



2015/2016

CITY OF CLEARWATER, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016



CLEARWATER
BRIGHT AND BEAUTIFUL • BAY TO BEACH



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**City of Clearwater, Florida
Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2016**



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, 2016

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CITY OF CLEARWATER

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CITY MANAGER

March 28, 2017

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, 2016.

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, 2016, 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, 2016, 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.



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 four consecutive years of increases: 3.3%, 6.0%, 6.6% and 7.5% increases for January 1, 2013, 2014, 2015, and 2016 tax rolls, respectively. Additionally, the Tampa Bay metropolitan area experienced an improvement in the unemployment rate as it decreased from the September 1, 2015 rate of 4.9% to 4.7% as of September 30, 2016. The metro area rate of 4.7% compares favorably to a national rate of 4.9% and a state unemployment rate of 5.1% as of September 30, 2016. 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, and Capitol Theatre, along with construction of an apartment complex of 257 high-end units adjacent to downtown's Prospect Lake Park that is near completion.

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 enterprise funds be maintained at a level equivalent to the greater of three months of operation and maintenance expenses, or other reserve levels indicated in the current rate study for the enterprise fund.

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 \$41.8 million of utility projects are budgeted for fiscal 2017 with \$254.9 million budgeted over the next six years. A major utility project in process is a \$29 million groundwater replenishment project that is currently in the design and permitting phase.

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. Since that time, the City has completed three implementation projects resulting from the panel report. In the Fall of 2015, the City concluded studies related to the City of Clearwater Boating Master Plan and the North Marina Master Plan. The actual design of permitting and construction documents related to implementation fo the first phase of the North Marina project is nearing completion and portions of construction may commence during the fiscal year 2017. In addition, the final plan for the waterfront/bluff project, titled "Imagine Clearwater", is expected to be completed during the first quarter of fiscal year 2017.

The ULI initiatives will continue to be a high priority for the City during fiscal 2017. 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, 2015. This was the 37th 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 2016 Budget document, the 30th 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

William B. Horne, II
City Manager

Brian Jay Ravins

Brian Jay Ravins
Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Clearwater
Florida

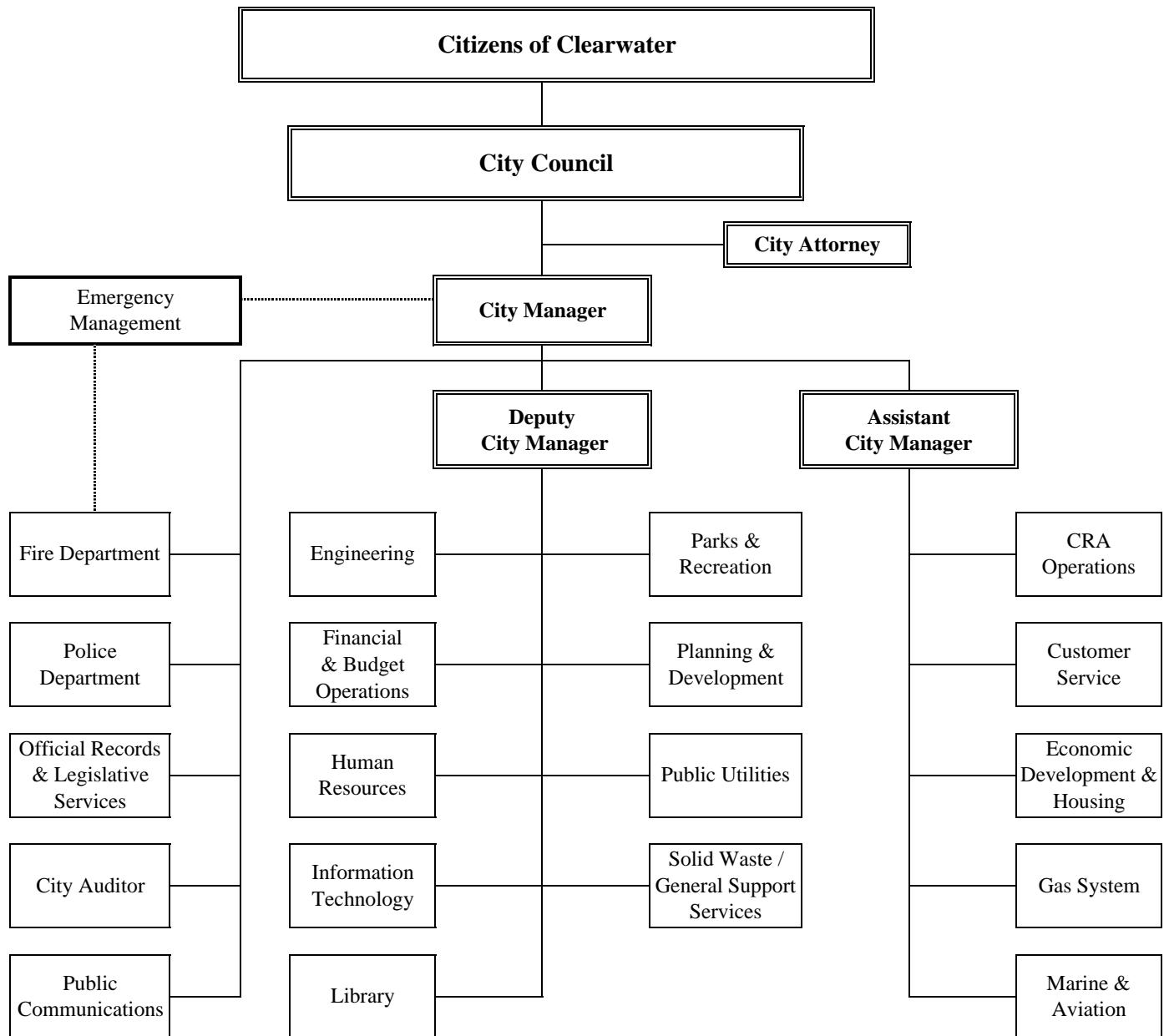
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

