increase for benefits accrued after January 1, 2013. The plan also provides for disability and death benefits, vesting after completion of 10 years of service and the refund of employee contributions in case of a non-vested termination. Covered employees in non-hazardous duty and employees in hazardous duty who are eligible to retire as of January 1, 2013 contribute 8% of their compensation. Covered employees in hazardous duty who are not eligible to retire as of January 1, 2013 contribute 10% of their compensation. It is the City's obligation to provide a sufficient additional contribution to maintain the actuarial soundness of the fund but, in any event, not less than 7% of participating employee's compensation per the ordinance governing the plan.

Contributions. Employer contributions are made in equal installments during the first two quarters of the fiscal year based upon the actuarially determined percentage of payroll and the actual payroll payable at the time contributions are made. The minimum required City contribution is 7% of covered payroll. Member contributions are made continuously throughout the year.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Investment policy. The Employees' Pension Plan investment policy was adopted by the Pension Trustees on June 13, 2016. The policy requires an annual review by the Pension Investment Committee with a recommendation to the Pension Trustees to confirm or revise. The following was the Trustees' adopted asset allocation policy as of September 30, 2017:

Large Cap Growth	13.00%
Large Cap Value	13.00%
Mid Cap Growth	4.00%
Mid Cap Value	4.00%
Small Cap Growth	2.50%
Small Cap Value	2.50%
Intermediate Fixed	28.00%
International Equity	14.00%
Emerging Markets Equity	4.00%
Private Real Estate - Core	7.00%
US REITS	1.50%
Global Infrastructure	3.00%
Timber	3.50%
	<hr/>
	100.00%
	<hr/>

The Employees' Pension Plan has invested in real estate, timber, and infrastructure limited partnership funds. The strategies of these funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. These investments partnerships are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors, and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. All timber acquisitions are valued per an independent expert third party appraisal within one year of acquisition and similar independent third party appraisals of fair value are conducted at least every three years thereafter. The infrastructure fund's assets are valued by international recognized accounting firms and/or internationally recognized appraisal firms (independent appraisers) on a quarterly basis, with the independent appraisers rotated at three-year intervals.

Concentrations. As of September 30, 2017, the Employees' Pension Plan held no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits.

Rate of return. For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on investments of the Employees' Pension Plan, net of pension plan investment expense, was 11.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability (asset). The components of the net pension liability (asset) of the City for the Employees' Pension Plan at September 30, 2017, were as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Total pension liability	\$ 902,629,886
Plan fiduciary net position	980,288,359
City's net pension liability (asset)	\$ (77,658,473)

Plan fiduciary net position as a percentage of
the total pension liability

The changes in the net pension liability (asset) of the City for the Employees' Pension Plan for the year ending September 30, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/16	<u>\$ 880,355,998</u>	<u>\$ 905,239,823</u>	<u>\$ (24,883,825)</u>
Changes for the year:			
Service cost	14,770,113	-	14,770,113
Interest	61,050,474	-	61,050,474
Differences between expected and actual experience	(8,071,653)	-	(8,071,653)
Assumption changes	381,755	-	381,755
Contributions - employer	-	11,898,912	(11,898,912)
Contributions - employee	-	7,004,943	(7,004,943)
Contributions - state tax	-	12,000	(12,000)
Net investment income	-	102,284,783	(102,284,783)
Benefit payments, including refunds of employee contributions	(45,856,801)	(45,856,801)	-
Administrative expense	-	(295,301)	295,301
Net changes	<u>22,273,888</u>	<u>75,048,536</u>	<u>(52,774,648)</u>
Balances at 9/30/17	<u><u>\$ 902,629,886</u></u>	<u><u>\$ 980,288,359</u></u>	<u><u>\$ (77,658,473)</u></u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2017 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2017 (Measurement Date):

Inflation	2.50%
Salary increases	3.50% to 7.90% depending on service, including inflation
Investment rate of return	7.00% net of investment expense

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an experience study of the 5-year period from January 1, 2007 to January 1, 2012. There were no changes to the plan provisions during the year; however, there was a change in actuarial assumptions. The mortality assumption for active members prior to retirement was revised in accordance with a revision to the active member pre-retirement mortality assumption used by the Florida Retirement System (FRS) in their July 1, 2016 Actuarial Valuation. No revisions were made to mortality rates applicable to retirees. Prior to this revision, pre-retirement mortality rates for active members were the same as the post-retirement

City of Clearwater, Florida
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For the Year Ended September 30, 2017

rates for active members and retirees. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality tables used in either of the last two actuarial valuation reports of FRS effective January 1, 2016. As a result of the change in the pre-retirement mortality assumption, the required contribution increased by .11% of covered payroll, or \$83,845.

Long-term expected rate of return. The long-term expected rate of return on investments of the Employees' Pension Plan was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2017, these best estimates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Growth	6.70%
Large Cap Value	6.50%
Mid Cap Growth	7.70%
Mid Cap Value	7.30%
Small Cap Growth	8.50%
Small Cap Value	8.00%
Intermediate Fixed	1.80%
International Equity	6.80%
Emerging Markets Equity	9.70%
Private Real Estate - Core	4.50%
US REITS	5.30%
Global Infrastructure	2.10%
Timber	4.70%

Discount rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the Employee Pension Plan's net pension liability (asset), calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

1% Decrease 6.00%	Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 37,408,498	\$ (77,658,473)	\$ (172,541,928)

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended September 30, 2017, the City recognized pension expense of \$3,449,969 for the Employees' Pension Plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,924,818	\$ 7,641,810	\$ (3,716,992)
Changes in assumptions	298,765	2,727,917	(2,429,152)
Net differences between projected and actual earnings on pension plan investments	-	24,623,216	(24,623,216)
Total	<u>\$ 4,223,583</u>	<u>\$ 34,992,943</u>	<u>\$ (30,769,360)</u>

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

Year ended September 30:	
2018	\$ (3,250,823)
2019	(3,103,619)
2020	(15,436,962)
2021	(8,977,956)
2022	-
Thereafter	-
	<u>\$ (30,769,360)</u>

The **Firefighters' Relief and Pension Plan** is authorized and operated under the provisions of Subpart B, Article I (Laws of Florida, Chapter 30658, 1955 and amendments), Sections 1 through 27 of the Municipal Charter and Related Law of the City of Clearwater and Chapter 26, Article III, Sections 26.50 through 26.52 of the Municipal Code of the City of Clearwater. Since the last actuarial valuation as of October 1, 2016, there have been no changes in actuarial assumptions.

Management of the Firefighters' Relief and Pension Plan rests with the Board of Trustees, which consists of the Mayor, the Fire Chief and three members of the Fire Department, which can be either active or retired members of the Firefighters' Relief and Pension Plan, as stipulated in Chapter 2008-287, Laws of Florida. If no one is available to stand for election or to participate in the voting, then members of the Board of Trustees will be appointed by the City Council from membership of the City Council.

Plan membership/Employees covered by benefit terms. As of the most recent actuarial valuation date, October 1, 2017, the membership of the Firefighters' Relief and Pension Plan was as follows:

City of Clearwater, Florida
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	Firefighters' Relief and Pension Plan
Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	-
Total number of participants	<u><u>18</u></u>

Benefits provided. The normal retirement benefit is a monthly benefit in the amount of 50% of the prevailing wage at the date of retirement of the lowest rank held by the participant during the three years immediately preceding retirement plus 2% of such prevailing wage for each year of service in excess of 20 years up to a maximum of 60%. Participants retiring at the age of 65 years are entitled to a benefit of 60% of the prevailing wage of the lowest rank held by the participant during the three years immediately preceding retirement. The ending rate of pay specified above may not exceed the highest rate of pay for the rank of Captain. Eligibility for normal retirement occurs upon completion of 20 years of service or attainment of age 65. The monthly benefits are payable for the life of the participant and continue, after the participant's death, to be paid to certain eligible surviving beneficiaries at an amount that is one-half of the amount received by the participant. Benefits are also provided for children of the deceased participant who are less than 18 years of age subject to certain limitations as to amount. The plan also provides for disability and death benefits and for vesting upon completion of at least 12 years of service. The plan provides for post-retirement cost of living increases equal to the increase in the prevailing wage for the rank at which the participant retired with a limitation for those retiring on or after January 1, 1972, of 100% of the initial pension benefit for total cost of living increases. Participating employees are required to contribute 6% of their salaries up to the equivalent of the salary of a fireman holding the rank of Captain. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), is fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future valuations show an actuarial need for such.

Contributions. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), was fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future annual valuations show an actuarial need for such.

Investment policy. The Firefighters' Relief and Pension Plan investment policy was adopted on September 28, 2000. It must be reviewed annually by the Board of Trustees. The following was the adopted asset allocation policy as of September 30, 2017:

Asset Class	Target Allocation
Domestic Fixed Income	0 - 70%
Pooled Cash	30% - 100%

Concentrations. As of September 30, 2017, the Firefighters' Relief and Pension Plan held no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits.

Rate of return. For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on investments of the Firefighters' Relief and Pension Plan, net of pension plan investment expense, was 4.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability (asset). The components of the net pension liability (asset) of the City for the Firefighters' Relief and Pension Plan at September 30, 2017, were as follows:

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Total pension liability	\$ 3,162,699
Plan fiduciary net position	3,842,781
City's net pension liability (asset)	<u>\$ (680,082)</u>
Plan fiduciary net position as a percentage of the total pension liability	121.50%

The changes in the net pension liability (asset) of the City for the Firefighters' Relief and Pension Plan for the year ending September 30, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/16	<u>\$ 3,360,237</u>	<u>\$ 4,360,757</u>	<u>\$ (1,000,520)</u>
Changes for the year:			
Service cost	-	-	-
Interest	90,635	-	90,635
Differences between expected and actual experience	76,981	-	76,981
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	(149,322)	149,322
Benefit payments, including refunds of employee contributions	(365,154)	(365,154)	-
Administrative expense	-	(3,500)	3,500
Other changes	-	-	-
Net changes	<u>(197,538)</u>	<u>(517,976)</u>	<u>320,438</u>
Balances at 9/30/17	<u>\$ 3,162,699</u>	<u>\$ 3,842,781</u>	<u>\$ (680,082)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2017 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2017 (Measurement Date):

Inflation	2.00%
Salary increases	N/A
Investment rate of return	3.00% net of investment expense

Mortality rates for non-disabled males are based on the RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB. Mortality rates for non-disabled females are based on RP2000 Generational, 100% Annuitant White Collar, Scale BB. Mortality rates for disabled males are based on 60% RP2000 Disabled Male setback

City of Clearwater, Florida
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four years / 40% Annuitant White Collar with no setback, no projection scale. There is no projection of mortality improvement due to the small number of participants and their advanced age.

Long-term expected rate of return. Because the Firefighters' Relief and Pension Plan is limited to investments in fixed income securities and pooled cash, the long-term expected rate of return will approximate the discount rate of 3.00%.

Discount rate. A discount rate of 3.00% was used to measure the total pension liability. The discount rate was based on the actuary's expectation of future yields and consideration of the City's projection of future weighted yield based on current asset holdings.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the Firefighters' Relief and Pension Plan's net pension liability (asset), calculated using a discount rate of 3.00%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

1% Decrease 2.00%	Discount Rate Assumption 3.00%	1% Increase 4.00%
\$ (457,604)	\$ (680,082)	\$ (876,977)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended September 30, 2017, the City recognized pension expense of \$0 for the Firefighters' Relief and Pension Plan as it is a fully funded plan with no active participants. As such, there are no deferred inflows or deferred outflows of resources related to pensions

IV.D.2. Police Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible policemen, which is funded by earmarked revenues received from the State and is administered by the Board of the Police Supplemental Pension Plan. The revenues received from the State are allocated among eligible police officers on the basis of days employed as Clearwater Police Officers. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, totaled \$991,473 for the year ended September 30, 2017, and are obtained from an eighty-five one hundredths of one percent (0.85%) excise tax on the gross receipts from premiums collected on casualty insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund police department expenditures in the current year. The current year contributions represent 4.93% of covered employees' gross payroll. The fair value of cash and investments at September 30, 2017, totaled \$18,987,032.

The Police Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.471 through 2.480 of the Municipal Code of the City of Clearwater and Chapter 185 of Florida Statutes. Under the plan provisions, the total monies received during each fiscal year, after payment or provision for all costs and expenses of management and operation of the plan, are allocated to participants on the basis of the total number of shares to which each participant is entitled. Each participant is entitled to one share in the fund for each day of service as a police officer of the City.

All police officers, as defined in Section 26.70(g) of the Code of Ordinances of the City of Clearwater, who are elected, appointed, or employed full-time by the City are eligible to participate in the plan. There are no employee contributions to the supplemental plan. Benefits are fully vested for a lump sum distribution after twenty years from the date of hire, with provision for partial vesting after ten or more years under the plan. Accumulated benefits are payable in full in case of death while employed by the City or in case of total and permanent job-related disability. Non-vested participants' account values upon termination of employment during any fiscal year are added to the monies received during that fiscal year for

City of Clearwater, Florida
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allocation to the remaining participants in the plan on the basis of total days worked.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2017, the gross payroll of the covered officers was \$20,127,181; the City's total gross payroll for the same period was \$94,206,264.

Since the entitlement to benefits is based entirely upon the allocation of monies received by the plan to the participants' share accounts, there is no actuarial liability on the part of either the State or the City.

IV.D. 3. Firefighters Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible firefighters, which is funded by earmarked revenues received from the State and is administered by the Board of the Clearwater Firefighters Supplemental Pension Plan. The revenues received from the State are allocated among eligible firefighters on the basis of days worked during the previous year. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, amounted to \$1,082,574 in the year ended September 30, 2017, and are obtained from a one and eighty-five one hundredths percent (1.85%) excise tax on the gross receipts from premiums collected on property insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund fire department expenditures in the current year. The current year contributions represent 7.03% of covered employees' gross payroll. The fair value of cash and investments at September 30, 2017, totaled \$18,927,210.

As the plan is described as a money purchase pension plan, whereby contributions are allocated based on the number of days worked during the fiscal year ended September 30, and interest earnings allocated based on the beginning balances in each participant's account, there is no actuarial liability on the part of the State or the City.

The Firefighters Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.441 through 2.455 of the Municipal Code of the City of Clearwater and Chapter 175 of Florida Statutes. Eligibility requires two years of credited calendar year service as a firefighter with concurrent participation in the Employees' Pension Plan. There is no employee contribution to the supplemental plan, and benefits are vested for a lump sum distribution at ten years unless there is early retirement, disability or death. Non-vested participants' account values upon termination of employment are reallocated among the remaining participants on the basis of days worked during the previous year.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2017, the gross payroll covered firefighters was \$15,397,332; the City's total gross payroll for the same period was \$94,206,264.

City of Clearwater, Florida
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IV.D.4. Pension Plan Financial Statements

Separate financial statements are provided in the Notes per the guidance of GASB Statement No. 34 as follows:

Statement of Fiduciary Net Position:	Defined Benefit		Defined Contribution	
	Pension Trust Funds		Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters' Supplemental Pension Fund
ASSETS				
Cash and investments	\$ 4,115,406	\$ 853,117	\$ 8,553	\$ -
Managed investment accounts, at fair value:				
Cash and cash equivalents	19,395,658	-	861,038	193,816
Government bonds	94,488,607	-	-	215,003
Index linked government bonds	1,873,301	-	-	-
Agency bonds	5,735,503	2,958,513	-	-
Municipal bonds	3,655,799	-	-	198,445
Domestic corporate bonds	85,123,966	-	-	2,783,971
International equity securities	130,530,777	-	-	-
Domestic stocks	369,405,883	-	-	4,524,865
Mortgage backed bonds	94,659,762	-	-	1,013,315
Asset backed securities	2,326,824	-	-	-
Other/Rights/Warrants	1,342	-	-	-
Domestic equity mutual funds	45,575,552	-	10,968,869	5,668,683
International equity mutual funds	38,874,299	-	7,148,572	1,464,402
Infrastructure	30,683,363	-	-	-
Real estate	88,389,818	-	-	2,864,710
Total managed investment accounts	<u>1,010,720,454</u>	<u>2,958,513</u>	<u>18,978,479</u>	<u>18,927,210</u>
Securities lending collateral	184,130,367	-	-	-
Receivables:				
Interest and dividends	2,696,010	31,151	523	40,047
Unsettled investment sales	17,249,318	-	-	-
Securities lending earnings	40,920	-	-	-
Due from others	45	-	-	-
Total receivables	<u>19,986,293</u>	<u>31,151</u>	<u>523</u>	<u>40,047</u>
Total assets	<u>1,218,952,520</u>	<u>3,842,781</u>	<u>18,987,555</u>	<u>18,967,257</u>
LIABILITIES				
Accounts payable	880,210	-	1,136	-
Unsettled investment purchases	53,653,584	-	-	-
Obligations under securities lending	184,130,367	-	-	-
Total liabilities	<u>238,664,161</u>	<u>-</u>	<u>1,136</u>	<u>-</u>
FIDUCIARY NET POSITION				
Net position restricted for pension benefits	\$ <u>980,288,359</u>	\$ <u>3,842,781</u>	\$ <u>18,986,419</u>	\$ <u>18,967,257</u>

City of Clearwater, Florida
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Statement of Changes in Fiduciary Net Position:

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds		
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police	Firefighters	
			Supplemental Pension Fund	Supplemental Pension Fund	
ADDITIONS					
Contributions:					
Contributions from employer	\$ 11,898,912	\$ -	\$ -	\$ -	
Contributions from employer - state tax	12,000	-	991,473	1,082,574	
Contributions from employees	7,004,943	-	-	-	
Total contributions	<u>18,915,855</u>	<u>-</u>	<u>991,473</u>	<u>1,082,574</u>	
Investment income:					
Net appreciation (depreciation) in fair value of investments	88,805,048	(268,974)	922,398	1,560,485	
Interest	8,859,922	119,652	1,077	336,601	
Dividends	9,776,724	-	476,732	164,035	
	<u>107,441,694</u>	<u>(149,322)</u>	<u>1,400,207</u>	<u>2,061,121</u>	
Less investment expenses:					
Investment management / custodian fees	(5,749,842)	-	(33,121)	(113,855)	
Net income from investing activities	<u>101,691,852</u>	<u>(149,322)</u>	<u>1,367,086</u>	<u>1,947,266</u>	
Securities lending income:					
Gross earnings	1,954,680	-	-	-	
Rebate received	(1,042,798)	-	-	-	
Bank fees	(318,951)	-	-	-	
Net income from securities lending	<u>592,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total additions	<u>121,200,638</u>	<u>(149,322)</u>	<u>2,358,559</u>	<u>3,029,840</u>	
DEDUCTIONS					
Benefits and withdrawal payments:					
Benefits	44,490,793	365,154	1,710,152	1,975,762	
Withdrawal payments	1,366,008	-	-	-	
Total benefits and withdrawal payments	<u>45,856,801</u>	<u>365,154</u>	<u>1,710,152</u>	<u>1,975,762</u>	
Income (loss) before administrative expenses	75,343,837	(514,476)	648,407	1,054,078	
Administrative expenses	(295,301)	(3,500)	(13,856)	(29,909)	
Net increase (decrease)	<u>75,048,536</u>	<u>(517,976)</u>	<u>634,551</u>	<u>1,024,169</u>	
Fiduciary net position restricted for pensions					
Fiduciary net position - beginning	905,239,823	4,360,757	18,351,868	17,943,088	
Fiduciary net position - ending	<u>\$ 980,288,359</u>	<u>\$ 3,842,781</u>	<u>\$ 18,986,419</u>	<u>\$ 18,967,257</u>	

City of Clearwater, Florida
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IV.D.5. 401(a) defined contribution plan

For all management employees not covered under either of the defined benefit pension plans, the City provides pension benefits through a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are participants from the date of employment and are fully vested upon enrollment. The plan is totally contributory on the part of the City in an amount equal to 15% of compensation on behalf of the City Manager and the City Attorney and 8% of compensation on behalf of all other management contract employees and Assistant City Attorneys. The City makes bi-weekly contributions to the Trust throughout the plan year to meet its funding obligations under the plan. Plan provisions and contribution requirements are established and may be amended by the City Council.

The International City Management Association Retirement Corporation (ICMA-RC), the trustee for the defined annuity, offers participants a variety of investment options.

The City's total gross payroll for the fiscal year ended September 30, 2017 was \$94,206,264. The Plan members' payroll for the same period totaled \$4,628,176. The City's contribution, per the above contribution rates, totaled \$396,711.

IV.D.6. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, Federal legislation converted the Section 457 deferred compensation assets from City assets to employee assets. As a result of these changes, plan assets are no longer subject to the claims of the City's general creditors.

Consequently, these assets are no longer reported in the accompanying financial statements, in compliance with GASB Statement No. 32.

IV.E. Post-employment Benefits Other Than Pension

Plan Description - The City of Clearwater administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance benefits to its employees and their eligible dependents. Because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required by Section 112.0801 of the Florida Statutes to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Council and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. Additionally, the City provides and pays for \$1,000 of term life insurance for retirees who retired before October 1, 2008. The term life insurance benefit provision was also established, and may be amended, by action of the City Council. The City does not issue stand-alone financial statements for these programs.

Funding Policy – Contribution rates for the Plan are established on an annual basis by the City Council. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for health insurance and 0% of the cost for the \$1,000 term life insurance. For the year ended September 30, 2017, the estimated retiree contributions for health insurance premiums totaled \$1,294,353. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees, constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered an "other post-employment benefit" (OPEB) obligation of the City. The City is currently funding this OPEB

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obligation on a pay-as-you-go basis. For the year ended September 30, 2017, the City estimated it subsidized \$1,162,542 of health care costs for retirees and their covered dependents, and \$16,262 of life insurance benefits for retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan, including both the implicit rate subsidy for health insurance and the term life insurance benefit:

Annual required contribution	\$ 3,369,118
Interest on net OPEB obligation	620,277
Adjustment to annual required contribution	<u>(738,425)</u>
Annual OPEB cost (expense)	<u>3,250,970</u>
Contributions made	<u>(1,178,804)</u>
Increase in net OPEB obligation	<u>2,072,166</u>
Net OPEB obligation - beginning of year	<u>15,506,922</u>
Net OPEB obligation - end of year	<u><u>\$ 17,579,088</u></u>

The actuarially determined contribution requirements for the City's fiscal year ended September 30, 2017, are based on an actuarial valuation as of January 1, 2016, supplemented by an actuarial roll-forward to adjust the results to be applicable to the fiscal year ending September 30, 2017.

No trust or agency fund has been established for the plan and there were no adjustments to the annual required contribution or interest earnings.

The City's annual required contribution, the employer contributions made to the plan, and the percentage of the annual required contribution that was contributed for the fiscal year ending September 30, 2017, are presented below:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Costs Contributed	Net OPEB Obligation
9/30/2015	\$ 3,405,329	47.86%	\$ 13,591,835
9/30/2016	\$ 3,168,608	39.56%	\$ 15,506,922
9/30/2017	\$ 3,250,970	36.26%	\$ 17,579,088

As of September 30, 2017, the actuarial accrued liability for benefits was \$32,058,710, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$74.8 million and the ratio of the unfunded actuarial liability (UAL) to covered payroll was 42.8%.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations for other post-employment benefits involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and consequently actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

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For the September 30, 2017 report, the entry age normal actuarial cost method was used, with an increasing normal cost pattern consistent with the salary increase assumptions. The Unfunded Actuarial Accrued Liability (UAAL) reflects a 21-year, closed level percent of expected payroll amortization method. The actuarial assumptions included a 4.0% investment rate of return and projected salary increases of 6.0%, which reflects the general wage inflation assumption of 2.5% in addition to merit and seniority increases of 3.5%. The rates for salary increases, rates of disability, rates of termination and rates of retirement are the same as used by the Pension Plan Actuary.

The actuarial valuation of the Plan as of January 1, 2016, reflected changes in actuarial assumptions and methods from the previous valuation as of January 1, 2014 as follows: the Health Care Cost Trend Rate decreased from 8.0% in 2014 to 6.5% in 2016, with planned decreases over a 23-year period to the ultimate level of 4.24%. This trend rate was revised to follow a pattern from the forecasting model built and published by Prof. Thomas E. Getzen in Modeling Long-Term Health Care Cost Trends (December 2007, as updated November 2015) resulting from an effort sponsored by the Society of Actuaries. The Mortality Tables have been revised to align with the assumptions used by the Florida Retirement System (FRS), consistent with the Florida Statues requirement that FRS mortality tables be used for all future pension valuations. There were no changes to the Investment Discount Rate or Medicare Benefits.

IV.F. Securities lending transactions

The City of Clearwater Employees' Pension Plan participates in securities lending transactions, as authorized by the Pension Trustees on April 14, 2003, via a Securities Lending Authorization Agreement with Northern Trust Company, which is also the pension plan's custodian. Securities are loaned versus collateral that may include cash, U.S government securities, and irrevocable letters of credit. U.S. government securities are loaned versus collateral at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral at 105% of the market value plus any accrued interest. The Plan's investment policy places no restrictions on the amount of securities that can be loaned.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower. The average term for the pension plan's loans at September 30, 2017 was 64 days.

Cash open collateral is invested in a short term investment pool, the Northern Trust Collective SL Core Short Term investment fund (SL Core STIF). The fund had an average weighted maturity, Interest Reset Date, of 30 days, and an average weighted maturity, Maturity Date, of 82 days, as of September 30, 2017.

There were no significant violations of legal or contractual provisions, nor any borrower or lending agent default losses known to the securities lending agent. The Plan did not impose any restrictions on the amount of loans made by Northern Trust during fiscal year 2017.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

City of Clearwater, Florida
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The following is a summary of securities on loan and their collateral at fair value:

Security Type	Securities Collateralized by Cash		Securities Collateralized by Non- Cash	
	Loaned Securities	Cash Collateral	Loaned Securities	Cash Collateral
U.S. Equity	\$ 119,478,781	\$ 122,042,591	\$ -	\$ -
U.S. Corporate Fixed	5,719,053	5,842,966	-	-
U.S. Government Fixed	54,390,817	55,519,578	-	-
U.S. Agencies	333,498	340,360	-	-
Global Equities	365,991	384,872	-	-
Total	<u>\$ 180,288,140</u>	<u>\$ 184,130,367</u>	<u>\$ -</u>	<u>\$ -</u>

On the statement of fiduciary net position, a securities lending asset of \$184,130,367 was reported that represents the fair value of the investments made with cash collateral at September 30, 2017. In addition, a securities lending obligation of \$184,130,367 was reported that represents the collateral that the City is required to maintain to cover the fair value of the loaned securities.

IV.G. Contingencies and commitments

Loan Guarantee - PACT, Inc.

PACT, Inc. is a nonprofit corporation formed in 1978, for the purpose of financing, constructing, and operating a performing arts center. Per a Guaranty Agreement dated May 18, 2001, the City guaranteed \$1,000,000 on a \$5,000,000 mortgage note for PACT, Inc., used to refinance a previous mortgage with a similar City guarantee. City management does not consider it probable that this guarantee will be called, and, accordingly, no amounts have yet been accrued or otherwise recorded in the accompanying financial statements to reflect this possibility.

Loan Guarantee – Chi Chi Rodriguez Youth Foundation, Inc.

On March 30, 1992, the City Council approved a contingent loan guarantee of \$1,000,000 on a \$2,500,000 note for the Chi Chi Rodriguez Youth Foundation, Inc. The proceeds of the note were used to refinance existing foundation debt incurred to construct a golf course on a parcel of City-owned land. Subsequently, the note was refinanced with Variable Rate Demand Revenue Bonds (Chi Chi Rodriguez Youth Foundation Project), Series 1998, on August 1, 1998. In the event of default, the City is obligated to contribute \$1,000,000 out of legally available non-ad valorem revenues. In addition, the City has the option to retire the entire unpaid balance and assume ownership and operation of the golf course facility. City management does not consider it probable that this guarantee will be called, and, accordingly, no amounts have yet been accrued or otherwise recorded in the accompanying financial statements to reflect this possibility.

Pollution Remediation Claims Liabilities

Pursuant to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City is required to analyze known polluted sites to determine future component cost outlays, including estimation where required, for pollution remediation. At September 30, 2016, accruals totaled \$366,201, consisting of \$232,313 for the Harbor Drive Fill Area site, which was a former landfill area, and \$133,888 for assessment and remediation at the Gas Plant site (see the Soil and groundwater contamination site note below).

During fiscal year 2017 there was an increase to estimates and contractual commitments in the amount of \$158,026, and payments totaled \$133,005. At September 30, 2017, accruals totaled \$391,222, consisting of \$224,726 for the Harbor Drive Fill Area site and \$156,496 for assessment and remediation at the Gas Plant site, and \$10,000 for the City's share of cleanup costs associated with a petroleum discharge at Lift Station #24 on September 30, 1994.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

In addition to the above sites for which accruals exist, the City has 16 other sites that have known contamination from petroleum products, metals, arsenic, chlorine or coal tar. Nine of these sites are on the State of Florida Petroleum Clean-up Program. When any of these ten sites will be scheduled for cleanup cannot be determined at this time. The remaining seven sites are under monitoring plans or are awaiting responses from the FDEP on data submitted by the City. Any additional cleanup costs for these sites cannot be estimated at this time.

On November 19, 2013, the FDEP approved the certification of closure construction completion of the former fill area at Philip Jones Field. However, this site remains on the list as it includes the Harbor Drive Fill Area. Based on groundwater sampling completed in February 2017, and site assessment previously completed for the site, the City believes that no further site assessment is warranted and is working with the FDEP to bring about site closure and develop of long-term monitoring requirements.

Soil and groundwater contamination site

The City is the owner of property located at 400 North Myrtle Avenue, Clearwater, Pinellas County, Florida ("Property"). The Property occupies approximately six acres and is currently used by the City Gas Division ("CGS") as its administrative offices and operating facility. The City operated a manufactured gas plant at the Property from approximately 1929 to 1960. Following the discovery in June 1990 of soil and groundwater impacts at the Property allegedly resulting from the prior operation of the manufactured gas plant, the Florida Department of Environmental Protection ("FDEP") directed the City to implement measures to delineate the area and vertical extent of the impacts at the Property and, if necessary, implement appropriate remedial actions.

Contamination assessment activities were initiated at the Property in 1995. On April 17, 1996, the City executed an Intergovernmental Agreement with FDEP, governing the scope of assessment and remediation work performed at the Property. The material terms and conditions of the Intergovernmental Agreement require the City to perform contamination assessment activities to delineate the area and vertical extent of soil and groundwater impacts and, if necessary, to remediate such impacts to the extent required by Florida law.

Field activities to delineate the extent of impacts were performed from 1995 to 2003. The results of the final field work are presented in a Supplemental Assessment Report dated May 2003, in which the City's consultant concluded that field activities to delineate the extent of soil and groundwater impacts were complete and that a risk assessment should be undertaken to evaluate an appropriate remedy for the reported impacts.

By letter dated April 19, 2004, FDEP directed the City to install two additional monitoring wells within the source area on site to delineate the vertical extent of groundwater impacts. The City and FDEP previously discussed the potential harm to the underlying aquifer that may result from the installation of monitoring wells through a source area and the underlying clay confining unit during a meeting with FDEP held on November 29, 2003. Based on the advice of its environmental consultant and other specialists consulted concerning this issue, the City has consistently maintained that the installation of the additional monitoring wells requested by FDEP will likely provide a pathway for the migration of impacts into the aquifer underlying the clay confining unit that is otherwise not presently impacted by the former operations of the MGP based on existing perimeter monitoring well data. The City responded to the FDEP by letter dated April 29, 2004, requesting that FDEP advise the City whether the directive to install the additional vertical extent wells was deemed by FDEP to be final agency action that would otherwise be subject to review in an administrative proceeding. The City's April 29, 2004 response included a request for an extension of time to file an administrative proceeding in the event that FDEP deemed the April 19, 2004 FDEP communication to be final agency action.

During fiscal 2005, the Myrtle Avenue Utility and Roadway Widening project began, requiring extensive dewatering during construction. Consulting, equipment, laboratory, permitting, and labor costs for dewatering in areas where there was suspected or known contamination from the former MGP plant were charged to the City of Clearwater Gas Division. All activities related to the Myrtle Avenue dewatering project were documented in the "Supplemental Site Assessment Report – North Myrtle Ave Roadway Corridor" dated March 2007.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

On January 17, 2008, FDEP issued a letter to the City stating FDEP was willing to replace the need for additional vertical delineation wells with periodic sampling of existing deep wells, as long as they remain unaffected by the contaminants of concern on the site. In May 2009, FDEP issued a status report on all Manufactured Gas Plant sites in Florida. In the report it referenced the January 17, 2008 letter and reaffirmed FDEP's agreement to forego additional on-site vertical delineation if the City continues to monitor the perimeter wells on the facility. On June 22, 2009, the perimeter monitoring wells were tested, and the results were reported to FDEP. On February 3, 2010, FDEP issued a letter that formally accepted Clearwater Gas System's Contamination Assessment Report (CAR) and required no further site assessment activities. Furthermore, the DEP required CGS to re-sample all monitoring wells on the site within 60 days of the February 3, 2010 letter.

In May 2010, CGS issued a Request for Proposal (RFP) to prepare a Feasibility Study, for DEP approval, that would offer a long-term corrective action plan for the gas plant site. Arcadis, Inc. was selected to conduct the Feasibility Study; however, two months into the project the City's environmental legal counsel recommended an alternate method of site remediation. He proposed that the City work with the University of Waterloo (Canada) to treat the contaminated soils with sodium persulfate, a chemical oxidant, which would stop the off-site groundwater impacts that are currently experienced on the Pinellas County Health Department site. Chemical oxidation is accepted as a very effective method of dealing with Manufactured Gas Plant residuals. This project was approved by the City Council in January 2011, and was scheduled to last approximately 6 years at an estimated cost of \$600,000.

In May 2017 it was determined that the University of Waterloo project was not working as originally projected. The sodium persulfate was not oxidizing the source material enough to grant site closure. Therefore, it was determined to abandon the project and look at other remedies for the site. The City's environmental legal counsel proposed to convert the site to a Brownfield site in order to obtain full site closure. This would be done in conjunction with the site redevelopment of all CGS buildings at 400 North Myrtle Avenue.

Under this proposal, the site would be closed under a Brownfield Site Rehabilitation Agreement ("BSRA"). No further active remediation would be required, and the site would be closed with a restrictive covenant to include an impervious cap to address remaining soil contamination at the site and prohibit the withdrawal of groundwater for any purpose within the site property. The groundwater use restriction would also be required to be imposed on the adjacent Pinellas County Health Department property. FDEP has agreed to the proposal and the necessary documentation and work is scheduled for fiscal year 2017-18.

A Site Environmental Management Plan ("SEMP") would be created to provide guidance to contractors performing work at the site for encountering, handling and managing contaminated soils. In addition, a Remedial Action Plan ("RAP") would be administered, which would include the SEMP, and Engineering Control Maintenance Plan and a Declaration of Restrictive Covenant ("DRC") that will be required by the FDEP to obtain final site closure.

Benefits of closing the site under the Brownfield Program include liability projections to the City as set forth in F.S. Section 376.82(2)(a) and the opportunity for the City to obtain voluntary cleanup tax credits ("VCTC") for the cost of constructing the impervious cap and completion of site closure activities. For eligible costs recovered by the City through VCTC's, the City will be able to then sell the VCTC's on the market. Such sales typically net 80-90% recovery for municipalities taking similar actions.

The City has pursued insurance claims under certain insurance policies covering the Property for the period of time from June 1961 through July 1986. On September 17, 2001, the City agreed to reduce its claim against Southern American Insurance Company ("SAIC"), the sole remaining excess carrier with the City, at an undiscounted value of \$300,000. In December 2007, the liquidator managing the SAIC liquidation made an initial payment to the City in the amount of \$96,000. In September 2008, a second distribution payment of \$174,000 was issued to the City. Finally, in December 2009, the City received a payment of \$30,000 for a total collection amount of \$300,000. In total, the City has recovered \$787,500 on all of its outstanding insurance claims.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

From 1993 through September 30, 2017, the City has spent \$1,462,287 on MGP assessment activities, which includes both environmental consultant and legal fees.

Contractual Commitment – Water and Sewer Utility

Under the terms of a 30-year contract between the City and Pinellas County, which is effective through September 30, 2035, the maximum amount of water available to the City is 15 million gallons per day on an annual average basis with no minimum quantity purchase requirement. Effective October 1, 2016, the rate, which is set by the Pinellas County Board of County Commissioners (BOCC), was \$3.9919 per 1,000 gallons. The rate effective October 1, 2017 is \$4.0618 per 1,000 gallons. The cost of water purchased from the County during fiscal years 2016 and 2017 was \$5,371,972 and \$7,582,089 respectively.

Grant Revenues

During the current fiscal year and prior fiscal years, the City received revenues and contributions related to grants from the State of Florida, the federal government, and other grantors. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Encumbrances

Encumbrance accounting is used in governmental funds to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At September 30, 2017, encumbrances expected to be honored upon performance by the vendor in the coming year were:

General fund	\$ 231,464
Capital Improvement fund	13,946,035
Nonmajor governmental funds	592,102
	<u>\$ 14,769,601</u>

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, 2017, the City abated real and tangible personal property taxes totaling \$56,826 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 \$23,310.

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,

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2017

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 \$45,274.

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. Conduit debt

The City has one issue of conduit debt outstanding as follows:

<u>Description / Purpose</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding at 9/30/16</u>	<u>Amount Outstanding at 9/30/17</u>
Drew Gardens Refunding Bonds / residential rental facility	\$ 3,425,000	\$ 1,810,000	\$ 1,675,000

The bonds do not constitute a debt, liability, or obligation of the City of Clearwater, the State of Florida, or any political subdivision thereof and, accordingly, have not been reported in the accompanying financial statements.

IV.J. Deepwater Horizon Oil Spill

Following the Deepwater Horizon Oil Spill of April 2010, the City incurred reduced revenues that were determined to be directly or indirectly attributed to the oil spill. On July 13, 2015, the City adopted Resolution 15-18 and accepted a full and final settlement of all claims against BP Exploration and Production, Inc. and others in the amount of \$6,480,352, net of \$1,658,687 attorney's fees. As of September 30, 2017, none of the proceeds, which are included in General Fund unassigned fund balance, have been separately identified as expended.

IV.K. Subsequent Event

On November 7, 2017, Clearwater voters approved a referendum amending the City Charter to allow development and construction along Clearwater's downtown waterfront. This approval allows the City to proceed with Imagine Clearwater, a \$55 million multi-year redevelopment plan. The master plan will focus on a 50-acre area west of Osceola Avenue, bordered by Drew Street to the north and Court Street to the south. The site includes the Harborview Center, Coachman Park, and the Clearwater Public Library, among other public and privately-owned properties. In addition to \$5.5 million previously allocated to the plan, the remaining funding could consist of future Penny for Pinellas revenue, the City's \$6.4 million BP oil spill settlement, internal financing and bonding, and fundraising by a nonprofit conservancy proposed to market Imagine Clearwater.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Employees' Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 14,770,113	\$ 15,173,452	\$ 14,585,979	\$ 14,670,375
Interest on the Total Pension Liability	61,050,474	58,870,815	56,983,247	55,622,257
Difference between Expected and Actual Experience	(8,071,653)	6,832,090	(3,532,969)	(11,230,163)
Assumption Changes	381,755	(4,748,597)	-	-
Benefit Payments	(44,490,793)	(42,069,828)	(39,276,003)	(37,118,458)
Refunds	(1,366,008)	(1,060,187)	(1,000,827)	(1,675,419)
Net Change in Total Pension Liability	<u>22,273,888</u>	<u>32,997,745</u>	<u>27,759,427</u>	<u>20,268,592</u>
Total Pension Liability - Beginning	<u>880,355,998</u>	<u>847,358,253</u>	<u>819,598,826</u>	<u>799,330,234</u>
Total Pension Liability - Ending (a)	<u>\$ 902,629,886</u>	<u>\$ 880,355,998</u>	<u>\$ 847,358,253</u>	<u>\$ 819,598,826</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 11,898,912	\$ 13,178,874	\$ 14,923,098	\$ 18,860,463
Contributions - Non-Employer Contributing Entity	12,000	12,000	12,000	12,000
Contributions - Employee	7,004,943	6,706,567	6,483,666	7,073,440
Net Investment Income	102,284,783	88,501,532	(4,165,092)	82,832,149
Benefit Payments	(44,490,793)	(42,069,828)	(39,276,003)	(37,118,458)
Refunds	(1,366,008)	(1,060,187)	(1,000,827)	(1,675,419)
Administrative Expense	(295,301)	(297,984)	(297,942)	(175,212)
Net Change in Plan Fiduciary Net Position	<u>75,048,536</u>	<u>64,970,974</u>	<u>(23,321,100)</u>	<u>69,808,963</u>
Plan Fiduciary Net Position - Beginning	<u>905,239,823</u>	<u>840,268,849</u>	<u>863,589,949</u>	<u>793,780,986</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 980,288,359</u>	<u>\$ 905,239,823</u>	<u>\$ 840,268,849</u>	<u>\$ 863,589,949</u>
Net Pension Liability/(Asset) - Beginning	<u>\$ (24,883,825)</u>	<u>\$ 7,089,404</u>	<u>\$ (43,991,123)</u>	<u>\$ 5,549,248</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (77,658,473)</u>	<u>\$ (24,883,825)</u>	<u>\$ 7,089,404</u>	<u>\$ (43,991,123)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)	108.60%	102.83%	99.16%	105.37%
Covered Payroll	\$ 79,558,524	\$ 76,942,048	\$ 74,021,494	\$ 75,629,669
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	97.61%	32.34%	9.58%	58.17%

Notes to Schedule:

Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Firefighters' Relief and Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total Pension Liability				
Interest on the Total Pension Liability	\$ 90,635	\$ 99,691	\$ 100,650	\$ 92,956
Difference between Expected and Actual Experience	76,981	(296,507)	114,258	(426,528)
Assumption Changes		208,676	201,922	-
Benefit Payments	(365,154)	(423,458)	(442,775)	(525,760)
Other		-	-	143,654
Net Change in Total Pension Liability	(197,538)	(411,598)	(25,945)	(715,678)
Total Pension Liability - Beginning	3,360,237	3,771,835	3,797,780	4,513,458
Total Pension Liability - Ending (a)	\$ 3,162,699	\$ 3,360,237	\$ 3,771,835	\$ 3,797,780
 Plan Fiduciary Net Position				
Net Investment Income	(149,322)	171,674	199,776	169,627
Benefit Payments	(365,154)	(423,458)	(442,775)	(525,760)
Administrative Expense	(3,500)	(2,758)	(2,005)	(5,808)
Net Change in Plan Fiduciary Net Position	(517,976)	(254,542)	(245,004)	(361,941)
Plan Fiduciary Net Position - Beginning	4,360,757	4,615,299	4,860,303	5,222,244
Plan Fiduciary Net Position - Ending (b)	\$ 3,842,781	\$ 4,360,757	\$ 4,615,299	\$ 4,860,303
 Net Pension Liability/(Asset) - Beginning	\$ (1,000,520)	\$ (843,464)	\$ (1,062,523)	\$ (495,433)
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (680,082)	\$ (1,000,520)	\$ (843,464)	\$ (1,062,523)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)	121.50%	129.78%	122.36%	127.98%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

Data unavailable prior to 2014.