A handwritten signature in black ink, appearing to read "Jeffrey P. Einer".

Executive Director/CEO

City of Clearwater Organizational Chart



Report of Independent Auditor

To the Honorable Mayor and City Councilmembers
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, 2016, 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, 2016, 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, 2016, 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, 2016, 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note IV.J. and IV. K to the financial statements the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, during the year ended September 30, 2016. This adoption resulted in a restatement of previously reported amounts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 117, 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 28, 2017 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 Bekant LLP

Tampa, Florida
March 28, 2017

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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, 2016. *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 2016 by \$908.9 million (*net position*). Of this amount, \$323.8 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 \$31.8 million, or 3.6%, from the prior year's net position, as restated. Net position for governmental activities increased by \$4.6 million, or 1.03%, while the business-type net position increased by \$27.2 million, or 6.2%.
- Governmental net position increased \$4.6 million in 2016, primarily due to a decrease of \$39.1 million in governmental program expenses, primarily in the public safety, transportation, culture and recreation and general government programs, in addition to an increase in governmental program revenues of \$800 thousand. This decrease in net program expenses of \$39.9 million, combined with an increase of \$1.2 million in general revenues and transfers and offset by non-recurring extraordinary income of \$6.5 million in fiscal 2015, resulted in a recovery of \$34.6 million from a \$30.0 million decrease in net position in fiscal 2015. The decrease in fiscal 2015 net position was primarily due to implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal 2015, which caused an increase in pension expense for fiscal 2015 as a result of pension plan investment performance and the impact on net pension liability and deferred inflows and outflows of the pension plans. Improvements in pension plan investment performance in fiscal 2016 resulted in a reduction in pension expense, as well as the recognition of a net pension asset rather than a net pension liability. General revenues for governmental activities increased by \$1.5 million, or 1.7%, primarily due to a \$2.6 million increase in property taxes, offset by a decrease of \$1.1 million in other taxes due to deferral of renewal fees for business tax receipts. Transfers from business-type activities decreased \$261 thousand.
- Business-type net position increased \$27.2 million, an improvement of \$18.6 million over fiscal 2015, primarily due to an increase in net program revenues of \$19.7 million as a result of a decrease in program expenses of \$16.7 million in addition to an increase in program revenues of \$3.0 million. The most significant increases in charges for services were in the Water & Sewer Utility (\$4.4 million) and the Solid Waste Utility (\$1.2 million) due to rate increases of 4.5% and 3.75% respectively. These increases were offset by decreases of \$2.5 million in the Gas Utility due to fluctuating commodity costs and no change in rates. General revenues and transfers decreased \$1.1 million primarily due to a decrease in investment earnings of \$1.4 million offset by a decrease in transfers to governmental activities of \$261 thousand.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$116.4 million, an increase of \$5.1 million, or 4.6%, in comparison with the prior year (as restated). Of this amount, \$33.2 million (or 28.56%) is *available for spending* at the government's discretion (*unassigned fund balance*).
- At September 30, 2016, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$33.6 million, or 28.5% of total fiscal 2016 general fund expenditures.
- Total outstanding long-term liabilities decreased \$10.3 million from the prior year primarily due to a reduction in bonded debt in the amount of \$10.0 million, a decrease in the net pension liability of \$7.0 million due to an increase in the market value of pension investments, a net increase in lease purchase contracts of \$4.2 million, an increase in the liability for compensated absences of \$410 thousand, an increase in the liability for other postemployment benefits of \$1.9 million, an increase in claims payable of \$442 thousand, and a decrease in unearned revenue of \$187 thousand.

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 42-101 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 102-108 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 112-134 of this report.