**City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited**

**Employees' Pension Plan
Schedule of Contributions**

FY Ending <u>September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 19,608,078	\$ 18,872,463 ¹	\$ 735,615	\$ 75,629,669	24.95%
2015	\$ 10,803,098	\$ 14,935,098	\$ (4,132,000)	\$ 74,021,494 ²	20.18%
2016	\$ 8,767,703	\$ 13,190,874	\$ (4,423,171)	\$ 76,942,048	17.14%
2017	\$ 8,944,103	\$ 11,910,912	\$ (2,966,809)	\$ 79,558,524	14.97%

¹ A portion of the plan's credit balance was applied to meet the remainder of the actuarially determined contribution for the fiscal year ending September 30, 2014.

² The definition of Covered Payroll for GASB Statement Nos. 67 and 68 was changed under GASB Statement No. 82 to be the pensionable earnings for members of the Plan. As a result, the Covered Payroll amount previously reported for fiscal year 2015 has been revised to reflect this change.

Notes to Schedule of Contributions

Valuation Date:

Notes:

January 1, 2016

Actuarially determined contributions are calculated as of January 1, which is nine months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	5-year smoothed market; 20% corridor
Inflation	2.50%
Salary Increases	3.50% to 7.90% depending on service; including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the employment classification and type of eligibility condition.
Mortality	Hazardous Duty Employees: RP-2000 Mortality Table for Annuitants, with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in their July 1, 2015 valuation, as mandated by Florida House Bill 1309.

Nonhazardous Duty Employees: RP-2000 Mortality Table for Annuitants, with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Regular Class members of the Florida Retirement System (FRS) in their July 1, 2015 valuation, as mandated by Florida House Bill 1309.

Other Information:

Notes

Effective for the January 1, 2016 valuation, the mortality table was changed from the fully generational RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years from the year 2000 using Scale BB to the mortality rates used by the Florida Retirement System (FRS), as summarized above. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality tables used in either of the last two actuarial valuation reports of FRS effective January 1, 2016. There were no benefit changes during the year.

The above assumptions, except the mortality assumption, were last updated for the January 1, 2013 valuation pursuant to an experience study of the 5-year period from January 1, 2007 through January 1, 2012. The mortality assumption was updated effective January 1, 2016 in compliance with Florida House Bill 1309.

Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Firefighters' Relief and Pension Plan
Schedule of Contributions

FY Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ -	\$ -	\$ -	\$ -	0.00%
2015	\$ -	\$ -	\$ -	\$ -	0.00%
2016	\$ -	\$ -	\$ -	\$ -	0.00%
2017	\$ -	\$ -	\$ -	\$ -	0.00%

Note: Data unavailable prior to 2014.

Notes to Schedule of Contributions

Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), was fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future valuations show an actuarial need for such.

**City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited**

**Employees' Pension Plan
Schedule of Investment Returns**

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	11.28%	10.63%	-0.03%	10.90%

Note: Data unavailable prior to 2014.

**City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited**

**Firefighters' Relief and Pension Plan
Schedule of Investment Returns**

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	4.680%	4.554%	4.315%	3.902%

Note: Data unavailable prior to 2014.

**City of Clearwater, Florida
Other Post-Employment Benefits
Required Supplementary Information - Unaudited**

Schedule of Funding Progress:

Actuarial Valuation Date (Biannual)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a) /c)
January 1, 2012	\$ -	\$ 30,721,086	\$ 30,721,086	0.00%	\$ 68,293,356	44.98%
January 1, 2014	\$ -	\$ 34,091,536	\$ 34,091,536	0.00%	\$ 70,649,261	48.25%
January 1, 2016	\$ -	\$ 32,058,710	\$ 32,058,710	0.00%	\$ 74,834,482	42.84%

Significant changes affecting the presented trend information include: The actuarial valuation of the Plan as of January 1, 2016, reflected changes in actuarial assumptions and methods from the previous valuation as of January 1, 2014 as follows: The Health Care Cost Trend Rate decreased from 8.0% in 2014 to 6.5% in 2016, with planned decreases ranging from .25% to .09% each subsequent year so that it is projected to reach the ultimate goal of 4.24% in 2040 rather than 2021. The mortality table was changed from the fully generational RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years from the year 2000 using Scale BB, to the mortality rates used by the Florida Retirement System (FRS), in compliance with Florida House Bill 1309. This is the same mortality table used by the Pension Plan Actuary. There were no changes to the Investment Discount Rate or Medicare Benefits.

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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.

Debt Service Funds

Debt service funds provide separate accounting records for all debt interest, principal, and reserve requirements for general government long-term. Debt of proprietary funds is serviced through restricted accounts maintained within the individual enterprise or internal service fund associated with the debt.

Notes and Mortgages Debt Service Fund - to account for the advance monthly accumulation of resources by transfer of General Revenues from the General and Special Revenue Funds and the payment of currently maturing installments of principal and interest on the various note and mortgage obligations of the governmental funds during each fiscal year.

Spring Training Facility Revenue Bonds Debt Service Fund – to account for the advance monthly accumulation of resources received from the State of Florida and Pinellas County, and the payment of currently maturing installments of principal and interest each year.

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, 2017

	Special Revenue Funds				
	Special Programs	Community Redevelopment Agency	SHIP	Pinellas County	
			Local Housing Assistance Trust	Local Housing Assistance Trust	Total
ASSETS					
Cash and investments	\$ 11,352,997	\$ 677,930	\$ 783,432	\$ 248,405	\$ 13,062,764
Receivables:					
Accrued interest	32,110	17,636	1,503	956	52,205
Mortgage notes	2,790,442	25,000	1,928,142	145,432	4,889,016
Other	7,748	-	-	-	7,748
Due from other governments - grants	56,096	-	-	-	56,096
Due from other governments - other	200,304	-	-	-	200,304
Advances to other funds	325,440	-	-	-	325,440
Total assets	\$ 14,765,137	\$ 720,566	\$ 2,713,077	\$ 394,793	\$ 18,593,573
LIABILITIES					
Accounts and contracts payable	\$ 336,105	\$ 5,459	\$ 10,221	\$ -	\$ 351,785
Accrued payroll	41,032	-	-	-	41,032
Due to other funds	-	316,667	-	-	316,667
Due to other governmental entities	52,657	48,000	-	-	100,657
Construction escrows	-	25,000	3,383	-	28,383
Advances from other funds	-	325,440	-	-	325,440
Total liabilities	429,794	720,566	13,604	-	1,163,964
FUND BALANCES					
Restricted	9,680,144	-	2,699,473	394,793	12,774,410
Committed	3,144,491	-	-	-	3,144,491
Assigned	1,510,708	-	-	-	1,510,708
Total fund balances	14,335,343	-	2,699,473	394,793	17,429,609
Total liabilities and fund balances	\$ 14,765,137	\$ 720,566	\$ 2,713,077	\$ 394,793	\$ 18,593,573

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

Notes and <u>Mortgages</u>	Spring Training			Capital Project Fund		Total	
	Facility Revenue	Bonds	Total	Community Redevelopment	Agency	Nonmajor Governmental Funds	
\$ -	\$ 665,903	\$ 665,903	\$ 665,903	\$ 5,656,081	\$ 5,656,081	\$ 19,384,748	
-	1,460	1,460	1,460	-	-	53,665	
-	-	-	-	-	-	4,889,016	
-	-	-	-	-	-	7,748	
-	-	-	-	-	-	56,096	
-	-	-	-	-	-	200,304	
-	-	-	-	-	-	325,440	
<u>\$ -</u>	<u>\$ 667,363</u>	<u>\$ 667,363</u>	<u>\$ 667,363</u>	<u>\$ 5,656,081</u>	<u>\$ 5,656,081</u>	<u>\$ 24,917,017</u>	
\$ -	\$ -	\$ -	\$ -	\$ 58,975	\$ 58,975	\$ 410,760	
-	-	-	-	441	441	41,473	
-	-	-	-	-	-	316,667	
-	-	-	-	-	-	100,657	
-	-	-	-	-	-	28,383	
-	-	-	-	-	-	325,440	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,416</u>	<u>59,416</u>	<u>1,223,380</u>	
-	667,363	667,363	667,363	5,574,583	5,574,583	19,016,356	
-	-	-	-	-	-	3,144,491	
-	-	-	-	22,082	22,082	1,532,790	
<u>-</u>	<u>667,363</u>	<u>667,363</u>	<u>667,363</u>	<u>5,596,665</u>	<u>5,596,665</u>	<u>23,693,637</u>	
<u>\$ -</u>	<u>\$ 667,363</u>	<u>\$ 667,363</u>	<u>\$ 667,363</u>	<u>\$ 5,656,081</u>	<u>\$ 5,656,081</u>	<u>\$ 24,917,017</u>	

City of Clearwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

Special Revenue Funds

	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total
REVENUES					
Intergovernmental:					
Federal	\$ 1,447,278	-	-	-	\$ 1,447,278
State	50,100	-	722,636	-	772,736
Local	362,065	1,229,663	-	-	1,591,728
Charges for services	1,238,939	-	-	-	1,238,939
Fines and forfeitures	305,736	-	-	-	305,736
Investment earnings	61,599	25,343	9,586	4,502	101,030
Miscellaneous	1,379,073	66,950	-	-	1,446,023
Total revenues	<u>4,844,790</u>	<u>1,321,956</u>	<u>732,222</u>	<u>4,502</u>	<u>6,903,470</u>
EXPENDITURES					
Current:					
General government	11,193	-	-	-	11,193
Public safety	1,863,095	-	-	-	1,863,095
Physical environment	43,270	-	-	-	43,270
Transportation	285,239	-	-	-	285,239
Economic environment	1,067,696	337,675	116,282	10,704	1,532,357
Human services	351,308	-	-	-	351,308
Culture and recreation	1,533,529	-	-	-	1,533,529
Debt service:					
Principal	-	-	-	-	-
Interest & fiscal charges	-	10,106	-	-	10,106
Capital outlay	135,002	-	-	-	135,002
Total expenditures	<u>5,290,332</u>	<u>347,781</u>	<u>116,282</u>	<u>10,704</u>	<u>5,765,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(445,542)</u>	<u>974,175</u>	<u>615,940</u>	<u>(6,202)</u>	<u>1,138,371</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	990,787	2,041,437	-	-	3,032,224
Transfers out	(906,699)	(3,015,612)	(250,459)	(234,421)	(4,407,191)
Total other financing sources (uses)	<u>84,088</u>	<u>(974,175)</u>	<u>(250,459)</u>	<u>(234,421)</u>	<u>(1,374,967)</u>
Net change in fund balances	(361,454)	-	365,481	(240,623)	(236,596)
Fund balances - beginning	14,696,797	-	2,333,992	635,416	17,666,205
Fund balances - ending	<u>\$ 14,335,343</u>	<u>\$ -</u>	<u>\$ 2,699,473</u>	<u>\$ 394,793</u>	<u>\$ 17,429,609</u>

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

Notes and Mortgages	Debt Service Funds			Capital Project Fund		Total Nonmajor Governmental Funds	
	Spring Training		Total	Community Redevelopment			
	Facility Revenue Bonds	Agency					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,447,278		
-	500,004	500,004		-	1,272,740		
-	587,650	587,650		-	2,179,378		
-	-	-		-	1,238,939		
-	-	-		-	305,736		
-	2,066	2,066		-	103,096		
-	-	-		-	1,446,023		
-	<u>1,089,720</u>	<u>1,089,720</u>		-	<u>7,993,190</u>		
	-	-	-	-	11,193		
	-	-	-	-	1,863,095		
	-	-	-	-	43,270		
	-	-	-	-	285,239		
	-	-	-	1,250,278	2,782,635		
	-	-	-	-	351,308		
	-	-	-	-	1,533,529		
402,535	685,000	1,087,535		-	1,087,535		
22,422	381,232	403,654		-	413,760		
-	-	-	71,906		206,908		
<u>424,957</u>	<u>1,066,232</u>	<u>1,491,189</u>	<u>1,322,184</u>		<u>8,578,472</u>		
(424,957)	23,488	(401,469)	(1,322,184)		(585,282)		
424,957	-	424,957	2,620,471		6,077,652		
-	-	-	(1,212,476)		(5,619,667)		
<u>424,957</u>	<u>-</u>	<u>424,957</u>	<u>1,407,995</u>		<u>457,985</u>		
-	23,488	23,488	85,811		(127,297)		
-	643,875	643,875	5,510,854		23,820,934		
\$ -	\$ 667,363	\$ 667,363	\$ 5,596,665		\$ 23,693,637		

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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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Local	\$ 1,231,046	\$ 1,229,663	\$ 1,229,663	\$ -
Investment earnings	50,000	50,000	25,343	(24,657)
Miscellaneous	66,950	66,950	66,950	-
Total revenues	<u>1,347,996</u>	<u>1,346,613</u>	<u>1,321,956</u>	<u>(24,657)</u>
EXPENDITURES				
Current - Economic environment	409,040	408,829	337,675	71,154
Debt Service - Interest & fiscal charges	-	-	10,106	(10,106)
Total expenditures	<u>409,040</u>	<u>408,829</u>	<u>347,781</u>	<u>61,048</u>
Excess of revenues over expenditures	<u>938,956</u>	<u>937,784</u>	<u>974,175</u>	<u>36,391</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,006,484	1,005,363	2,041,437	1,036,074
Transfers out	(1,945,440)	(1,943,147)	(3,015,612)	(1,072,465)
Total other financing sources (uses)	<u>(938,956)</u>	<u>(937,784)</u>	<u>(974,175)</u>	<u>(36,391)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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

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Nonmajor Enterprise Funds

Enterprise funds are used to account for the financing, acquisition, operation, and maintenance of governmental facilities that are supported primarily by user charges.

Marine Operations Fund - to account for the financing, operation, and maintenance of the City's marine operations (excluding the downtown boat slips) and associated real property from rents collected from users.

Aviation Operations Fund - to account for the financing, operation, and maintenance of the City's airpark operations from rents collected from users.

Parking System Fund - to account for the financing, construction, operation and maintenance of the City's parking system, including on- and off-street parking on Clearwater Beach and Downtown Clearwater, from parking charges.

Clearwater Harbor Marina Fund - to account for the financing, operation, and maintenance of the City's downtown boat slips from boat slip rentals.

City of Clearwater, Florida
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2017

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Total
ASSETS					
Current assets:					
Cash and investments	\$ 1,829,785	\$ 575,866	\$ 14,292,407	\$ 1,617,154	\$ 18,315,212
Accrued interest receivable	2,780	1,192	52,593	3,135	59,700
Accounts and contracts receivable	-	-	-	18,409	18,409
Inventories, at cost	47,978	-	-	-	47,978
Total current assets	<u>1,880,543</u>	<u>577,058</u>	<u>14,345,000</u>	<u>1,638,698</u>	<u>18,441,299</u>
Noncurrent assets:					
Net pension asset	425,568	30,287	629,034	93,967	1,178,856
Capital assets:					
Land and other nondepreciable assets	670,086	1,401,500	881,282	-	2,952,868
Capital assets, net of accumulated depreciation	524,874	3,933,651	14,086,383	10,851,071	29,395,979
Total noncurrent assets	<u>1,620,528</u>	<u>5,365,438</u>	<u>15,596,699</u>	<u>10,945,038</u>	<u>33,527,703</u>
Total assets	<u>3,501,071</u>	<u>5,942,496</u>	<u>29,941,699</u>	<u>12,583,736</u>	<u>51,969,002</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	23,145	1,647	34,211	5,111	64,114
Total deferred outflows of resources	<u>23,145</u>	<u>1,647</u>	<u>34,211</u>	<u>5,111</u>	<u>64,114</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	148,912	1,204	267,474	14,934	432,524
Accrued payroll	31,630	1,708	46,008	5,500	84,846
Deposits	41,896	-	5,523	42,481	89,900
Unearned revenue and liens	-	-	17,670	8,784	26,454
Current portion of long-term liabilities:					
Compensated absences	31,184	1,861	25,634	1,661	60,340
Capital lease purchases payable	-	-	3,954	-	3,954
Total current liabilities	<u>253,622</u>	<u>4,773</u>	<u>366,263</u>	<u>73,360</u>	<u>698,018</u>
Noncurrent liabilities:					
Compensated absences	26,342	1,572	21,653	1,403	50,970
Other postemployment benefits	181,592	13,712	405,550	65,746	666,600
Capital lease purchases payable	-	-	15,550	-	15,550
Total non-current liabilities	<u>207,934</u>	<u>15,284</u>	<u>442,753</u>	<u>67,149</u>	<u>733,120</u>
Total liabilities	<u>461,556</u>	<u>20,057</u>	<u>809,016</u>	<u>140,509</u>	<u>1,431,138</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	191,761	13,647	283,443	42,341	531,192
Total deferred inflows of resources	<u>191,761</u>	<u>13,647</u>	<u>283,443</u>	<u>42,341</u>	<u>531,192</u>
NET POSITION					
Net investment in capital assets	1,194,960	5,335,151	14,948,161	10,851,071	32,329,343
Restricted for:					
Pensions	425,568	30,287	629,034	93,967	1,178,856
Unrestricted	1,250,371	545,001	13,306,256	1,460,959	16,562,587
Total net position	<u>\$ 2,870,899</u>	<u>\$ 5,910,439</u>	<u>\$ 28,883,451</u>	<u>\$ 12,405,997</u>	<u>\$ 50,070,786</u>

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

City of Clearwater, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2017

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Totals
Operating revenues:					
Sales to customers	\$ 2,427,851	\$ 19,058	\$ 6,679,487	\$ -	\$ 9,126,396
User charges to customers	228,684	-	-	24,359	253,043
Rentals	1,592,257	291,041	-	756,226	2,639,524
Other	195,700	819	25,320	18,706	240,545
Total operating revenues	<u>4,444,492</u>	<u>310,918</u>	<u>6,704,807</u>	<u>799,291</u>	<u>12,259,508</u>
Operating expenses:					
Personal services	1,074,713	56,027	1,627,605	203,949	2,962,294
Purchases for resale	1,729,991	-	-	252	1,730,243
Operating materials and supplies	76,022	6,868	251,843	27,806	362,539
Transportation	7,287	1,298	113,137	3,274	124,996
Utility service	368,309	42,288	50,387	59,965	520,949
Depreciation	58,264	260,715	236,516	338,463	893,958
Interfund administrative charges	215,170	63,750	1,067,390	132,130	1,478,440
Other current charges:					
Professional fees	50,520	25,704	273,710	9,917	359,851
Advertising	11,416	490	28	2,773	14,707
Communications	27,604	-	50,743	668	79,015
Printing and binding	1,536	734	11,266	302	13,838
Insurance	15,520	10,900	29,560	28,890	84,870
Repairs and maintenance	26,225	-	113,443	999	140,667
Rentals	2,810	-	30,501	-	33,311
Miscellaneous	90,140	785	463,985	9,583	564,493
Data processing charges	36,020	2,150	72,740	8,290	119,200
Taxes	1,355	-	-	-	1,355
Total other current charges	<u>263,146</u>	<u>40,763</u>	<u>1,045,976</u>	<u>61,422</u>	<u>1,411,307</u>
Total operating expenses	<u>3,792,902</u>	<u>471,709</u>	<u>4,392,854</u>	<u>827,261</u>	<u>9,484,726</u>
Operating income (loss)	<u>651,590</u>	<u>(160,791)</u>	<u>2,311,953</u>	<u>(27,970)</u>	<u>2,774,782</u>
Nonoperating revenues (expenses):					
Investment earnings (loss)	8,709	2,133	(34,098)	6,407	(16,849)
Interest expense	-	-	(102)	-	(102)
Gain on disposal of capital assets	-	-	322,264	-	322,264
Total nonoperating revenue (expenses)	<u>8,709</u>	<u>2,133</u>	<u>288,064</u>	<u>6,407</u>	<u>305,313</u>
Income (loss) before contributions and transfers	<u>660,299</u>	<u>(158,658)</u>	<u>2,600,017</u>	<u>(21,563)</u>	<u>3,080,095</u>
Capital grants and contributions	3,121	3,349	-	-	6,470
Transfers in	-	-	16,978	-	16,978
Transfers out	(228,829)	(15,190)	(516,033)	(38,420)	(798,472)
Change in net position	<u>434,591</u>	<u>(170,499)</u>	<u>2,100,962</u>	<u>(59,983)</u>	<u>2,305,071</u>
Net position - beginning	2,436,308	6,080,938	26,782,489	12,465,980	47,765,715
Net position - ending	<u>\$ 2,870,899</u>	<u>\$ 5,910,439</u>	<u>\$ 28,883,451</u>	<u>\$ 12,405,997</u>	<u>\$ 50,070,786</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2017

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers					
Cash payments to suppliers	\$ 4,453,690	\$ 310,918	\$ 6,705,993	\$ 792,620	\$ 12,263,221
Cash payments to employees	(2,351,798)	(77,980)	(959,188)	(105,769)	(3,494,735)
Cash payments to other funds	(1,167,651)	(58,018)	(1,588,804)	(213,274)	(3,027,747)
Net cash provided by operating activities	<u>(329,428)</u>	<u>(78,408)</u>	<u>(1,415,484)</u>	<u>(176,446)</u>	<u>(1,999,766)</u>
	<u>604,813</u>	<u>96,512</u>	<u>2,742,517</u>	<u>297,131</u>	<u>3,740,973</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	16,978	-	16,978
Transfers to other funds	(228,829)	(15,190)	(516,033)	(38,420)	(798,472)
Net cash provided (used) by noncapital financing activities	<u>(228,829)</u>	<u>(15,190)</u>	<u>(499,055)</u>	<u>(38,420)</u>	<u>(781,494)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on debt	-	-	(976)	-	(976)
Interest paid	-	-	(102)	-	(102)
Acquisition of capital assets	(6,265)	-	(11,214,163)	-	(11,220,428)
Proceeds from issuance of debt	-	-	20,480	-	20,480
Capital contributed by other governmental entities	<u>4,008</u>	<u>9,018</u>	<u>221</u>	<u>-</u>	<u>13,247</u>
Net cash provided (used) by capital and related financing activities	<u>(2,257)</u>	<u>9,018</u>	<u>(11,194,540)</u>	<u>-</u>	<u>(11,187,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	8,886	2,303	(19,112)	6,806	(1,117)
Net cash provided (used) by investing activities	<u>8,886</u>	<u>2,303</u>	<u>(19,112)</u>	<u>6,806</u>	<u>(1,117)</u>
Net increase (decrease) in cash and cash equivalents	382,613	92,643	(8,970,190)	265,517	(8,229,417)
Cash and cash equivalents at beginning of year	1,447,172	483,223	23,262,597	1,351,637	26,544,629
Cash and cash equivalents at end of year	<u>\$ 1,829,785</u>	<u>\$ 575,866</u>	<u>\$ 14,292,407</u>	<u>\$ 1,617,154</u>	<u>\$ 18,315,212</u>
Cash and cash equivalents classified as:					
Cash and investments	\$ 1,829,785	\$ 575,866	\$ 14,292,407	\$ 1,617,154	\$ 18,315,212
Total cash and cash equivalents	<u>\$ 1,829,785</u>	<u>\$ 575,866</u>	<u>\$ 14,292,407</u>	<u>\$ 1,617,154</u>	<u>\$ 18,315,212</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2017

	<u>Marine Operations</u>	<u>Aviation Operations</u>	<u>Parking System</u>	<u>Clearwater Harbor Marina</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 651,590	\$ (160,791)	\$ 2,311,953	\$ (27,970)	\$ 2,774,782
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	58,264	260,715	236,516	338,463	893,958
Change in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	-	-	-	4,723	4,723
(Increase) decrease in inventory	(14,135)	-	-	-	(14,135)
(Increase) decrease in net pension asset	(288,707)	(20,582)	(413,789)	(65,599)	(788,677)
(Increase) decrease in deferred outflows	83,244	5,897	133,110	16,941	239,192
Increase (decrease) in accounts and contracts payable	(7,166)	(1,421)	154,061	2,634	148,108
Increase (decrease) in accrued payroll	(69,832)	3	(1,149)	(2,595)	(73,573)
Increase (decrease) in deposits	9,198	-	1,185	979	11,362
Increase (decrease) in unearned revenue	-	-	1	(12,373)	(12,372)
Increase (decrease) in other postemployment benefits	22,491	1,306	87,348	6,199	117,344
Increase (decrease) in deferred inflows	159,866	11,385	233,281	35,729	440,261
Total adjustments	<u>(46,777)</u>	<u>257,303</u>	<u>430,564</u>	<u>325,101</u>	<u>966,191</u>
Net cash provided (used) by operating activities	<u>\$ 604,813</u>	<u>\$ 96,512</u>	<u>\$ 2,742,517</u>	<u>\$ 297,131</u>	<u>\$ 3,740,973</u>

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Internal Service Funds

Internal service funds are used to account for services and commodities furnished by a designated department to other departments within the City or to other governments on a cost reimbursement basis.

Garage Fund - to account for the cost of automotive and other motorized equipment of the City. The acquisition cost of new or upgraded equipment is financed through user departments and the asset value is simultaneously contributed to the Garage Fund. The cost of replacement of existing equipment is financed by the Garage Fund.

Administrative Services Fund - to account for various support activities including information technology, printing, mailing, and telephone services. The cost for these services is charged to user departments based on the cost of providing units of service.

General Services Fund - to account for various support activities including building maintenance and custodial services for all City departments and facilities. The cost for these services is charged to user departments based on the cost of providing units of service.

Central Insurance Fund - to account for the City's limited self-insurance program wherein all funds are assessed charges based on damage claims incurred and on management's assessment of individual funds' risk exposure. All claims and premiums are paid out of this fund, together with other costs necessary to administer the program. Medical self-insurance costs and employee health clinic operating expenses are also paid from this fund.

City of Clearwater, Florida
Combining Statement of Net Position
Internal Service Funds
September 30, 2017

	Garage	Administrative Services	General Services	Central Insurance	Total
ASSETS					
Current assets:					
Cash and investments	\$ 9,874,961	\$ 10,740,003	\$ 5,542,058	\$ 44,271,219	\$ 70,428,241
Accrued interest receivable	22,449	26,541	5,654	96,525	151,169
Other receivables	5,062	-	2,273	75,611	82,946
Due from other funds	-	-	-	316,667	316,667
Inventories, at cost	404,399	-	-	-	404,399
Prepaid expenses and other assets	-	-	-	2,063,155	2,063,155
Total current assets	10,306,871	10,766,544	5,549,985	46,823,177	73,446,577
Noncurrent assets:					
Net pension asset	1,380,768	3,235,252	1,122,165	311,410	6,049,595
Capital assets:					
Land and other nondepreciable assets	729,591	741,840	-	-	1,471,431
Capital assets, net of accumulated depreciation	24,308,423	2,180,944	32,325	7,047	26,528,739
Total noncurrent assets	26,418,782	6,158,036	1,154,490	318,457	34,049,765
Total assets	36,725,653	16,924,580	6,704,475	47,141,634	107,496,342
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	75,095	175,954	61,031	16,937	329,017
Total deferred outflows of resources	75,095	175,954	61,031	16,937	329,017
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	1,008,803	325,209	139,535	323,466	1,797,013
Accrued payroll	68,075	142,620	60,917	14,404	286,016
Unearned revenue	319,028	-	-	-	319,028
Current portion of long-term liabilities:					
Compensated absences	67,001	298,552	67,888	7,319	440,760
Capital lease purchases payable	5,747,253	306,904	-	-	6,054,157
Claims payable	-	-	-	3,856,469	3,856,469
Total current liabilities (payable from current assets)	7,210,160	1,073,285	268,340	4,201,658	12,753,443
Noncurrent liabilities:					
Compensated absences	56,597	252,196	57,348	6,183	372,324
Other postemployment benefits	363,360	763,987	336,815	73,656	1,537,818
Capital lease purchases payable	12,822,105	670,455	-	-	13,492,560
Claims payable	-	-	-	7,233,600	7,233,600
Total noncurrent liabilities	13,242,062	1,686,638	394,163	7,313,439	22,636,302
Total liabilities	20,452,222	2,759,923	662,503	11,515,097	35,389,745
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	622,175	1,457,806	505,648	140,322	2,725,951
Total deferred inflows of resources	622,175	1,457,806	505,648	140,322	2,725,951
NET POSITION					
Net investment in capital assets	6,468,656	1,945,425	32,325	7,047	8,453,453
Restricted for:					
Pensions	1,380,768	3,235,252	1,122,165	311,410	6,049,595
Unrestricted	7,876,927	7,702,128	4,442,865	35,184,695	55,206,615
Total net position	\$ 15,726,351	\$ 12,882,805	\$ 5,597,355	\$ 35,503,152	\$ 69,709,663

City of Clearwater, Florida
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2017

	Garage	Administrative Services	General Services	Central Insurance	Total
Operating revenues:					
Billings to departments	\$ 14,490,096	\$ 10,705,719	\$ 4,940,717	\$ 23,761,307	\$ 53,897,839
Rentals	47,175	-	-	-	47,175
Other	111,873	-	16,737	77,950	206,560
Total operating revenues	14,649,144	10,705,719	4,957,454	23,839,257	54,151,574
Operating expenses:					
Personal services	2,340,956	4,665,288	1,981,339	534,682	9,522,265
Purchases for resale	3,834,497	-	-	-	3,834,497
Operating materials and supplies	151,347	306,258	352,409	206,598	1,016,612
Transportation	3,108	81,172	126,522	26,928	237,730
Utility service	106,715	-	425,840	2,905	535,460
Depreciation	7,615,552	575,703	6,126	2,349	8,199,730
Interfund administrative charges	249,820	4,000	-	-	253,820
Other current charges:					
Professional fees	725,979	1,893,286	1,483,065	2,922,067	7,024,397
Communications	30,458	959,748	49,004	6,310	1,045,520
Printing and binding	962	18,233	120	-	19,315
Insurance:					
Premiums	35,970	15,520	34,480	2,196,466	2,282,436
Claims incurred	-	-	-	16,321,912	16,321,912
Repairs and maintenance	672,322	1,273,534	243,965	22,641	2,212,462
Rentals	38,787	401,031	15,643	52,603	508,064
Miscellaneous	36,715	100,527	21,144	136,868	295,254
Data processing charges	133,140	218,110	120,100	17,210	488,560
Taxes	16,592	-	-	-	16,592
Total other current charges	1,690,925	4,879,989	1,967,521	21,676,077	30,214,512
Total operating expenses	15,992,920	10,512,410	4,859,757	22,449,539	53,814,626
Operating income (loss)	(1,343,776)	193,309	97,697	1,389,718	336,948
Nonoperating revenues (expenses)					
Investment earnings	41,695	35,415	10,070	180,249	267,429
Interest expense	(346,066)	(19,354)	-	-	(365,420)
Gain (loss) on disposal of capital assets	798,359	(76,467)	-	-	721,892
Total nonoperating revenue (expenses)	493,988	(60,406)	10,070	180,249	623,901
Income (loss) before contributions and transfers	(849,788)	132,903	107,767	1,569,967	960,849
Capital grants and contributions	51,900	-	-	-	51,900
Transfers in	2,606,414	722,499	3,087,263	-	6,416,176
Transfers out	(321,609)	-	(40,460)	-	(362,069)
Change in net position	1,486,917	855,402	3,154,570	1,569,967	7,066,856
Net position - beginning	14,239,434	12,027,403	2,442,785	33,933,185	62,642,807
Net position - ending	\$ 15,726,351	\$ 12,882,805	\$ 5,597,355	\$ 35,503,152	\$ 69,709,663

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2017

	Garage	Administrative Services	General Services	Central Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 14,649,144	\$ 10,705,719	\$ 4,955,643	\$ 23,852,921	\$ 54,163,427
Cash payments to suppliers	(6,066,906)	(4,715,345)	(2,568,763)	(19,522,646)	(32,873,660)
Cash payments to employees	(2,436,095)	(4,891,643)	(2,017,934)	(545,907)	(9,891,579)
Cash payments to other funds	(654,493)	(578,614)	(346,579)	(1,856,423)	(3,436,109)
Net cash provided by operating activities	<u>5,491,650</u>	<u>520,117</u>	<u>22,367</u>	<u>1,927,945</u>	<u>7,962,079</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	2,606,414	722,499	3,087,263	-	6,416,176
Transfers to other funds	(321,609)	-	(40,460)	-	(362,069)
Receipt of cash on loans to/from other funds	-	-	-	808,320	808,320
Payment of cash on loans to/from other funds	-	(91,654)	-	-	(91,654)
Net cash provided by noncapital financing activities	<u>2,284,805</u>	<u>630,845</u>	<u>3,046,803</u>	<u>808,320</u>	<u>6,770,773</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on debt	(5,238,206)	(332,849)	-	-	(5,571,055)
Interest paid	(346,066)	(19,354)	-	-	(365,420)
Acquisition of capital assets	(9,600,075)	(1,617,025)	-	-	(11,217,100)
Proceeds from issuance of debt	7,490,078	613,331	-	-	8,103,409
Net cash provided (used) by capital and related financing activities	<u>(7,694,269)</u>	<u>(1,355,897)</u>	<u>-</u>	<u>-</u>	<u>(9,050,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	44,798	39,897	10,876	194,208	289,779
Net cash provided by investing activities	<u>44,798</u>	<u>39,897</u>	<u>10,876</u>	<u>194,208</u>	<u>289,779</u>
Net increase (decrease) in cash and cash equivalents	126,984	(165,038)	3,080,046	2,930,473	5,972,465
Cash and cash equivalents at beginning of year	9,747,977	10,905,041	2,462,012	41,340,746	64,455,776
Cash and cash equivalents at end of year	<u>\$ 9,874,961</u>	<u>\$ 10,740,003</u>	<u>\$ 5,542,058</u>	<u>\$ 44,271,219</u>	<u>\$ 70,428,241</u>
Cash and cash equivalents classified as:					
Cash and investments	\$ 9,874,961	\$ 10,740,003	\$ 5,542,058	\$ 44,271,219	\$ 70,428,241
Total cash and cash equivalents	<u>\$ 9,874,961</u>	<u>\$ 10,740,003</u>	<u>\$ 5,542,058</u>	<u>\$ 44,271,219</u>	<u>\$ 70,428,241</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2017

	Administrative Garage	General Services	Central Insurance	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,343,776)	\$ 193,309	\$ 97,697	\$ 1,389,718
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	7,615,552	575,703	6,126	2,349
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	(525)	-	(1,811)	13,664
(Increase) decrease in inventory	(1,456)	-	-	(1,456)
(Increase) decrease in prepaid expenses	-	-	-	(603,164)
(Increase) decrease in net pension asset	(943,559)	(2,242,139)	(736,963)	(194,705)
(Increase) decrease in deferred outflows	264,770	596,045	238,406	73,784
Increase (decrease) in accounts and contracts payable	(619,201)	(22,540)	(43,050)	1,136,603
Increase (decrease) in accrued payroll	19,914	94,172	5,142	(10,404)
Increase (decrease) in unearned revenue	(63,805)	-	-	(63,805)
Increase (decrease) in other postemployment benefits	43,452	99,205	40,943	6,976
Increase (decrease) in deferred inflows	520,284	1,226,362	415,877	113,124
Total adjustments	<u>6,835,426</u>	<u>326,808</u>	<u>(75,330)</u>	<u>538,227</u>
Net cash provided by operating activities	<u>\$ 5,491,650</u>	<u>\$ 520,117</u>	<u>\$ 22,367</u>	<u>\$ 1,927,945</u>
	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
Non-cash investing, capital and financing activities:				
Contributions from other governments	\$ 51,900	\$ -	\$ -	\$ 51,900

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Fiduciary Funds

Fiduciary Funds are used to account for resources that are managed in a trustee capacity or as an agent for other parties or funds.

Employees' Pension Fund - to account for the financial operation and condition of the major employee retirement system.

Firefighters' Relief and Pension Fund - to account for the financial operation and condition of the Firefighters' Relief and Pension Plan, closed to new members in 1962, and containing 19 retired members with no active members. The Plan was fully funded effective with fiscal year 2007.

Police Supplemental Pension Fund - to account for the financial operation and condition of a supplemental pension plan funded by the State for sworn police officers.

Firefighters' Supplemental Pension Fund - to account for the financial operation and condition of a supplemental pension plan funded by the State for firefighters.

Treasurer's Escrow Agency Fund - to account for the receipt, custody, and expenditure of funds held temporarily in trust for other parties.

City of Clearwater, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds			Totals
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police	Firefighters'	Supplemental Pension Fund	
					Supplemental Pension Fund	
ASSETS						
Cash and cash equivalents	\$ 4,115,406	\$ 853,117	\$ 8,553	\$ -	\$ 4,977,076	
Managed investment accounts, at fair value:						
Cash and cash equivalents	19,395,658	-	861,038	193,816	20,450,512	
Government bonds	94,488,607	-	-	215,003	94,703,610	
Index linked government bonds	1,873,301	-	-	-	1,873,301	
Agency bonds	5,735,503	2,958,513	-	-	8,694,016	
Municipal bonds	3,655,799	-	-	198,445	3,854,244	
Domestic corporate bonds	85,123,966	-	-	2,783,971	87,907,937	
International equity securities	130,530,777	-	-	-	130,530,777	
Domestic stocks	369,405,883	-	-	4,524,865	373,930,748	
Mortgage backed bonds	94,659,762	-	-	1,013,315	95,673,077	
Asset backed securities	2,326,824	-	-	-	2,326,824	
Other/rights/warrants	1,342	-	-	-	1,342	
Domestic equity mutual funds	45,575,552	-	10,968,869	5,668,683	62,213,104	
International equity mutual funds	38,874,299	-	7,148,572	1,464,402	47,487,273	
Infrastructure	30,683,363	-	-	-	30,683,363	
Real estate	88,389,818	-	-	2,864,710	91,254,528	
Total managed investment accounts	<u>1,010,720,454</u>	<u>2,958,513</u>	<u>18,978,479</u>	<u>18,927,210</u>	<u>1,051,584,656</u>	
Securities lending collateral	184,130,367	-	-	-	184,130,367	
Receivables:						
Interest and dividends	2,696,010	31,151	523	40,047	2,767,731	
Unsettled investment sales	17,249,318	-	-	-	17,249,318	
Securities lending earnings	40,920	-	-	-	40,920	
Due from others	45	-	-	-	45	
Total receivables	<u>19,986,293</u>	<u>31,151</u>	<u>523</u>	<u>40,047</u>	<u>20,058,014</u>	
Total assets	<u>1,218,952,520</u>	<u>3,842,781</u>	<u>18,987,555</u>	<u>18,967,257</u>	<u>1,260,750,113</u>	
LIABILITIES						
Accounts payable	880,210	-	1,136	-	881,346	
Unsettled investment purchases	53,653,584	-	-	-	53,653,584	
Obligations under securities lending	<u>184,130,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,130,367</u>	
Total liabilities	<u>238,664,161</u>	<u>-</u>	<u>1,136</u>	<u>-</u>	<u>238,665,297</u>	
FIDUCIARY NET POSITION						
Net position restricted for pensions	\$ <u>980,288,359</u>	\$ <u>3,842,781</u>	\$ <u>18,986,419</u>	\$ <u>18,967,257</u>	\$ <u>1,022,084,816</u>	

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

City of Clearwater, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2017

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds		Totals	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters' Supplemental Pension Fund		
ADDITIONS						
Contributions:						
Contributions from employer	\$ 11,898,912	\$ -	\$ -	\$ -	\$ 11,898,912	
Contributions from employer - state tax	12,000	-	991,473	1,082,574	2,086,047	
Contributions from employees	7,004,943	-	-	-	7,004,943	
Total contributions	<u>18,915,855</u>	<u>-</u>	<u>991,473</u>	<u>1,082,574</u>	<u>20,989,902</u>	
Investment income:						
Net appreciation (depreciation) in fair value of investments	88,805,048	(268,974)	922,398	1,560,485	91,018,957	
Interest	8,859,922	119,652	1,077	336,601	9,317,252	
Dividends	9,776,724	-	476,732	164,035	10,417,491	
Less investment expenses:						
Investment management/custodian fees	(5,749,842)	-	(33,121)	(113,855)	(5,896,818)	
Net investment income (loss)	101,691,852	(149,322)	1,367,086	1,947,266	104,856,882	
Securities lending income:						
Gross earnings	1,954,680	-	-	-	1,954,680	
Rebate received (paid)	(1,042,798)	-	-	-	(1,042,798)	
Bank fees	(318,951)	-	-	-	(318,951)	
Net income from securities lending	592,931	-	-	-	592,931	
Total additions	121,200,638	(149,322)	2,358,559	3,029,840	126,439,715	
DEDUCTIONS						
Benefits and withdrawal payments:						
Benefits	44,490,793	365,154	1,710,152	1,975,762	48,541,861	
Refunds	1,366,008	-	-	-	1,366,008	
Total benefits and refunds	<u>45,856,801</u>	<u>365,154</u>	<u>1,710,152</u>	<u>1,975,762</u>	<u>49,907,869</u>	
Income (loss) before administrative expenses	75,343,837	(514,476)	648,407	1,054,078	76,531,846	
Less administrative expenses	(295,301)	(3,500)	(13,856)	(29,909)	(342,566)	
Net increase (decrease)	75,048,536	(517,976)	634,551	1,024,169	76,189,280	
Fiduciary net position restricted for pensions						
Fiduciary net position - beginning	<u>905,239,823</u>	<u>4,360,757</u>	<u>18,351,868</u>	<u>17,943,088</u>	<u>945,895,536</u>	
Fiduciary net position - ending	<u>\$ 980,288,359</u>	<u>\$ 3,842,781</u>	<u>\$ 18,986,419</u>	<u>\$ 18,967,257</u>	<u>\$ 1,022,084,816</u>	

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

City of Clearwater, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2017

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
<u>TREASURER'S ESCROW FUND</u>				
ASSETS				
Cash and investments	\$ 1,870,264	483,776	1,962,142	\$ 391,898
Accrued interest receivable	<u>241</u>	<u>128</u>	<u>36</u>	<u>333</u>
Total Assets	<u><u>\$ 1,870,505</u></u>	<u><u>483,904</u></u>	<u><u>1,962,178</u></u>	<u><u>\$ 392,231</u></u>
LIABILITIES				
Other miscellaneous payables:				
Downtown Development Board	\$ 104,181	457,159	402,073	\$ 159,267
Special purpose funds	7,833	-	-	7,833
Other	<u>1,758,491</u>	<u>14,071</u>	<u>1,547,431</u>	<u>225,131</u>
Total Liabilities	<u><u>\$ 1,870,505</u></u>	<u><u>471,230</u></u>	<u><u>1,949,504</u></u>	<u><u>\$ 392,231</u></u>

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

CITY OF CLEARWATER, FLORIDA

STATISTICAL SECTION

This section of the City's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 2a	Program Revenues by Function/Program
Schedule 3	Fund Balances of Governmental Funds
Schedule 4	Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's significant local revenue, the property tax.

Schedule 5	Assessed Value and Estimated Actual Value of Taxable Property
Schedule 6	Direct and Overlapping Property Tax Rates
Schedule 7	Property Tax Levies and Collections
Schedule 8a	Principal Real Property Taxpayers
Schedule 8b	Principal Personal Property Taxpayers

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

Schedule 9	Ratios of Outstanding Debt by Type
Schedule 10	Ratios of General Bonded Debt Outstanding
Schedule 11	Direct and Overlapping Governmental Activities Debt
Schedule 12	Legal Debt Margin Information
Schedule 13	Pledged-Revenue Coverage

CITY OF CLEARWATER, FLORIDA

STATISTICAL SECTION (CONTINUED)

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Schedule 14	Demographic and Economic Statistics
Schedule 15	Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Schedule 16	Full-time Equivalent City Government Employees by Function/Program
Schedule 17	Operating Indicators by Function/Program
Schedule 18	Capital Assets Statistics by Function/Program

Sources: Unless otherwise noted, the information in this section is derived from the City's comprehensive annual financial reports for the relevant year.

City of Clearwater, Florida
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

<u>Primary Government</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 218,384	\$ 240,550	\$ 249,043	\$ 257,542	\$ 249,742	\$ 252,661	\$ 261,886	\$ 262,934	\$ 263,810	\$ 271,834
Restricted	39,020	42,681	49,682	57,245	65,603	60,454	56,044	57,003	52,936	119,003
Unrestricted	114,247	103,556	93,283	79,955	80,208	82,369	153,334	121,033	128,785	72,595
Total governmental activities net position	<u>\$ 371,651</u>	<u>\$ 386,787</u>	<u>\$ 392,008</u>	<u>\$ 394,742</u>	<u>\$ 395,553</u>	<u>\$ 395,484</u>	<u>\$ 471,264</u>	<u>\$ 440,970</u>	<u>\$ 445,531</u>	<u>\$ 463,432</u>
Business-type activities										
Net investment in capital assets	\$ 170,735	\$ 158,129	\$ 165,704	\$ 159,913	\$ 163,316	\$ 180,324	\$ 214,175	\$ 226,571	\$ 231,591	\$ 254,503
Restricted	39,635	41,333	44,332	55,038	55,204	53,237	49,530	45,503	36,803	47,946
Unrestricted	83,681	120,461	126,204	136,067	151,693	153,761	163,876	164,135	194,997	183,726
Total business-type activities net position	<u>\$ 294,051</u>	<u>\$ 319,923</u>	<u>\$ 336,240</u>	<u>\$ 351,018</u>	<u>\$ 370,213</u>	<u>\$ 387,322</u>	<u>\$ 427,581</u>	<u>\$ 436,209</u>	<u>\$ 463,391</u>	<u>\$ 486,175</u>
Primary government										
Net investment in capital assets	\$ 389,119	\$ 398,679	\$ 414,747	\$ 417,455	\$ 413,058	\$ 432,985	\$ 476,061	\$ 489,505	\$ 495,401	\$ 526,337
Restricted	78,655	84,014	94,014	112,283	120,807	113,691	105,574	102,506	89,739	166,949
Unrestricted	197,928	224,017	219,487	216,022	231,901	236,130	317,210	285,168	323,782	256,321
Total primary government net position	<u>\$ 665,702</u>	<u>\$ 706,710</u>	<u>\$ 728,248</u>	<u>\$ 745,760</u>	<u>\$ 765,766</u>	<u>\$ 782,806</u>	<u>\$ 898,845</u>	<u>\$ 877,179</u>	<u>\$ 908,922</u>	<u>\$ 949,607</u>

Note: Fiscal years prior to 2015 are not restated for GASB-68.

Schedule 2

**City of Clearwater, Florida
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

Page 1 of 3

Expenses	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 14,342	\$ 13,515	\$ 15,966	\$ 16,183	\$ 14,230	\$ 13,496	\$ 15,018	\$ 16,818	\$ 13,488	\$ 14,876
Public safety	66,582	64,977	69,457	66,914	67,559	68,057	70,126	99,056	71,718	66,795
Physical environment	2,730	4,266	4,941	3,868	3,189	3,451	3,416	3,273	4,142	3,993
Transportation	12,322	9,595	13,760	13,275	13,432	12,954	11,129	19,366	14,532	14,339
Economic environment	4,534	3,924	4,155	3,113	2,240	3,035	2,517	4,895	4,019	5,305
Human services	440	402	97	182	186	104	137	249	526	455
Culture and recreation	37,688	28,740	30,610	30,606	32,814	32,213	33,051	40,783	36,894	36,497
Interest on long-term debt	1,998	1,850	1,446	1,217	709	698	727	689	740	748
Total governmental activities expenses	<u>140,636</u>	<u>127,269</u>	<u>140,432</u>	<u>135,358</u>	<u>134,359</u>	<u>134,008</u>	<u>136,121</u>	<u>185,129</u>	<u>146,059</u>	<u>143,008</u>
Business-type activities:										
Water and sewer utility	52,015	54,520	57,229	61,010	59,406	57,774	64,810	69,550	64,866	73,253
Gas utility	35,944	29,285	31,200	28,354	27,662	29,747	31,639	33,352	29,195	30,716
Solid waste utility	16,036	14,801	15,618	15,844	16,632	17,042	17,572	22,486	17,989	17,626
Stormwater utility	11,070	11,775	10,937	12,234	12,847	12,284	16,476	16,110	13,664	13,148
Recycling	3,207	2,518	2,759	2,954	2,855	4,056	3,094	2,455	2,958	2,864
Marine	4,696	4,025	3,868	4,136	4,168	4,214	4,378	4,182	3,476	3,781
Aviation	417	743	388	515	366	404	345	399	415	470
Parking system	3,521	3,752	4,302	3,867	4,200	3,730	3,637	4,724	4,097	4,379
Harborview Center	2,800	2,345	984	579	610	520	522	-	-	-
Clearwater Harbor Marina	23	474	473	657	726	676	779	911	848	823
Total business-type activities expenses	<u>129,729</u>	<u>124,238</u>	<u>127,758</u>	<u>130,150</u>	<u>129,472</u>	<u>130,447</u>	<u>143,252</u>	<u>154,169</u>	<u>137,508</u>	<u>147,060</u>
Total primary government expenses	<u>\$ 270,365</u>	<u>\$ 251,507</u>	<u>\$ 268,190</u>	<u>\$ 265,508</u>	<u>\$ 263,831</u>	<u>\$ 264,455</u>	<u>\$ 279,373</u>	<u>\$ 339,298</u>	<u>\$ 283,567</u>	<u>\$ 290,068</u>

Notes: The Harborview Center Fund was closed in FY 2014 and its operations transferred to the General Fund during the year ended September 30, 2014.

Fiscal years prior to 2015 are not restated for GASB-68.

Schedule 2 (continued)

**City of Clearwater, Florida
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

Page 2 of 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Charges for services:										
General government	\$ 21,639	\$ 21,679	\$ 21,484	\$ 20,869	\$ 20,401	\$ 19,920	\$ 22,726	\$ 23,668	\$ 23,030	\$ 23,380
Public safety	9,803	10,291	8,966	9,980	9,265	10,654	11,040	10,593	11,952	11,788
Physical environment	91	249	331	147	77	174	150	196	137	67
Transportation	194	397	857	852	885	738	454	327	150	157
Economic environment	108	211	124	153	122	121	132	109	105	105
Culture and recreation	5,318	5,334	5,174	5,491	5,474	5,973	6,855	7,103	7,751	8,336
Operating grants and contributions	9,123	8,542	7,561	8,062	8,521	8,114	6,305	6,893	6,236	7,012
Capital grants and contributions	7,632	3,169	1,315	2,766	845	437	2,391	2,326	2,642	3,894
Total governmental activities program revenues	53,908	49,872	45,812	48,320	45,590	46,131	50,053	51,215	52,003	54,739
Business-type activities:										
Charges for services:										
Water and sewer utility	52,111	53,965	55,801	59,810	62,012	65,292	67,141	70,848	75,203	81,514
Gas utility	40,902	39,079	36,622	36,470	36,351	37,693	41,347	41,143	38,598	40,602
Solid waste utility	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401	21,602	22,492
Stormwater utility	12,770	13,493	14,717	15,222	15,890	16,378	16,789	17,162	17,854	18,512
Recycling	3,411	2,227	2,695	3,135	2,681	2,453	2,370	2,261	2,390	2,546
Marine	4,798	4,031	4,064	4,387	4,181	4,331	4,643	4,352	4,054	4,444
Aviation	227	216	332	237	257	261	268	283	291	311
Parking system	4,166	5,007	4,358	4,677	4,890	4,994	5,159	6,215	6,638	7,027
Harborview Center	2,032	1,641	440	51	209	48	50	-	-	-
Clearwater Harbor Marina	-	50	44	325	467	559	619	664	717	799
Operating grants and contributions	83	83	187	133	134	584	140	50	208	83
Capital grants and contributions	1,086	2,609	11,060	5,290	7,469	6,250	13,590	4,662	3,487	3,564
Total business-type activities program revenues	139,098	140,248	148,742	148,942	154,003	158,347	172,082	168,041	171,042	181,894
Total primary government program revenues	\$ 193,006	\$ 190,120	\$ 194,554	\$ 197,262	\$ 199,593	\$ 204,478	\$ 222,135	\$ 219,256	\$ 223,045	\$ 236,633

City of Clearwater, Florida
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Page 3 of 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expenses) / Revenue										
Governmental activities	\$ (86,728)	\$ (77,397)	\$ (94,620)	\$ (87,038)	\$ (88,770)	\$ (87,876)	\$ (86,068)	\$ (133,914)	\$ (94,055)	\$ (88,270)
Business-type activities	9,369	16,010	20,984	18,792	24,531	27,900	28,830	13,872	33,534	34,834
Total primary government net (expense) / revenue	<u>\$ (77,359)</u>	<u>\$ (61,387)</u>	<u>\$ (73,636)</u>	<u>\$ (68,246)</u>	<u>\$ (64,239)</u>	<u>\$ (59,976)</u>	<u>\$ (57,238)</u>	<u>\$ (120,042)</u>	<u>\$ (60,521)</u>	<u>\$ (53,436)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 50,347	\$ 46,893	\$ 44,040	\$ 39,253	\$ 37,938	\$ 37,360	\$ 38,574	\$ 40,925	\$ 43,580	\$ 46,853
Sales	15,675	13,850	13,253	13,385	14,092	14,818	15,722	16,833	17,595	18,009
Utility	11,533	12,021	13,574	13,229	12,736	13,473	14,309	14,095	14,518	14,835
Communications services	7,316	6,398	6,107	5,852	5,871	5,470	5,061	4,919	4,618	4,512
Other taxes	8,154	7,581	7,773	7,451	7,105	8,157	7,725	7,969	6,845	8,395
Investment earnings	5,837	8,635	5,015	2,965	2,758	(1,109)	2,596	3,279	2,285	698
Miscellaneous	437	113	128	125	101	134	28	26	108	36
Extraordinary item	-	-	-	-	-	-	-	6,480	-	-
Transfers	4,196	(2,958)	9,951	7,511	8,980	9,505	13,410	9,330	9,069	12,831
Total governmental activities	<u>103,495</u>	<u>92,533</u>	<u>99,841</u>	<u>89,771</u>	<u>89,581</u>	<u>87,808</u>	<u>97,425</u>	<u>103,856</u>	<u>98,618</u>	<u>106,169</u>
Business-type activities:										
Investment earnings	4,313	6,904	5,284	3,497	3,644	(1,287)	3,407	4,086	2,715	783
Transfers	(4,196)	2,958	(9,951)	(7,511)	(8,980)	(9,505)	(13,410)	(9,330)	(9,069)	(12,831)
Total business-type activities	<u>117</u>	<u>9,862</u>	<u>(4,667)</u>	<u>(4,014)</u>	<u>(5,336)</u>	<u>(10,792)</u>	<u>(10,003)</u>	<u>(5,244)</u>	<u>(6,354)</u>	<u>(12,048)</u>
Total primary government	<u>\$ 103,612</u>	<u>\$ 102,395</u>	<u>\$ 95,174</u>	<u>\$ 85,757</u>	<u>\$ 84,245</u>	<u>\$ 77,016</u>	<u>\$ 87,422</u>	<u>\$ 98,612</u>	<u>\$ 92,264</u>	<u>\$ 94,121</u>
Change in Net Position										
Governmental activities	\$ 16,767	\$ 15,136	\$ 5,221	\$ 2,733	\$ 811	\$ (68)	\$ 11,357	\$ (30,058)	\$ 4,563	\$ 17,899
Business-type activities	9,486	25,872	16,317	14,778	19,195	17,108	18,827	8,628	27,180	22,786
Total primary government change in net position	<u>\$ 26,253</u>	<u>\$ 41,008</u>	<u>\$ 21,538</u>	<u>\$ 17,511</u>	<u>\$ 20,006</u>	<u>\$ 17,040</u>	<u>\$ 30,184</u>	<u>\$ (21,430)</u>	<u>\$ 31,743</u>	<u>\$ 40,685</u>

Schedule 2a

City of Clearwater, Florida
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 21,640	\$ 21,681	\$ 21,512	\$ 21,533	\$ 20,418	\$ 19,920	\$ 22,728	\$ 23,668	\$ 23,030	\$ 23,432
Public safety	12,784	13,284	12,309	12,631	13,753	13,551	14,192	13,201	15,439	14,778
Physical environment	695	304	360	344	327	326	447	1,311	986	1,538
Transportation	6,628	1,852	2,024	2,651	1,436	1,284	885	1,024	927	1,312
Economic environment	2,844	3,327	1,982	2,444	1,687	2,988	1,828	1,713	1,426	2,014
Human services	-	-	-	211	180	147	-	350	333	368
Culture and recreation	9,317	9,424	7,625	8,506	7,789	7,915	9,973	9,948	9,862	11,297
Subtotal governmental activities	<u>53,908</u>	<u>49,872</u>	<u>45,812</u>	<u>48,320</u>	<u>45,590</u>	<u>46,131</u>	<u>50,053</u>	<u>51,215</u>	<u>52,003</u>	<u>54,739</u>
Business-type activities:										
Water and sewer utility	52,807	55,291	63,426	63,566	68,812	69,732	78,478	74,146	77,312	82,531
Gas utility	40,902	39,078	36,672	36,470	36,351	38,143	41,347	41,143	38,598	40,602
Solid waste utility	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401	21,727	22,492
Stormwater utility	12,941	14,478	15,682	16,523	15,961	16,869	18,821	17,805	19,029	21,053
Recycling	3,493	2,310	2,779	3,218	2,764	2,536	2,453	2,261	2,473	2,629
Marine	4,810	4,031	4,064	4,387	4,259	4,334	4,658	4,357	4,055	4,447
Aviation	335	365	491	454	776	1,491	480	999	377	314
Parking system	4,266	5,157	4,364	4,677	4,890	4,994	5,159	6,215	6,704	7,027
Harborview Center	2,032	1,641	440	51	209	48	50	-	-	-
Clearwater Harbor Marina	-	50	2,402	391	518	696	670	714	767	799
Subtotal business-type activities	<u>139,098</u>	<u>140,248</u>	<u>148,742</u>	<u>148,942</u>	<u>154,002</u>	<u>158,347</u>	<u>172,082</u>	<u>168,041</u>	<u>171,042</u>	<u>181,894</u>
Total primary government	<u>\$ 193,006</u>	<u>\$ 190,120</u>	<u>\$ 194,554</u>	<u>\$ 197,262</u>	<u>\$ 199,592</u>	<u>\$ 204,478</u>	<u>\$ 222,135</u>	<u>\$ 219,256</u>	<u>\$ 223,045</u>	<u>\$ 236,633</u>

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City of Clearwater, Florida
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	^a	2012	2013	2014	2015	2016	2017
General Fund:											
Nonspendable	\$ -	\$ -	\$ -	\$ 24		\$ 25	\$ 37	\$ 33	\$ 40	\$ 59	\$ 62
Restricted	-	-	-	-		-	-	-	-	-	-
Committed	-	-	-	-		-	-	-	-	-	-
Assigned	-	-	-	856		1,043	588	894	447	352	232
Unassigned	-	-	-	23,081		22,034	21,664	23,488	31,540	33,243	28,276
Reserved	3,500	3,168	1,164	-		-	-	-	-	-	-
Unreserved	<u>17,564</u>	<u>19,171</u>	<u>22,903</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u><u>\$ 21,064</u></u>	<u><u>\$ 22,339</u></u>	<u><u>\$ 24,067</u></u>	<u><u>\$ 23,961</u></u>		<u><u>\$ 23,102</u></u>	<u><u>\$ 22,289</u></u>	<u><u>\$ 24,415</u></u>	<u><u>\$ 32,027</u></u>	<u><u>\$ 33,654</u></u>	<u><u>\$ 28,570</u></u>
¹⁴⁴ All Other Governmental Funds:											
Nonspendable	\$ -	\$ -	\$ -	\$ 90		\$ 87	\$ 96	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	61,991		65,645	60,493	56,043	53,900	52,936	58,681
Committed	-	-	-	17,131		17,346	27,322	19,374	20,167	22,360	22,132
Assigned	-	-	-	7,404		8,488	5,801	6,689	7,815	7,475	7,094
Unassigned	-	-	-	(1,921)		(2,119)	(3,917)	(6,347)	(2,553)	-	-
Reserved	36,641	37,259	29,970	-		-	-	-	-	-	-
Unreserved, reported in:											
Special revenue funds	16,426	16,899	13,944	-		-	-	-	-	-	-
Debt service funds	113	136	7,726	-		-	-	-	-	-	-
Capital project funds	40,685	36,757	36,240	-		-	-	-	-	-	-
Total all other governmental funds	<u><u>\$ 93,865</u></u>	<u><u>\$ 91,051</u></u>	<u><u>\$ 87,880</u></u>	<u><u>\$ 84,695</u></u>		<u><u>\$ 89,447</u></u>	<u><u>\$ 89,795</u></u>	<u><u>\$ 75,759</u></u>	<u><u>\$ 79,329</u></u>	<u><u>\$ 82,771</u></u>	<u><u>\$ 87,907</u></u>

^a GASB Statement No. 54 was implemented in 2011 and reflects the new fund balance classifications for 2011.

The new classifications have not been restated for 2010 and prior.

City of Clearwater, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Revenues	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Governmental Funds:										
Property taxes	\$ 50,347	\$ 46,579	\$ 44,097	\$ 39,290	\$ 37,954	\$ 37,413	\$ 38,597	\$ 40,919	\$ 43,614	\$ 46,852
Sales taxes	9,863	8,574	7,987	7,929	8,393	8,868	9,465	10,188	10,715	11,014
Utility taxes	11,533	12,020	13,574	13,229	12,735	13,473	14,309	14,094	14,518	14,835
Communications services taxes	6,747	6,966	6,107	5,852	5,871	5,470	5,061	4,919	4,618	4,512
Other taxes	3,669	4,167	3,613	3,561	3,308	3,556	3,554	3,519	2,194	3,459
Franchise fees	9,254	10,204	10,540	9,994	9,603	9,164	9,877	9,873	9,311	9,394
Licenses, permits, and fees	2,719	1,918	1,766	2,364	2,117	2,187	3,292	4,408	3,339	3,893
Intergovernmental revenues	31,473	27,972	25,400	26,693	25,750	26,842	26,354	27,573	28,293	30,236
Charges for services	14,895	14,933	14,803	14,081	14,682	14,484	15,574	15,830	16,536	17,304
Fines and forfeitures	1,298	1,478	1,101	1,638	985	1,808	1,480	1,638	2,116	1,727
Investment earnings	4,101	5,768	3,360	1,937	1,719	(668) ^a	1,717	2,160	1,486	460
Miscellaneous	4,961	1,880	1,709	2,963	2,016	2,310	2,734	3,886	4,028	4,051
Total revenues	<u>150,860</u>	<u>142,459</u>	<u>134,057</u>	<u>129,531</u>	<u>125,133</u>	<u>124,907</u>	<u>132,014</u>	<u>139,007</u>	<u>140,768</u>	<u>147,737</u>
Expenditures										
Total Governmental Funds:										
Current:										
General government	14,170	13,633	15,676	15,042	12,764	12,520	14,391	13,159	12,917	16,277
Public safety	64,636	64,242	64,734	63,610	64,171	66,262	66,771	66,886	69,575	71,752
Physical environment	2,673	4,085	3,777	3,722	3,032	3,376	3,400	3,158	3,594	4,185
Transportation	9,950	7,768	9,128	8,536	8,332	7,522	7,787	9,925	9,554	9,626
Economic environment	4,213	3,166	3,089	2,773	2,470	3,256	2,544	3,993	3,473	4,826
Human services	437	405	100	180	182	104	137	223	525	466
Culture and recreation	30,317	27,114	25,883	25,198	27,028	26,567	27,557	28,339	31,279	33,868
Debt service:										
Principal	7,414	7,825	11,670	9,510	1,049	1,049	947	928	979	1,088
Interest & issuance costs	1,728	1,617	1,339	856	548	538	542	501	459	414
Capital outlay	<u>21,970</u>	<u>22,312</u>	<u>10,145</u>	<u>9,165</u>	<u>8,860</u>	<u>13,318</u>	<u>16,098</u>	<u>12,132</u>	<u>12,062</u>	<u>13,015</u>
Total expenditures	<u>157,508</u>	<u>152,167</u>	<u>145,541</u>	<u>138,592</u>	<u>128,436</u>	<u>134,512</u>	<u>140,174</u>	<u>139,244</u>	<u>144,417</u>	<u>155,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,648)</u>	<u>(9,708)</u>	<u>(11,484)</u>	<u>(9,061)</u>	<u>(3,303)</u>	<u>(9,605)</u>	<u>(8,160)</u>	<u>(237)</u>	<u>(3,649)</u>	<u>(7,780)</u>
Other Financing Sources (Uses)										
Total Governmental Funds:										
Transfers in	42,481	38,956	52,481	34,908	31,373	35,813	34,453	39,386	32,824	45,413
Transfers out	(39,023)	(31,312)	(42,440)	(30,204)	(24,491)	(26,673)	(25,819)	(31,190)	(25,074)	(38,658)
Long term debt issued	4,370	525	-	1,066	314	-	-	82	968	1,077
Total other financing sources (uses)	<u>7,828</u>	<u>8,169</u>	<u>10,041</u>	<u>5,770</u>	<u>7,196</u>	<u>9,140</u>	<u>8,634</u>	<u>8,278</u>	<u>8,718</u>	<u>7,832</u>
Extraordinary Item:										
BP Oil settlement proceeds	-	-	-	-	-	-	-	6,480	-	-
Net Change in Fund Balances	<u>\$ 1,180</u>	<u>\$ (1,539)</u>	<u>\$ (1,443)</u>	<u>\$ (3,291)</u>	<u>\$ 3,893</u>	<u>\$ (465)</u>	<u>\$ 474</u>	<u>\$ 14,521</u>	<u>\$ 5,069</u>	<u>\$ 52</u>
Debt service as a percentage of noncapital expenditures	6.8%	7.4%	9.6%	8.2%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%

Note: Fiscal years prior to 2015 are not restated for GASB-68.

^aThe decrease in 2013 investment earnings was due to a low interest rate environment along with an unrealized loss in market value at September 30, 2013.

Schedule 5

City of Clearwater, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Assessed Value ^a							Less:		Total Taxable Assessed Value	Total Direct Tax Rate ^c	Estimated Actual Taxable Value	Assessed Value as % of Actual Value				
	Government and Institutional Property				Personal Property	Other Property	Homestead Assessment Cap Differential ^b										
	Residential Property	Commercial Property	Industrial Property	Institutional Property			Cap	Differential ^b									
14 9t	2008	\$ 11,359,752	\$ 2,385,943	\$ 187,557	\$ 1,500,633	\$ 640,387	\$ 72,913	\$ 2,691,298	\$ 2,307,132	\$ 11,148,755	4.6777	\$ 13,116,182	85.0%				
	2009	9,965,589	2,353,563	192,940	1,586,882	645,460	89,686	1,721,773	2,951,357	10,160,990	4.7254	11,954,106	85.0%				
	2010	8,163,897	2,346,462	185,353	1,156,811	657,933	95,259	907,087	2,878,136	8,820,492	5.1550	10,377,049	85.0%				
	2011	7,069,236	2,043,813	162,529	999,884	630,044	112,864	472,793	2,679,167	7,866,410	5.1550	9,254,600	85.0%				
	2012	6,732,585	2,001,945	149,166	973,917	609,704	94,750	391,670	2,573,448	7,596,949	5.1550	8,937,587	85.0%				
	2013	6,496,278	2,043,952	140,377	1,017,944	593,746	114,615	290,989	2,623,699	7,492,224	5.1550	8,814,381	85.0%				
	2014	6,863,874	2,077,078	149,298	1,057,915	601,743	113,552	485,295	2,640,339	7,737,826	5.1550	9,103,325	85.0%				
	2015	7,713,777	2,145,212	156,487	1,117,973	631,798	113,591	959,433	2,714,945	8,204,460	5.1550	9,652,306	85.0%				
	2016	8,606,077	2,248,376	161,628	1,167,103	659,302	116,457	1,447,451	2,762,807	8,748,685	5.1550	10,292,571	85.0%				
	2017	9,309,714	2,416,458	181,646	1,170,702	653,678	116,714	1,655,985	2,792,826	9,400,101	5.1550	11,058,942	85.0%				

^a Properties are assessed at approximately 85% of market value to reflect cost of sales, personal property included in market value, etc.

^b Florida Statutes, 193.155, provides for an annual cap on assessment increases for "Homestead properties" (properties qualifying for Homestead exemption). The cap is the lower of 3% of the assessed value of the property or the percentage change in the Consumer Price Index for All Urban Consumers.

^c Rate is per \$1,000 of assessed value

Schedule 6

**City of Clearwater, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)**

Fiscal Year	City Direct Rates		Overlapping Rates						Downtown Development Board ^a
	Operating	Total Direct	Pinellas County	Pinellas County Schools	Pinellas Transit District	Emergency Medical Services	Other Districts		
2008	4.6777	4.6777	4.8730	7.7310	0.5601	0.5832	1.5121		0.9651
2009	4.7254	4.7254	4.8730	8.0610	0.5601	0.5832	1.5551		0.9651
2010	5.1550	5.1550	4.8730	8.3460	0.5601	0.5832	1.5106		0.9651
2011	5.1550	5.1550	4.8730	8.3400	0.5601	0.5832	1.4410		0.9651
2012	5.1550	5.1550	4.8730	8.3850	0.7305	0.8506	1.2390		0.9651
2013	5.1550	5.1550	5.0727	8.3020	0.7305	0.9158	1.3034		0.9651
2014	5.1550	5.1550	5.3377	8.0600	0.7305	0.9158	1.2959		0.9651
2015	5.1550	5.1550	5.3377	7.8410	0.7305	0.9158	1.2799		0.9651
2016	5.1550	5.1550	5.3377	7.7700	0.7305	0.9158	1.2629		0.9651
2017	5.1550	5.1550	5.3377	7.3180	0.7500	0.9158	1.2448 ^b		0.9651

Source: Pinellas County Tax Collector

^a A separate taxing district established by referendum which affects only downtown properties.

^b "Other" includes Pinellas County Planning Council 0.0150; Juvenile Welfare Board 0.8981; SW Florida Water Management District 0.3317

Schedule 7

**City of Clearwater, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2008	\$ 52,150,534	\$ 50,215,870	96.29%	\$ 254,422	\$ 50,470,292	96.78%	
2009	48,014,740	46,405,161	96.65%	228,028	46,633,189	97.12%	
2010	45,469,638	43,912,287	96.57%	166,601	44,078,888	96.94%	
2011	40,551,363	39,163,100	96.58%	57,602	39,220,702	96.72%	
2012	39,162,295	37,874,151	96.71%	60,685	37,934,836	96.87%	
2013	38,622,438	37,298,959	96.57%	53,607	37,352,566	96.71%	
2014	39,888,516	38,521,211	96.57%	46,712	38,567,923	96.69%	
2015	42,294,009	40,832,366	96.54%	45,930	40,878,296	96.65%	
2016	45,099,493	43,545,722	96.55%	23,196	43,568,918	96.61%	
2017	48,457,539	46,762,216	96.50%	-	46,762,216	96.50%	

Note 1: Discounts are allowed for early payment: 4% for November, 3% for December, 2% for January, and 1% for February. No discount is allowed for payment in March. Penalties are assessed beginning in April.

Note 2: Prior to fiscal year 2012, the Pinellas County Tax Collector did not allocate delinquent taxes collected by the original tax year levied. Consequently, all collections of delinquent taxes were applied to the immediately preceding tax year. Beginning with fiscal year 2012, the Tax Collector has allocated delinquent taxes collected by the original tax year levied.

Schedule 8a

**City of Clearwater, Florida
Principal Real Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer <u>REAL PROPERTY</u>	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
BELLWETHER PROP FLA	\$ 160,850,000	1	1.80%	\$123,725,100	1	1.16%
B W C W HOSPITALITY LLC	91,144,021	2	1.02%			
P E P F SOLARIS KEY LLC	67,000,000	3	0.75%			
JOHN S TAYLOR PROPERTIES LLC	64,562,743	4	0.72%	44,793,000	3	0.42%
CLEARMAR LLC	62,400,000	5	0.70%			
GRAND RESERVE BORROWER LLC	51,400,000	6	0.57%			
SANDPEARL RESORT LLC	50,552,610	7	0.57%			
SAND KEY ASSOC LTD PARTNERSHIP	49,500,000	8	0.55%	38,600,000	5	0.36%
CENTRO NP CLEARWATER MALL LLC	45,810,750	9	0.51%	45,686,200	2	0.43%
ZOM BAYSIDE ARBORS LTD	44,443,925	10	0.51%	28,488,600	9	0.27%
PARK ISLE CONDO DEV LLC				39,850,000	4	0.37%
WEINGARTEN NOSTAT INC				32,333,000	6	0.30%
W R I COUNTRYSIDE CENTRE LLC				32,000,000	7	0.30%
UNITED DOMINION REALTY TRUST				30,775,000	8	0.29%
DUFF ANDREW R TRUSTEE				25,200,000	10	0.24%
Total	<u><u>\$ 687,664,049</u></u>		<u><u>7.70%</u></u>	<u><u>\$ 441,450,900</u></u>		<u><u>4.14%</u></u>

Source: Pinellas County Property Appraiser

Schedule 8b

**City of Clearwater, Florida
Principal Personal Property Taxpayers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
PERSONAL PROPERTY						
DUKE ENERGY FLORIDA (1)	\$ 97,033,148	1	21.45%	\$59,276,860	1	11.80%
FRONTIER FLORIDA LLC (2)	22,076,599	2	4.88%	47,061,470	2	9.37%
BRIGHT HOUSE NETWORKS LLC	16,644,930	3	3.68%	15,948,930	3	3.17%
BAUSCH & LOMB INC	15,148,751	4	3.35%	9,153,670	4	1.82%
INSTRUMENT TRANSFORMERS INC	10,834,248	5	2.39%	4,546,240	6	0.90%
FLORIDA GAS TRANSMISSION	7,227,330	6	1.60%			
PUBLIS SUPER MARKET	7,098,894	7	1.57%			
OPAL SANDS RESORT	6,788,361	8	1.50%			
MONIN INC	6,749,021	9	1.49%			
WOW! INTERNET, CABLE & PHONE	6,598,480	10	1.46%			
GENERAL ELECTRIC CREDIT CO				4,629,900	5	0.92%
MACY'S FLORIDA				3,686,380	7	0.73%
SIEMENS FINANCIAL SERVICES				3,607,560	8	0.72%
MARRIOTT SUITES CLEARWATER				3,126,200	9	0.62%
SHERATON SAND KEY				3,101,290	10	0.62%
Total	<u>\$ 196,199,762</u>		<u>43.37%</u>	<u>\$ 154,138,500</u>		<u>30.67%</u>

Notes:

- (1) Duke Energy was Progress Energy in 2008.
(2) Frontier Florida LLC was Verizon Florida, Inc. in 2008.

Source: Pinellas County Property Appraiser

Schedule 9

City of Clearwater, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities								Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Public Service Tax Revenue Bonds	Sales Tax Revenue Bonds	Spring Training Facility Intergovernmental Revenue Bonds	Capital Leases	Water/Sewer Revenue Bonds	Gas Revenue Bonds	Stormwater Revenue Bonds	Public Service Tax Revenue Bonds	Capital Leases							
151	2008	\$ 12,970	\$ 12,999	\$ 12,577	\$ 10,560	\$ 131,578	\$ 18,154	\$ 42,353	\$ 9,135	\$ 932	\$ 251,258	5.61%	\$ 2,279			
	2009	12,517	6,620	12,032	9,230	191,959	17,389	41,336	9,135	660	300,878	6.56%	2,738			
	2010	8,514	-	11,474	8,279	186,716	16,618	40,288	-	630	272,519	6.11%	2,531			
	2011	-	-	10,896	8,722	182,887	15,826	39,200	-	808	258,339	6.01%	2,396			
	2012	-	-	10,300	9,058	177,013	15,035	38,409	-	765	250,580	5.51%	2,322			
	2013	-	-	9,686	8,249	170,934	14,367	37,498	-	512	241,246	5.02%	2,212			
	2014	-	-	9,053	9,260	164,714	13,554	36,249	-	296	233,126	4.92%	2,132			
	2015	-	-	8,397	14,033	159,642	12,566	34,791	-	279	229,708	4.77%	2,075			
	2016	-	-	7,717	18,035	152,866	11,563	33,257	-	437	223,875	4.34%	1,992			
	2017	-	-	7,014	21,241	150,862	10,555	31,680	-	1,141	222,493	*	*			

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 14 for personal income and population data. These ratios are calculated using personal income from two fiscal years prior, as noted on Schedule 14.

* Data not available.

Schedule 10

City of Clearwater, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts in thousands, except per capita)

<u>General Bonded Debt Outstanding</u>									
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Public Service Tax Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	<u>Total</u>		<u>Percentage of Actual Taxable Value of Property (a)</u>			<u>Per Capita (b)</u>
2008	\$ -	\$ 12,970	\$ 12,999	\$ 25,969		0.20%	\$ 236		
2009	-	12,517	6,620	19,137		0.16%	174		
2010	-	8,514	-	8,514		0.08%	79		
2011	-	-	-	-		-	-		
2012	-	-	-	-		-	-		
2013	-	-	-	-		-	-		
2014	-	-	-	-		-	-		
2015	-	-	-	-		-	-		
2016	-	-	-	-		-	-		
2017	-	-	-	-		-	-		

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 5 for property value data.

(b) Population data can be found in Schedule 14.

Schedule 11

City of Clearwater, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017
(amounts in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes	\$ -	n/a	\$ -
Other debt			
Pinellas County Government Notes	9,019	13.8%	1,244
Pinellas County Government Capital Leases	438	13.8%	60
Pinellas County School District State Bonds ^b	6,045	13.8%	834
Pinellas County School District Capital Leases	7,008	13.8%	<u>966</u>
Subtotal, overlapping debt			3,104
City direct debt			<u>28,255</u>
Total direct and overlapping debt			<u>\$ 31,359</u>

Sources: Assessed value data used to estimate applicable percentages provided by Pinellas County Property Appraiser. Debt outstanding data is provided by each respective governmental unit.

Pinellas County Government debt is reported as of September 30, Pinellas County School Board debt is reported as of June 30.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Clearwater. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

^b The School District State Bonds are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged for the bonds.

Schedule 12

**City of Clearwater, Florida
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts in thousands)**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as Percentage of Debt Limit
2008	\$ 2,128,847	\$ 224,224	\$ 1,904,623	10.53%
2009	1,942,045	271,594	1,670,451	13.98%
2010	1,672,462	248,800	1,423,662	14.88%
2011	1,982,900	232,771	1,750,129	11.74%
2012	1,911,916	224,409	1,687,507	11.74%
2013	1,904,237	215,753	1,688,484	11.33%
2014	1,955,083	208,318	1,746,765	10.66%
2015	2,057,302	204,926	1,852,376	9.96%
2016	2,170,214	199,317	1,970,897	9.18%
2017	2,307,618	199,611	2,108,007	8.65%

Legal Debt Margin Calculation for Fiscal Year 2017:

Assessed valuation of non-exempt real estate	\$ 11,538,089
Debt Limit (20% of assessed valuation per City Charter)	2,307,618
Debt applicable to limit:	
Revenue bonds	\$ 194,200
Capital leases	22,382
Less: Amount set aside for repayment of bonded debt	<u>(16,971)</u>
	199,611
Legal debt margin	<u>\$ 2,108,007</u>

Note: Per City Charter, the City's indebtedness, to include revenue, refunding, and improvement bonds shall not exceed 20 percent of the current assessed valuation of all real property located in the City.

City of Clearwater, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts in thousands)

Page 1 of 2

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenues</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
Infrastructure Sales Tax Revenue Bonds ^(a)						
2008	\$ 9,863	\$ -	\$ 9,863	\$ 6,105	\$ 641	1.46
2009	8,574	-	8,574	6,355	397	1.27
2010	7,987	-	7,987	6,620	132	1.18
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
Spring Training Facility Revenue Bonds ^(b)						
2008	\$ 1,107	\$ -	\$ 1,107	\$ 500	\$ 577	1.03
2009	1,104	-	1,104	515	561	1.03
2010	1,105	-	1,105	530	544	1.03
2011	1,099	-	1,099	550	526	1.02
2012	1,098	-	1,098	570	507	1.02
2013	1,084	-	1,084	590	485	1.01
2014	1,097	-	1,097	610	463	1.02
2015	1,100	-	1,100	635	439	1.02
2016	1,095	-	1,095	660	413	1.02
2017	1,090		1,090	685	380	1.02
Improvement Revenue Refunding Bonds ^(c)						
2008	\$ 18,280	\$ -	\$ 18,280	\$ 330	\$ 450	23.44
2009	18,987	-	18,987	340	438	24.40
2010	19,680	-	19,680	355	425	25.23
2011	19,081	-	19,081	8,540 ^(d)	291	2.16
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

(a) Pledged revenues for the Infrastructure Sales Tax Revenue Bonds include the City's share of revenues derived by Pinellas County, Florida, from the levy and collection of a one-cent discretionary infrastructure sales surtax pursuant to Section 212.055(2), Florida Statutes, as amended.

(b) Pledged revenues for the Spring Training Facility Revenue Bonds include payments received from the State of Florida pursuant to Section 212.20, Florida Statutes, and payments from Pinellas County, pursuant to an inter-local agreement dated December 1, 2000, along with related interest earnings.

(c) Pledged revenues for the Improvement Revenue Refunding Bonds, issued October 2001, were public service taxes. Effective October 1, 2001, the Florida Legislature repealed the public service tax on communications and created a replacement communications services tax. Consequently the pledged revenues effective October 1, 2001, include both public service taxes and the new communications services taxes.

(d) Principal payment in 2011 includes an additional principal payment in the amount of \$8,170,000 on February 1, 2011 to redeem all outstanding principal as of that date.

Schedule 13 (continued)

**City of Clearwater, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years ^(a)
(amounts in thousands)**

Page 2 of 2

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenues</u>	<u>Debt Service</u>		<u>Coverage</u>	<u>Maximum Coverage ^(a)</u>
				<u>Principal</u>	<u>Interest</u>		
Water & Sewer Utility Revenue Bonds							
2008	\$ 54,014	\$ 38,325	\$ 15,689	\$ 7,080	\$ 3,817	1.44	
2009	56,952	36,305	20,647	7,195	3,773	1.88	
2010	58,220	37,358	20,862	4,685	9,310	1.49	
2011	61,473	40,304	21,169	4,935	9,627	1.45	
2012	63,743	38,479	25,264	5,190	8,008	1.91	
2013	64,665	37,001	27,664	5,465	8,333	2.00	
2014	68,601	44,732	23,869	5,680	8,099	1.73	
2015	72,303	47,680	24,623	5,885	7,675	1.82	
2016	76,164	42,131	34,033	6,375	7,260	2.50	
2017	81,897	50,177	31,720	6,660	5,974	2.51	
Gas Utility Revenue Bonds							
2008	\$ 41,582	\$ 33,562	\$ 8,020	\$ 765	\$ 741	5.33	3.73
2009	39,992	26,813	13,179	770	730	8.79	6.13
2010	40,515	28,517	11,998	775	704	8.11	5.75
2011	37,021	25,934	11,087	795	678	7.53	5.16
2012	36,916	24,919	11,997	795	649	8.31	5.58
2013	37,922	27,159	10,763	825	502	8.11	5.01
2014	41,963	29,173	12,790	925	384	9.77	6.11
2015	41,961	30,407	11,554	980	358	8.64	5.52
2016	39,142	26,591	12,551	995	328	9.49	5.99
2017	40,773	27,927	12,846	1,000	297	9.90	6.13
Stormwater Utility Revenue Bonds							
2008	\$ 13,270	\$ 7,038	\$ 6,232	\$ 1,015	\$ 1,845	2.18	
2009	14,231	7,684	6,547	1,050	1,814	2.29	
2010	15,283	6,766	8,517	1,080	1,782	2.98	
2011	15,656	7,917	7,739	1,120	1,741	2.70	
2012	16,355	8,480	7,875	1,155	1,712	2.75	
2013	16,230	8,217	8,013	1,100	1,421	3.18	
2014	17,256	12,553	4,703	1,300	1,186	1.89	
2015	18,123	11,529	6,594	1,375	1,084	2.68	
2016	18,360	9,537	8,823	1,455	1,079	3.48	
2017	18,685	9,042	9,643	1,500	1,039	3.80	

^(a) Maximum debt service coverage is presented for continuing disclosure on the Gas System Revenue Bonds and is based upon the maximum annual debt service for outstanding bonds and parity bonds.

Schedule 14

**City of Clearwater, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years**

Year	Population (a)	Personal Income (thousands of dollars)	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Annual Average Unemployment Rate (e)
2008	110,251	\$ 4,477,734	\$ 40,614	44.5	15,482	5.5%
2009	109,907	4,587,628	41,741	45.0	14,975	10.1%
2010	107,685	4,456,867	41,388	45.3	14,704	12.4%
2011	107,805	4,300,665	39,893	46.3	14,375	10.9%
2012	107,906	4,546,727	42,136	46.5	14,210	8.7%
2013	109,065	4,807,367	44,078	46.8	14,010	6.7%
2014	109,340	4,738,358	43,336	47.0	14,160	6.2%
2015	110,679	4,812,987	43,486	47.5	14,132	5.0%
2016	112,387	5,163,171	45,941	47.8	14,000	4.8%
2017	113,723	*	*	48.0	13,652	3.3%

- (a) Source is the University of Florida, Bureau of Economic and Business Research
- (b) Data is from per capita personal income for Pinellas County for two years prior. Source is the University of Florida, Bureau of Economic and Business Research.
- (c) Data is for Pinellas County for prior year. Source is the University of Florida, Bureau of Economic and Business Research.
- (d) Source of data is the Pinellas County School District.
- (e) Source for fiscal years 2008 to 2009 is the University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract, Annual Averages of the indicated fiscal year. Source for fiscal 2010 to 2017 is the US Dept of Labor, Bureau of Labor Statistics, Tampa Metro Area as of September 30.

Note: Data is the latest published annual data available for an unspecified point in each year, not specifically September 30.

* Data not available.

Schedule 15

City of Clearwater, Florida
Principal Employers^a
Current Year and Nine Years Ago

Employer	2017 ^b			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	15,000	1	3.09%	13,905	1	3.17%
Bay Pines VA Medical Center	4,600	2	0.95%	2,330	9	0.53%
Raymond James	4,200	3	0.86%	3,022	6	0.69%
City of St. Petersburg	3,314	4	0.68%	3,500	4	0.80%
All Children's Hospital	3,307	5	0.68%			
Pinellas County Sheriff	2,700	6	0.56%			
St. Petersburg College	2,600	7	0.54%			
Morton Plant Hospital	2,432	8	0.50%	2,448	8	0.56%
Home Shopping Network	2,420	9	0.50%	4,000	3	0.91%
Mease Hospital Inc Trustees	2,304	10	0.47%			
Pinellas County Government				6,792	2	1.55%
Nielson Media Research				2,669	7	0.61%
Raytheon				2,200	10	0.50%
Times Publishing Corp.				3,187	5	0.73%
Total Employment ^b	485,802			438,807		

^a Data is for Pinellas County. City data is not available.

^b Source: Florida Research and Economic Database and Pinellas County Department of Economic Development.

Schedule 16

City of Clearwater, Florida
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	327.3	321.6	346.6	326.6	317.5	317.0	312.1	312.0	312.2	323.1
Public safety:										
Fire	212.0	212.0	211.0	205.0	201.0	201.0	201.0	201.0	201.0	204.0
Police	393.9	389.9	370.9	348.5	344.2	343.5	345.5	345.0	352.7	357.7
Physical environment	34.0	33.5	28.5	27.5	17.5	17.0	17.0	17.0	17.0	18.0
Transportation	69.0	67.5	57.5	53.5	37.5	38.0	38.0	38.0	38.0	38.0
Economic environment	64.5	62.5	11.0	11.0	9.0	9.0	10.0	10.0	12.0	10.4
Human services	3.0	2.0	-	-	-	-	-	-	-	-
Culture and recreation:										
Library	88.4	78.3	73.2	73.2	73.6	73.6	73.6	74.4	81.4	82.3
Parks & Rec	221.8	203.7	191.1	184.1	197.7	197.2	199.2	200.9	204.4	211.4
Water & Sewer Utility	168.0	169.0	164.0	166.0	167.0	167.0	176.0	184.0	187.0	188.0
Gas Utility	90.0	84.0	77.0	77.0	79.0	83.0	83.0	87.0	92.0	104.0
Solid Waste Utility	112.0	112.0	112.0	112.0	112.2	112.2	111.5	111.5	111.5	111.5
Stormwater Utility	46.0	47.0	46.0	47.0	48.0	50.0	49.0	49.0	52.0	52.0
Recycling	22.5	22.3	22.3	22.3	22.3	22.3	22.0	22.0	22.0	22.0
Marine	18.6	18.8	17.1	16.1	17.1	17.1	17.1	17.1	17.9	18.5
Clearwater Harbor Marina	-	-	5.6	5.6	5.6	5.6	5.6	5.6	6.7	6.7
Aviation	1.9	1.7	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Parking System	20.7	20.7	31.6	31.6	30.8	30.6	33.7	33.7	35.8	41.3
Total	1,893.6	1,846.5	1,766.8	1,708.4	1,681.4	1,685.5	1,695.7	1,709.6	1,745.0	1,790.3

Source: City of Clearwater Office of Management and Budget

City of Clearwater, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program											
General government:											
Planning	Commercial building permits issued	1,639	1,349	1,365	1,400	1,803	2,065	1,988	1,854	1,706	1,757
	Residential building permits issued	4,773	4,273	4,794	5,102	4,941	4,985	5,756	6,546	6,987	9,134
Public safety:											
Police	Average officer training hours	78	83	51	75	83	83	85	120	115	150
	Total volunteer training hours	1,001	735	39	355	385	412	286	246	1034	58
Fire	Percentage of fire responses under 7.5 minutes	92%	96%	90%	92%	95%	91%	93%	93%	91%	89%
Physical environment	Square feet of sidewalks repaired/constructed	64,201	47,076	53,157	45,169	45,416	28,036	23,651	35,611	36,694	48,075
Transportation	Miles of roadway resurfaced	10	10	5	8	8	0	8	15	15	6
Economic environment	Code enforcement cases brought to compliance	9,300	8,553	6,029	4,346	4,664	4,905	4,431	4,458	4,736	4,771
Human services	City employees that mentor in area schools	24	20	22	18	20	21	6	5	16	13
Culture and recreation:											
Library system	Library visits	976,987	864,350	860,044	833,036	820,000	836,919	600,148	636,006	562,387	522,014
	Circulation	1,181,184	1,161,059	1,147,428	1,087,976	1,058,038	1,099,988	1,019,984	987,430	869,469	891,597
Parks and recreation	Recreation center visitations	1,050,782	868,445	724,769	759,807	738,577	719,393	517,378	696,094	714,657	689,750
	Athletic program visitations	643,995	546,446	547,492	515,665	541,433	1,108,644	989,570	1,066,767	1,093,090	1,104,126
Water and Sewer Utility:											
	Water customers	40,131	39,935	39,971	41,391	41,988	43,500	43,704	44,236	44,743	45,275
	Volume of water pumped (million gallons/day)	11.92	11.52	10.76	11.32	10.90	11.00	12.10	12.10	11.70	11.90
	Sewer customers	33,146	33,084	33,041	33,063	33,093	33,405	33,564	33,390	33,763	33,947
	Miles of sewers cleaned	89	176	208	215	230	229	197	172	160	251
Gas Utility:	Number of customers	19,527	19,527	19,581	19,807	20,029	20,313	20,719	21,049	21,566	22,532
Solid Waste Utility:	Solid waste tonnage collected and disposed	123,018	112,851	110,905	112,936	114,317	116,830	113,218	117,214	124,917	123,425
Stormwater Utility:	Number of equivalent residential units	97,986	98,436	99,536	100,125	100,461	98,195	100,629	101,663	102,798	103,742
Recycling Utility:	Marketable tons recycled	14,006	12,114	9,564	9,250	8,605	8,143	11,716	12,079	13,467	13,438

* Note: No operating indicators are available for marine, aviation, parking and Clearwater Harbor Marina functions.

City of Clearwater, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public safety										
Fire Stations	8	8	8	8	8	8	8	8	8	8
Police Stations	9	6	5	6	6	6	6	7	7	7
Transportation										
Paved streets (miles)	305	313	314	315	316	316	320	321	322	322
Culture and recreation										
Library system										
Volumes in collection (thousands)	601	606	606	601	598	581	582	564	519	528
Parks and recreation										
Parks acreage	1400	1400	1427	1427	1427	1427	1453	1455	1457	1457
Recreational paths (miles)	16	16	16	16	16	16	18	22	22	22
Playgrounds	29	29	29	27	27	27	27	27	27	26
Baseball and softball fields	32	32	32	32	32	34	32	32	32	32
Soccer and football fields	20	20	20	20	20	18	20	20	20	21
Recreation centers	7	7	6	5	5	5	5	5	5	5
Water & Sewer Utility										
Water mains (miles)	575	593	592	592	591	590	597	589	588	585
Sanitary sewer mains (miles)	362	362	363	363	363	363	364	364	369	370
Daily treatment capacity (millions of gallons)	29	29	29	29	29	29	29	29	29	29
Gas Utility										
Gas mains (miles)	814	821	826	830	843	849	862	884	908	930
Stormwater Utility										
Stormwater mains (miles)	146	148	148	148	150	150	151	153	154	154
Marine										
Boat slips	209	207	207	207	203	189	189	189	189	189
Clearwater Harbor Marina										
Boat slips	0	0	126	126	126	126	126	126	126	126
Aviation										
Airpark spaces	177	177	177	177	177	177	177	177	177	177
Parking system										
Parking spaces	3382	3497	3297	2475 ^a	2460	2319	2232	2312	2302	2345

^aThe decrease in parking spaces for fiscal 2011 was loss of Sand Key Park and a management decision to not charge for certain lots.

Sources: Various city departments

Note: No capital asset indicators are available for the general government, physical environment, economic environment, human services, solid waste and recycling functions.

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Other Information

**City of Clearwater, Florida
Continuing Disclosure – Gas System Revenue Bonds
Series 2013 and 2014**

The System:

Rates, Fees and Charges

The City Council has established a schedule of rates and charges by ordinance, which includes a purchased gas cost adjustment provision allowing the City to pass-through to customers any increase or decrease in the purchased price of gas. The City is not subject to regulation by any State agency in establishing or revising its rates. Where competitive fuel sources or transportation service are available to the customer, the City Council has authorized the City Manager to enter into contract gas service rates at special rates and/or conditions as required to obtain/retain the customer load. Such contract service must meet the normal construction feasibility formula to insure profitable payback to the City. For the fiscal year ending September 30, 2017, contract rates applied to an average of 166 customer accounts per month and impacted 6.8% of total revenues.

The rates charged by the System through September 30, 1996, were part of the Phase I Gas Rate Case implemented October 1, 1995, which was based on a comprehensive cost of service study performed by the Utility Advisory Services Group of the international accounting firm of Coopers & Lybrand, LLP (the "Rate Study"). This Phase I implementation resulted in an extensive overhaul of the Gas System customer rates, providing numerous classes of service and a modernized billing methodology.

The new rates, effective October 1, 1996, were designed to be industry-based and responsive to the competitive energy challenges. The goal of the Rate Study was to establish rates which would be fair to all classes of customers, provide funding to implement planned expansion in both existing northern Pinellas County services area and into the newly acquired southwestern Pasco service area, and provide an adequate growth potential in return to the City of Clearwater to further offset the ad valorem tax rates (current impact is about 0.5 mills).

As the result of experiences during the first seven months of the Phase I implementation, adjustments made to the Phase II rates were implemented October 1, 1996, and additional adjustments (Phase III) were implemented effective October 1, 1997. The total projected impact of both new phases of the rate case was \$1.05 million, or less than 7.9% of total gas sales revenues.

The rate ordinance containing the Phase II and Phase III rate changes was approved by the City Council on June 6, 1996. Gas rates for customer charges were increased effective April 1, 2005. The total estimated annual impact of this rate increase was \$373,352.

New rates, effective October 1, 2008, were designed to recover the costs of providing service to respective classes of customers. The goal of the "Cost of Service and Rate Study" was to establish rates which would be sufficient to meet Clearwater Gas System's total revenue requirements and reflect cost of service consideration and practical rate implementation constraints as required.

CLEARWATER GAS SYSTEM
NATURAL GAS RATE BILLING FACTORS
FOR JUNE 1, 2017 - SEPTEMBER 30, 2017 BASED ON APPROVED GAS ADJUSTMENT FACTORS

	Firm Natural Gas Rate Schedules													<u>Interr. NG Rate</u>	<u>Contract NG Rate</u>	<u>Contract NG Rate</u>			
	<u>RS</u>	<u>SMF</u>	<u>MMF</u>	<u>LMF</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>RAC</u>	<u>GAC</u>	<u>LAC</u>	<u>SL</u>	<u>SL w/M& Relight</u>	<u>NGV</u>	<u>(Non-Resl)</u>	<u> NSS</u>	<u>IS</u>	<u>CNS</u>	<u>CNS</u>	
Applicable Annual Therm Range or Other Rate Determinant	NA (1 - 3 Units)	NA (4 + Units)	NA (4 + Units)	NA (4 + Units)	0 - 17,999	18,000- 99,999	100,000 & up	NA (1 - 3 Units)	NA (0 - 149 tons)	NA (150 tons & +)	NA	NA	NA	NA	NA	100,000 & up	NA	NA	
Monthly Customer Charge (For Central Pasco Territory)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$20.00 (\$30.00)	\$20.00 (\$30.00)	\$20.00 (\$30.00)	By Contract (By Contract)	\$50.00 (\$75.00)	\$250.00 (\$400.00)	By Contract (By Contract)	By Contract (By Contract)	
Non-Fuel Energy Charge/Therm																			
Non-Fuel Energy Charge	\$0.44	\$0.44	\$0.44	\$0.44	\$0.42	\$0.38	\$0.34	\$0.20	\$0.15	\$0.10	\$0.20	\$0.35	By Contract	\$0.42	\$0.24	By Contract	By Contract		
Energy Conservation Adj. (ECA)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Regulatory Imposition Adj. (RIA)	0.14	0.14	0.14	0.14	0.14	0.14	0.14	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Usage & Inflation Adj. (UIA)	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	
Total Non-Fuel Energy Charge	\$0.81	\$0.81	\$0.81	\$0.81	\$0.81	\$0.77	\$0.73	\$0.20	\$0.15	\$0.10	\$0.20	\$0.35	By Contract	\$0.42	\$0.24	By Contract	By Contract		
Purchased Gas Adjustment (PGA)	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.89</u>	<u>0.80</u>	<u>0.89</u>	<u>0.80</u>	<u>0.80</u>	<u>0.80</u>	<u>0.80</u>	
Total Energy Charge/Therm	1.70	1.70	1.70	1.70	1.70	1.66	1.62	1.09	1.04	0.99	1.09	1.24	0.80	1.31	1.04	0.80	0.80	0.80	
Minimum Monthly Bill (For Central Pasco Territory)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$20.00 (\$30.00)	\$20.00 (\$30.00)	\$20.00 (\$30.00)	By Contract (By Contract)	\$50.00 (\$75.00)	\$250.00 (\$400.00)	Customer Charge +	Customer Charge +	Non-Fuel Therm Rate for Contract # of Therms
								@ premise	@ premise	@ premise	+ FAC	+ FAC	+ FAC	+ FAC	+ Non-Fuel Therm Rate for Contract # of Therms	+ Non-Fuel Therm Rate for Contract # of Therms	Non-Fuel Therm Rate for Contract # of Therms		
Compares to LP/Gallon Rate of with 6.0% Franchise	\$ 1.56 \$ 1.65	\$ 1.56 \$ 1.65	\$ 1.56 \$ 1.65	\$ 1.56 \$ 1.65	\$ 1.56 \$ 1.65	\$ 1.52 \$ 1.61	\$ 1.48 \$ 1.57	\$ 1.00 \$ 1.06	\$ 0.95 \$ 0.91	\$ 0.91 \$ 0.96	\$ 1.00 \$ 1.06	\$ 1.13 \$ 1.20	\$ 0.73 \$ 0.78	\$ 1.20 \$ 1.27	\$ 0.95 \$ 1.01				
Change from 9/2014 Therm Rate % Change from 9/2014 Therm Rate	\$ (0.05) \$ -2.2%	\$ (0.05) \$ -2.2%	\$ (0.05) \$ -2.2%	\$ (0.05) \$ -2.2%	\$ (0.05) \$ -0.5%	\$ 0.01 \$ 0.5%	\$ 0.03 \$ 1.5%	\$ (0.05) \$ -2.7%	\$ (0.05) \$ -2.7%	\$ (0.05) \$ -2.8%	\$ (0.05) \$ -2.7%	\$ (0.05) \$ -2.5%	\$ (0.05) \$ -2.8%	\$ (0.09) \$ -4.2%	\$ (0.09) \$ -5.2%	\$ (0.09) \$ -3.4%	\$ (0.05) \$ -21.9%	-\$0.32	
Utility Tax Note:																			
Fuel Rate per Therm 10/01/1973	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.055	\$0.069	\$0.069		
Non-Utility Taxable Fuel/Therm	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.821	\$0.731	\$0.821	\$0.745	\$0.731	\$0.731	
BTU FACTOR = THERMS/100 CUBIC FEET (CCF)																			
	10/2016	11/2016	12/2016	01/2017	02/2017	03/2017	04/2017	05/2017	06/2017	07/2017	08/2017	09/2017		FY 16/17 Avg.					
Firm Service Rates	1.047	1.050	1.044	1.045	1.046	1.044	1.045	1.045	1.043	1.044	1.038	1.045		1.045					
Interruptible Service Rates	1.027	1.030	1.024	1.025	1.025	1.024	1.024	1.024	1.023	1.024	1.017	1.024		1.024					

City of Clearwater, Florida
Continuing Disclosure - Gas System Revenue Bonds
Series 2013 and 2014

GAS SUPPLY

On August 1, 1990, the Federal Energy Regulatory Commission (FERC) deregulated the natural gas pipeline industry. This allows other natural gas suppliers and local distribution companies, like the City of Clearwater, to transport gas over the Florida Gas Transmission (FGT) pipelines as opposed to purchasing natural gas supply from only FGT.

The two natural gas transmission companies that serve within the State of Florida are Florida Gas Transmission (FGT) and Gulfstream. Currently FGT is the sole provider of transportation service to the City. FGT is owned by Citrus Corp. Citrus Corp is owned 50% by Energy Transfer Partners, LLC AND 50% by Kinder Morgan, Inc. FGT is operated by Panhandle Energy, a subsidiary of Energy Transfer Partners.

The City joined Florida Gas Utility (FGU) in October 2000 by Resolution 00-35. FGU is responsible for the purchase & management of the City's natural gas supply. An updated All Requirements Gas Service Agreement, which was approved by Resolution 02-02 in January 2002, required the City to purchase 100% of its supply through FGU. FGU was formed through an Interlocal Agreement among its members. The Interlocal Agreement became effective on September 1, 1989 and consisted of five municipal utilities. Over the next several years, additional electric and gas distribution utilities joined FGU, bringing its current membership to 23.

In addition, the City has entered into a Gas Supply & Transportation Agreement with Peoples Gas System (PGS), dated 12/02/04, to purchase natural gas to serve customers located in our Central Pasco territory, generally east of the Suncoast Parkway in Pasco County. The City received a letter from FGU Council, dated 8/31/04, granting the City permission to utilize TECO Peoples Gas as a third party gas supplier since FGU is unable and unwilling to provide gas to the City within the meaning of the provisions of Section 3 (a)(i) and (ii) of the All Requirements Gas Service Agreement between the City and FGU.

The City has two Firm Transportation Service agreements (FTS-1 & FTS-2) with FGT in order to deliver natural gas to the City's four gate stations. FGU is currently managing the City's Phase II (FTS-1) and Phase III (FTS-2) transportation capacity on a daily basis. Table 1 shows the breakdown of the City's annual gas supply entitlements with FGT. The total annual entitlement is 3,212,226 decatherms of natural gas transportation.

Table 1 Breakdown of Transportation Capacity

Contract Period	Phase II (FTS-1) MMBtu Per Day 2/01/17 - 1/31/27	Phase III (FTS-2) MMBtu Per Day 12/9/91 - 2/28/25	Total MMBtu Per Day
October	170,438	41,788	212,226
Nov-Mar	1,543,069	268,931	1,812,000
April	216,570	53,430	270,000
May-Sept	711,756	206,244	918,000
Total Annual	2,641,833	570,393	3,212,226

**City of Clearwater, Florida
Continuing Disclosure – Gas System Revenue Bonds
Series 2013 and 2014**

Service Area

The Clearwater Gas System (CGS) is owned and operated as an enterprise utility by the City of Clearwater. CGS operates over 930 miles of underground gas main and handles the supply and distribution of both natural and propane (LP) gas throughout northern Pinellas County and western Pasco County. As a “full service” gas utility, CGS provides gas appliance sales, installation of inside customer gas piping, domestic and commercial gas equipment service, construction and maintenance of underground gas mains and service lines, and 24-hour response to any gas emergency within the service area. The Florida Public Service Commission and the Federal Department of Transportation regulate CGS for safety.

CGS has been serving customers in the Clearwater area for over 94 years (since 1923) when operations began with a manufactured gas plant operation from coal and coke. In 1959, when natural gas transmission lines were finally extended to the Florida peninsula, CGS discontinued manufacturing gas and began receiving piped natural gas from Florida Gas Transmission.

Clearwater Gas System serves over 22,532 customers in a 330 square mile service territory, which includes 20 municipalities as well as the unincorporated areas of northern Pinellas County and western Pasco County. The Pinellas County service territory is 158 square miles and extends generally from Ulmerton and Walsingham Roads on the south to the Pasco County line on the north and from the Gulf of Mexico on the West to the Hillsborough County line on the east. This includes all of the Pinellas beach communities south to Redington Beach. The Pasco County service territory is 172 square miles and extends from the Gulf of Mexico on the West inland about 20 miles to just east of State Road 41 and Land O' Lakes and from the Pinellas and Hillsborough County lines on the South to generally State Road 52 on the north. The CGS service territory extends 42.3 miles from the southwestern-most to the northwestern-most points.

Clearwater Gas System prides itself in being a competitive and public service-minded utility, providing safe, economical and environmentally-friendly gas, which is made in America, available in our communities for all of the homes and businesses in our service area, with special focus on the residential customers who make up 89% of our customer base.

City of Clearwater, Florida
Continuing Disclosure - Gas System Revenue Bonds
Series 2013 and 2014

As of September 30, 2017 the System's active natural gas customers were located as shown in the following table:

Location	Meters	Percentage
Belleair	472	2.23%
Belleair Beach	228	1.08%
Belleair Bluffs	36	0.17%
Belleair Shores	33	0.16%
Clearwater	6,979	32.99%
Dunedin	1,260	5.96%
Indian Rocks Beach	125	0.59%
Indian Shores	117	0.55%
Largo	1,090	5.15%
New Port Richey	74	0.35%
North Redington Beach	61	0.29%
Oldsmar	137	0.65%
Port Richey	16	0.08%
Redington Beach	162	0.77%
Redington Shores	88	0.42%
Safety Harbor	658	3.11%
Tarpon Springs	1,594	7.54%
Unincorporated Areas Pasco	3,701	17.50%
Central Pasco	1,253	5.93%
Unincorporated Areas Pinellas	3,062	14.48%
Total	<u>21,146</u>	<u>100.00%</u>

The following table shows the five largest interruptible customers by peak monthly consumption and the percent of the System's revenues derived from such customers during the 12 months ending September 30, 2017:

Customer Name	Peak Monthly Therms	% of Gross Revenues
New Port Richey Hospital, Inc.	68,975.3	2.15%
Metal Industries	126,972.9	2.13%
Morton Plant Hospital	103,316.9	2.12%
Ajax Paving Industries	130,992.1	2.03%
Mease Hospital	77,460.3	1.57%

The following table shows the breakdown of the System's customers by category as well as the volume of gas sold and the sales revenues generated by each category for the year ended September 30, 2017:

	Average No. Customers	Gas Volume	Gas Sales
	Therms	Revenues	
Interruptible (including Gas Station)	19	31.14%	16.08%
Residential	18,755	13.86%	23.64%
Commercial (excluding Gas Station)	2,372	54.99%	60.27%
Interruptible (including Gas Station)	7,551,145.6	\$ 5,395,033	
Residential	3,361,242.4	7,930,444	
Commercial (excluding Gas Station)	13,333,875.2	20,216,920	
Totals	<u>24,246,263.2</u>	<u>\$ 33,542,397</u>	

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011, 2014, 2017 and 2017B; and Revenue Bonds Series 2009A

Historical Financial Information

Water System:

Source and Volume of Water Pumped (in million gallons per day, averaged over the fiscal year)			
FY	City Wells	County	Total
2013	5.4	5.6	11.0
2014	5.2	6.9	12.1
2015	7.0	5.1	12.1
2016	8.0	3.7	11.7
2017	6.8	5.1	11.9

Historical Growth in Number of Water Customers
(all figures are as of September of the year indicated)

FY	Potable Water Service Customers	Reclaimed Water Service Customers	Total Water Service Customers
2013	36,547	6,953	43,500
2014	36,651	7,053	43,704
2015	37,018	7,218	44,236
2016	37,302	7,441	44,743
2017	37,598	7,677	45,275

Ten Largest Water Customers
Fiscal Year Ending September 30, 2017

Name of User	Water Used (in 100 Cubic Feet)	Revenues Produced
1. CITY OF CLEARWATER	87,106	\$ 1,056,013
2. CHURCH OF SCIENTOLOGY	129,760	869,704
3. MORTON PLANT HOSPITAL	71,223	581,325
4. PINELLAS COUNTY SCHOOLS	40,441	408,971
5. PINELLAS COUNTY GOVERNMENT	16,899	253,600
6. SANDPEARL RESORT LLC	35,087	233,326
7. CF PARK PLACE GARDENS LLC	31,646	200,333
8. CP CLEARWATER LLC (HILTON)	31,952	179,822
9. CLEARWATER HOUSING AUTHORITY	27,357	172,933
10. SHERATON SAND KEY	30,110	161,454
	<u><u>501,581</u></u>	<u><u>\$ 4,117,481</u></u>

Reclaimed Water System:

Year	Average Daily Flow MGD
2013	5.0
2014	5.3
2015	4.7
2016	5.2
2017	6.4

**City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011, 2014, 2017 and 2017B; and Revenue Bonds Series 2009A**

Sewer System:

Average Sewage Flow and Historical Growth in Number of Sewer Customers
(as of September of the year indicated)

Year	Flow in MGD	Sewer Customers
2013	13.2	32,649
2014	12.3	32,815
2015	13.8	33,390
2016	13.5	33,763
2017	12.5	33,947

**Ten Largest Sewer Customers
Fiscal Year Ending September 30, 2017**

Name of User	Sewer Used (in 100 Cubic Feet)	Revenues Produced
1. CHURCH OF SCIENTOLOGY FSO INC	94,970	\$ 685,178
2. CITY OF CLEARWATER	40,602	670,882
3. MORTON PLANT HOSPITAL	66,884	639,329
4. PINELLAS COUNTY SCHOOLS	39,224	517,232
5. SANDPEARL RESORT LLC	35,087	242,765
6. CF PARK PLACE GARDENS LLC	31,646	231,153
7. CP CLEARWATER LLC (HILTON)	31,780	224,769
8. CLEARWATER HOUSING AUTHORITY	27,117	218,900
9. SHERATON SAND KEY	30,110	215,643
10. PINELLAS COUNTY GOVERNMENT	9,088	212,814
	<u>406,508</u>	<u>\$ 3,858,665</u>

Rates, Fees and Charges

The City uses a three-tiered rate structure for water and sewer usage. The base rate for water includes a minimum usage for residential and nonresidential water rates. Any usage over the minimum is billed at one rate per 1,000 gallons up to a designated level and at a second rate for usage over that level. For irrigation, there is a base rate, with no usage allowance, and a charge per 1,000 gallons of water usage up to a designated level and a higher charge for usage over that amount. The sewer base rate includes a minimum usage and a fixed charge per 1,000 gallons of water usage over the basic allowance. The minimum usage and second and third tier usage levels vary with the size of the meters. For fiscal year 2017 there were no changes to the three-tiered rate structure for water or sewer usage.

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011, 2014, 2017 and 2017B; and Revenue Bonds Series 2009A

Residential and Nonresidential Water Rates		October 1, 2013	October 1, 2014	October 1, 2015	October 1, 2016	October 1, 2017
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 17.80	\$ 18.60	\$ 19.44	\$ 20.16	\$ 20.91
	1 inch	41.54	43.41	45.36	47.04	48.79
	1.5 inch	593.40	620.10	648.00	672.00	697.00
	2 inch	1,382.64	1,444.86	1,509.88	1,565.76	1,624.01
	3 or 2 inch manifold	2,130.34	2,226.21	2,326.39	2,412.48	2,502.23
	4 inch	4,100.43	4,284.95	4,477.77	4,643.52	4,816.27
	6 inch	10,532.96	11,006.94	11,502.25	11,928.00	12,371.75
	8 inch	17,802.19	18,603.29	19,440.44	20,160.00	20,910.00

Additional charges are assessed for usage in excess of designated minimums.

Rates for Irrigation (Lawn) Meters		October 1, 2013	October 1, 2014	October 1, 2015	October 1, 2016	October 1, 2017
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 6.34	\$ 6.63	\$ 6.93	\$ 7.19	\$ 7.46
	1 inch	19.04	19.90	20.80	21.58	22.39
	1.5 inch	95.30	99.59	104.07	107.97	112.02
	2 inch	266.83	278.84	291.39	302.32	313.65
	3 or 2 inch manifold	527.30	551.03	575.83	597.42	619.83
	4 inch	1,016.50	1,062.24	1,110.04	1,151.67	1,194.85
	6 inch	3,068.56	3,206.65	3,350.95	3,476.61	3,606.98

Sewer Rates		October 1, 2013	October 1, 2014	October 1, 2015	October 1, 2016	October 1, 2017
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 24.51	\$ 25.62	\$ 26.76	\$ 27.75	\$ 28.80
	1 inch	57.19	59.78	62.44	64.75	67.20
	1.5 inch	817.00	854.00	892.00	925.00	960.00
	2 inch	1,903.61	1,989.82	2,078.36	2,155.25	2,236.80
	3 or 2 inch manifold	2,933.03	3,065.86	3,202.28	3,320.75	3,446.40
	4 inch	5,645.47	5,901.14	6,163.72	6,391.75	6,633.60
	6 inch	14,501.75	15,158.50	15,833.00	16,418.75	17,040.00
	8 inch	24,510.00	25,620.00	26,760.00	27,750.00	28,800.00

Per 1,000 gallons of water used over the allowed minimum	8.17	8.54	8.92	9.25	9.60
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Additional Indebtedness

No additional indebtedness was incurred for capital improvements to the water and sewer systems. Additional indebtedness in the amount of \$154,800 was incurred for the lease purchase of capital equipment.

**City of Clearwater, Florida
Continuing Disclosure – Stormwater System Revenue Refunding Bonds
Series 2012, 2013 and 2014**

Rates, Fees, and Charges

The City uses a measurement of one equivalent residential unit or ERU as the basis for the stormwater management utility fee. The rates per ERU from the inception of the utility are as follows:

Effective Date	Rate per ERU	Effective Date	Rate per ERU
January 1, 1991	\$3.00	October 1, 2008	\$11.14
October 1, 1998	4.00	October 1, 2009	11.80
October 1, 1999	4.17	October 1, 2010	12.51
October 1, 2000	4.35	October 1, 2011	13.04
October 1, 2001	4.54	October 1, 2012	13.40
January 1, 2002	6.13	October 1, 2013	13.77
October 1, 2002	7.16	October 1, 2014	14.15
October 1, 2003	8.01	October 1, 2015	14.33
October 1, 2004	8.65	October 1, 2016	14.51
October 1, 2005	9.35	October 1, 2017	14.58
October 1, 2006	9.71	October 1, 2018	14.65
October 1, 2007	10.51		

Single-family homes, multifamily units, condominium units, apartments and mobile homes are rated as one ERU per dwelling unit. Nonresidential property is charged at the rate of 1,830 square feet of impervious area per ERU.

HISTORICAL NET REVENUES

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Operating Revenues (Excluding Depreciation)	\$ 8,105,045	\$ 4,207,288	\$ 5,916,286	\$ 8,386,312	\$ 9,528,117
Interest Income and other					
Non-operating Revenues (Expenses)	(92,148)	495,462	677,829	437,129	114,729
Total Net Revenues	<u>\$ 8,012,897</u>	<u>\$ 4,702,750</u>	<u>\$ 6,594,115</u>	<u>\$ 8,823,441</u>	<u>\$ 9,642,846</u>
Maximum Annual Debt Service	\$ 2,608,421	\$ 2,568,762	\$ 2,568,762	\$ 2,568,762	\$ 2,568,762
Coverage	3.07	1.83	2.57	3.43	3.75

**City of Clearwater, Florida
Fire Services Program**

Pursuant to agreements between the City of Clearwater, the Pinellas County Fire Authority and the Pinellas County Emergency Medical Services Authority, the City has provided fire and emergency medical services to the respective authorities. With respect to fire services, the services are provided for the benefit of properties located outside the corporate limits of the City, but within a designated service area. Emergency medical services are provided for the benefit of persons residing both inside and outside the corporate limits of the City, based on the Authority's nearest unit dispatch policy.

With respect to the Fire Services Program, a budget was prepared by Fire Department personnel covering proposed expenditures for fiscal year ending September 30, 2017, for the Fire Department as a whole. Since the funding for the Emergency Medical Services Program is based on the level fixed in prior years, the Fire Services Program budget is essentially the residual obtained by deducting the approved level of funding for the Emergency Medical Services Program from the budgeted amounts included in the total Fire Department budget. This budget was submitted to, and duly approved by, the relevant Authority prior to the commencement of the fiscal year. Income received from Pinellas County Fire Protection Authority and valid program expenditures for the Fire Services Program for the fiscal year ended September 30, 2017 are summarized below.

Total Revenue Received from Pinellas County Fire Protection Authority	\$ 2,143,087
Total Fire Service Expenditures for Fiscal Year Ended September 30, 2017	\$ 18,988,521

The Fire Service Program does not currently utilize an equipment reserve.

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Single Audit / Grants Compliance

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**Report of Independent Auditor 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 Mayor and City Council Members
City of Clearwater, 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 Clearwater, Florida (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2018. We have also audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended September 30, 2017, as listed in the table of contents.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tampa, Florida
March 23, 2018

**Report of Independent Auditor on Compliance for Each Major Federal Program and
State Financial Assistance Project, and on Internal Control over Compliance Required
by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General***

To the Honorable Mayor and City Council Members
City of Clearwater, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited the City of Clearwater, Florida's (the "City") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement* that could have direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2017. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Programs and State Financial Assistance Projects

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



Tampa, Florida
March 23, 2018

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2017

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Federal Share of Expenditures	Transfers to Subrecipients
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development:				
Community Development Block Grant - Entitlement	14.218	B-14-MC-12-0002	\$ 493,992	\$ 251,856
	14.218	B-15-MC-12-0002	108,188	95,034
	14.218	B-16-MC-12-0002	18,732	
ARRA-Neighborhood Stabilization Program 3	14.218	Program Income	311	
	14.218		621,223	346,890
Home Investment Partnerships Program	14.239	M-12-MC-12-0230	5,112	
		M-13-MC-12-0230	29,009	
		M-14-MC-12-0230	16,484	
	14.239	Program Income	1,242,495	4,500
	14.239		1,293,100	4,500
Total U.S. Department of Housing and Urban Development			1,914,323	351,390
U.S. Department of the Interior:				
National Park Service Passed through Florida Dept of Environmental Protection Moccasin Lake Nature Park Project	15.916	DEP LW625 12-00625	186,322	
Total U.S. Department of the Interior			186,322	-
U.S. Department of Justice:				
Federal Forfeiture Sharing	16.000	FL0520300	123,616	
National Institute of Justice Clearwater Cold Case Team Project 2014	16.560	2014-DN-BX-K086	5,969	
FL Council Against Sexual Violence	16.588	16STO68	2,182	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0255	50,908	
Total U.S. Department of Justice			182,675	-
U.S. Department of Transportation:				
Federal Highway Administration Passed through Florida Dept of Transportation: Federal-Aid Highway Program - HVE for Pedestrian & Bicycle Safety	20.205	Contract #GOEO8	50,100	
Passed through Florida Dept of Transportation: Recreation Trails Program	20.219	Project T15008	77,344	
Total U.S. Department of Transportation			127,444	-
U.S. Dept of Health & Human Services				
Centers for Disease and Control Passed through Pinellas County Health Department	93.331	1U58DP005597	5,283	
Total U.S. Dept of Health & Human Services			5,283	-

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2017

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Federal Share of Expenditures	Transfers to Subrecipients
National Endowment for the Humanities				
Promotion of the Humanities - Division of Preservation and Access	45.149	PY-234444-16	100	
Total National Endowment for the Humanities			100	-
 U.S. Department of Homeland Security				
Passed through the Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	17-PA-W1-08-62-01-133	371,281	
Total U.S. Department of Homeland Security			371,281	-
Total Federal Financial Assistance			\$ 2,787,428	\$ 351,390

See accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2017

State Grantor / Pass-through Grantor / Program Title	CSFA Number	Grant I.D. Number	State Share of Expenditures (a)	Transfers to Subrecipients
STATE FINANCIAL ASSISTANCE				
Florida Department of Environmental Protection:				
Florida Recreation Development Assistance Program	37.017	McMullen Tennis Courts	\$ 350	\$
Florida Recreation Development Assistance Program	37.017	Countryside Sports Complex	41,904	
Total Florida Department of Environmental Protection			42,254	-
Florida Department of Community Affairs:				
Florida Housing Finance Corporation State Housing Initiative Partnership Program (SHIP)	40.901	N/A	644,934	121,073
Total Florida Department of Community Affairs			644,934	121,073
Florida Department of Economic Opportunity				
Economic Development Partnerships	40.024	Growth Management Implementation	20,000	
Total Florida Department of Community Affairs			20,000	-
Florida Department of Transportation:				
Rehabilitation of Hanger D	55.004	FPN:425922-1-94-01; Contract ARB48	4,186	
Florida Highway Beautification Council Grant	55.003	FPID 438701-1-58-01	181,380	
Total Florida Department of Transportation			185,566	-
Florida Department of Revenue:				
Phillies Stadium	73.016	N/A	500,004	
Total Florida Department of Revenue			500,004	-
Total State Financial Assistance			1,392,758	121,073
Total Expenditures of Federal Awards and State Financial Assistance Projects			\$ 4,180,186	\$ 121,073

(a) Funded with State grants and aids appropriations.

See accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.

City of Clearwater, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2017

NOTE 1 – Basis of Presentation

(a) Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects ("Schedule") presents the activity of all federal financial and state grant activity projects of the City of Clearwater, Florida (the "City"). Federal and state financial assistance received directly from federal and state agencies, and federal financial assistance passed through other governmental agencies are included on the schedules. The information in this schedule is presented in accordance with the requirements of *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.

(b) Disaster Grants – Public Assistance (Presidentially Declared Disaster) (97.036)

After a Presidential Declared Disaster, the Federal Emergency Management Agency (FEMA) provides a Public Assistance Grant to reimburse eligible costs associated with emergency response, debris removal, and eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal Government reimburses in the form of cost-shared grants.

During fiscal 2017, FEMA approved approximately \$126,698 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

NOTE 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects is presented using the modified accrual or accrual basis of accounting, depending on the type of fund in which the grant is recorded, as described in Note 1.C. to the City's basic financial statements.

NOTE 3 – CFDA/CSFA Numbers

CFDA numbers represent Catalog of Federal Domestic Assistance and apply only to federal awards. CSFA numbers represent Catalog of State Financial Assistance and apply only to state financial assistance.

NOTE 4 – Subrecipients

Of the federal and state expenditures presented in the Schedule, the City provided federal and state awards to subrecipients as follows:

Program Title	Federal CFDA/ State CSFA	Amount Provided To Subrecipients
U.S. HUD Community Development Block Grant	14.218	\$ 346,890
U.S. HUD Home Investment Partnerships Program	14.239	\$ 4,500
Florida Housing Finance Corporation, State Housing Initiative Partnership Program	40.901	\$ 121,073

City of Clearwater, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2017

NOTE 5 – Loans Outstanding

The current year additions related to the loans are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects. The City had the following loan balances outstanding, net of \$12,344,056 allowance for uncollectable accounts, at September 30, 2017.

14.218	Community Development Block Grant	\$ 852,907
14.239	Home Investment Partnership Program	1,937,535
40.901	State Housing Initiative Partnership	<u>1,928,142</u>
		<u>\$ 4,718,584</u>

NOTE 6 – State Housing Initiatives Partnership (SHIP) Program

The State of Florida associated the Florida Housing Finance Corporation with the Department with the Department of Economic Opportunity. This reorganization changed the Catalog of State Financial Assistance number “CSFA number” associated with the Innovation Incentive Program from 52.901 to 40.901.

NOTE 7 – Indirect Cost Rate

The City did not utilize the 10% de minimis indirect cost rates for reimbursement of grant expenditures for the fiscal year ended September 30, 2017.

CITY OF CLEARWATER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

Part I—Summary of auditor's results

Financial Statement Section

Type of auditor's report issued: _____ Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

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

Noncompliance material to financial statements noted _____ yes no

Federal Awards Programs and State Projects Section

Internal control over major programs:

Material weakness(es) identified? _____ yes no

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

Type of auditors' report on compliance for major federal and state programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes no

Any audit findings disclosed that are required to be reported in accordance with 10.550? _____ yes no

Identification of major federal programs and state projects:

Federal programs:

CFDA Numbers	Name of Program or Cluster
14.239	Home Investment Partnerships Program

State projects.

CSFA Numbers	Name of Project
40.901	State Housing Initiatives Partnership Program
73.016	Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise

CITY OF CLEARWATER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2017

Part I—Summary of auditor's results (continued)

Dollar threshold used to determine Type A programs:

Federal programs	\$ 750,000
State projects	\$ 300,000

Auditee qualified as low-risk auditee for federal purposes?

yes no

Part II—Schedule of financial statement findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported by *Government Auditing Standards*.

Part III—Findings and questioned costs - major federal award programs

This section identifies the significant deficiencies, material weaknesses, and material instances of non-compliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Part IV—Findings and questioned costs – major state financial assistance projects

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state projects, as required to be reported by Chapter 10.550.

There were no findings required to be reported in accordance with Chapter 10.550.

CITY OF CLEARWATER, FLORIDA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

Finding 2016-001: Material Weakness in Internal Controls over Compliance and Material Noncompliance

Finding: During the audit it was noted that the City did not maintain adequate controls over compliance with subrecipient monitoring. As a result, there was no evidence that could be provided to document that subrecipient monitoring was performed during the year ending September 30, 2016.

Status/Corrective Action: The City enhanced its internal controls over compliance and material noncompliance by adopting a policies and procedures manual to include subrecipient monitoring procedures, elements and frequency of monitoring and a comprehensive checklist to ensure compliance. These controls were properly implemented and found to be operating effectively during the fiscal year ended September 30, 2017.

Independent Auditor's Management Letter

To the Honorable Mayor and City Council Members
City of Clearwater, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Clearwater, Florida (the "City"), as of and for the year ended September 30, 2017, and have issued our report thereon dated March 23, 2018.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Report of Independent Auditor 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*; Report of Independent Auditor on Compliance for Each Major Federal Program and State Assistance Project and on Internal Control over Compliance Required by Uniform Guidance and Chapter 10.550, *Rules of the Auditor General of the State of Florida*; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies, regarding compliance in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosure in those reports and schedule, which are dated March 23, 2018, 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. No recommendations were 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. Such disclosure is included 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 that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did note one such finding which is listed in Appendix A to this Management Letter.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is fluid and cursive, with "Cherry Bekaert" on the top line and "LLP" on the bottom line.

Tampa, Florida
March 23, 2018

CITY OF CLEARWATER, FLORIDA
APPENDIX A – MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2017

FINDING 001 – Abuse of Sick Leave Policy

Condition: Certain former employees of the City of Clearwater Fire Department received compensation they were ineligible for.

Criteria: Employees should be paid for time entitled to, based on the City's written policy.

Effect: Payroll related costs totaling approximately \$201,000 between fiscal years 2013 through 2018 were overpaid to 12 former employees of the City of Clearwater Fire Department.

Cause: Fire Department management was not adequately enforcing the City's written policy, procedure, employee contracts, and collective bargaining agreement.

Recommendation: The City's internal audit should investigate the controls preventing the abuse of sick leave.

Management Response: Management concurs and will direct internal audit to conduct the recommended investigation.

**Report of Independent Accountant on Compliance
with Local Government Investment Policies**

To the Honorable Mayor and City Council Members
City of Clearwater, Florida

We have examined the City of Clearwater, Florida's (the "City") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and *Rules of the Auditor General*.



Tampa, Florida
March 23, 2018