Government-Wide Financial Analysis

The total net position of the City increased in fiscal 2016, primarily due to decreased expenses as the City rebounded from the implementation of GASB Statement No. 68 in fiscal 2015, and its effect on the government-wide statements as the City's net pension liability was established. 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 \$908.9 million at the close of the fiscal year ended September 30, 2016. This represents an increase of \$31.7 million from the September 30, 2015 total net position of \$877.2 million (as restated). 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	
	Restated		Restated		Restated	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 210,904,691	\$ 179,609,346	\$ 253,152,629	\$ 225,852,250	\$ 464,057,320	\$ 405,461,596
Capital assets	289,562,206	288,466,577	425,467,198	428,854,296	715,029,404	717,320,873
Total assets	500,466,897	468,075,923	678,619,827	654,706,546	1,179,086,724	1,122,782,469
Deferred Outflows of Resources						
Resources	14,767,600	39,089,379	8,822,265	17,061,340	23,589,865	56,150,719
Liabilities						
Current and other liabilities	10,733,114	9,409,238	17,724,145	19,708,126	28,457,259	29,117,364
Long-term debt outstanding:						
Due within one year	13,867,332	11,446,139	10,469,501	10,079,913	24,336,833	21,526,052
Due in more than one year	40,674,591	43,203,283	194,487,030	205,110,911	235,161,621	248,314,194
Total liabilities	65,275,037	64,058,660	222,680,676	234,898,950	287,955,713	298,957,610
Deferred Inflows of Resources						
Resources	4,427,305	2,137,165	1,371,851	659,768	5,799,156	2,796,933
Net position						
Net investment in capital assets	263,810,329	266,036,597	231,590,454	226,570,671	495,400,783	492,607,268
Restricted	52,936,521	57,239,231	36,802,794	45,502,940	89,739,315	102,742,171
Unrestricted	128,785,305	117,693,649	194,996,317	164,135,557	323,781,622	281,829,206
Total net position	\$ 445,532,155	\$ 440,969,477	\$ 463,389,565	\$ 436,209,168	\$ 908,921,720	\$ 877,178,645

A large portion of the City's net position (54.5%) 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 a \$2.2 million, or .8%, decrease in *net investment in capital assets for governmental activities* versus the previous year, as restated to reflect land valued at \$3.1 million that was reclassified from land held for resale to capital assets as a result of the new guidance provided in GASB Statement No. 72, *Fair Value Measurement and Application*. The increase was due to a decrease in related revenue bond debt of \$680 thousand and a net increase of \$4.0 million in capital lease purchase contracts, plus a net increase of \$1.1 million in governmental capital assets for the current fiscal year. The increase in governmental capital assets of \$1.1 million resulted from capital asset additions of \$21.3

million offset by depreciation expense of \$19.5 million, net capital asset retirements of \$290 thousand, and net transfers to business-type activities of \$465 thousand.

Net investment in capital assets for business-type activities increased by \$5.0 million, or 2.2%, due a net decrease in business-type capital assets of \$3.4 million consisting of \$18.6 million of capital asset additions and \$465 thousand in net transfers from governmental activities, less \$22.5 million in current year depreciation expense and net capital asset retirements of \$3,000; offset by a decrease of \$8.4 million in related debt, net of unspent bond proceeds.

An additional portion of the City's net position (9.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$323.8 million or 35.6%) 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, 2016, and September 30, 2015:

City of Clearwater, Florida - Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	Restated				Restated	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 43,124,537	\$ 41,996,636	\$ 167,347,710	\$ 163,328,727	\$ 210,472,247	\$ 205,325,363
Operating grants and contributions	6,236,334	6,892,564	207,720	50,000	6,444,054	6,942,564
Capital grants and contributions	2,642,030	2,326,185	3,487,016	4,661,948	6,129,046	6,988,133
General revenues:						
Property taxes	43,579,658	40,925,422	-	-	43,579,658	40,925,422
Sales taxes	17,594,533	16,833,401	-	-	17,594,533	16,833,401
Utility taxes	14,518,154	14,094,447	-	-	14,518,154	14,094,447
Other taxes	11,463,043	12,887,736	-	-	11,463,043	12,887,736
Other	2,394,398	3,304,102	2,714,614	4,086,503	5,109,012	7,390,605
Total revenues	141,552,687	139,260,493	173,757,060	172,127,178	315,309,747	311,387,671
Expenses						
General Government	13,487,675	16,818,382	-	-	13,487,675	16,818,382
Public Safety	71,717,818	99,055,781	-	-	71,717,818	99,055,781
Physical Environment	4,141,571	3,272,641	-	-	4,141,571	3,272,641
Transportation	14,532,393	19,366,262	-	-	14,532,393	19,366,262
Economic Environment	4,018,814	5,131,601	-	-	4,018,814	5,131,601
Human Services	525,809	248,666	-	-	525,809	248,666
Culture and Recreation	36,894,334	40,782,817	-	-	36,894,334	40,782,817
Interest on Long-term Debt	740,286	689,625	-	-	740,286	689,625
Water and Sewer Utility	-	-	64,866,011	69,550,196	64,866,011	69,550,196
Gas Utility	-	-	29,195,218	33,352,144	29,195,218	33,352,144
Solid Waste Utility	-	-	17,989,428	22,485,705	17,989,428	22,485,705
Stormwater Utility	-	-	13,664,223	16,109,960	13,664,223	16,109,960
Recycling Utility	-	-	2,957,693	2,455,229	2,957,693	2,455,229
Other	-	-	8,835,399	10,215,864	8,835,399	10,215,864
Total expenses	146,058,700	185,365,775	137,507,972	154,169,098	283,566,672	339,534,873
Increase in net position before transfers	(4,506,013)	(46,105,282)	36,249,088	17,958,080	31,743,075	(28,147,202)
Transfers	9,068,691	9,330,079	(9,068,691)	(9,330,079)	-	-
Increase in net position before extraordinary item	4,562,678	(36,775,203)	27,180,397	8,628,001	31,743,075	(28,147,202)
Extraordinary item - BP Settlement	-	6,480,352	-	-	-	6,480,352
Increase in net position	4,562,678	(30,294,851)	27,180,397	8,628,001	31,743,075	(21,666,850)
Net position - beginning	440,969,477	471,264,328	436,209,168	427,581,167	877,178,645	898,845,495
Net position - ending	\$ 445,532,155	\$ 440,969,477	\$ 463,389,565	\$ 436,209,168	\$ 908,921,720	\$ 877,178,645

Governmental Activities

Net position of governmental activities increased by \$4.6 million from \$440.9 million as of September 30, 2015 (as restated), to \$445.5 million as of September 30, 2016. This represents a 1.03% increase in net position for governmental activities.

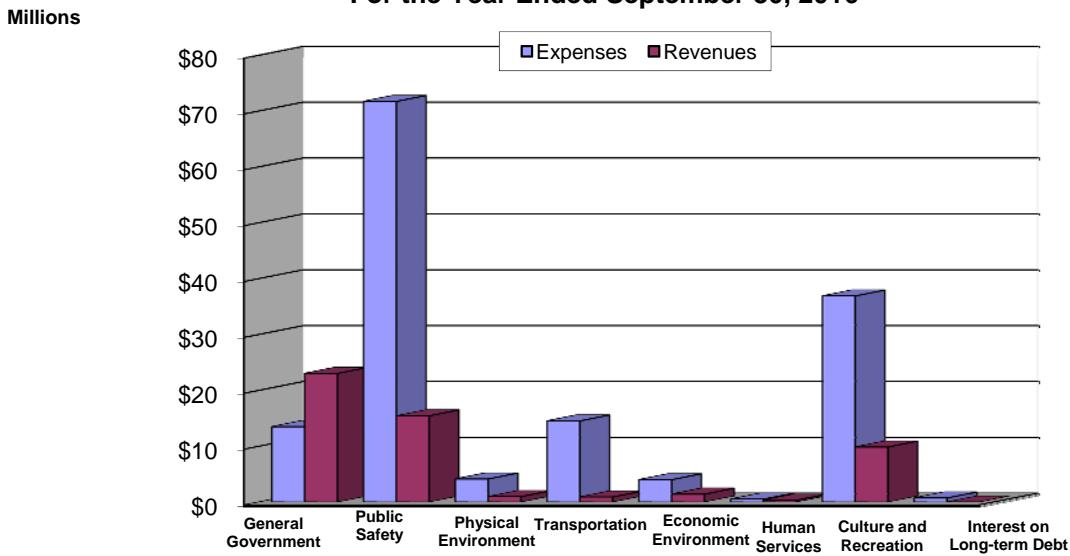
Total expenses for governmental activities decreased by \$39.1 million, or 21.1%, versus the prior year. The majority of this decrease is due to the recognition of pension expense in fiscal 2015 due to the increase in net pension liability, deferred inflows of resources and deferred outflows of resources per the implementation of GASB Statement No. 68 in fiscal 2015, which affected governmental activities in the amount of \$48.5 million. Decreases were most significant in the Public Safety (\$27.3 million), Transportation (\$4.8 million), Culture and Recreation (\$3.9 million) and General Government (\$3.3 million) programs.

Total program revenues for governmental activities increased by \$788 thousand, or 1.5%, versus the prior year. This increase was primarily due to a \$1.1 million increase in charges for services, and a \$340 thousand net decrease in operating and capital grants and contributions. Operating grants and contributions decreased \$656 thousand, while capital grants and contributions decreased \$316 thousand.

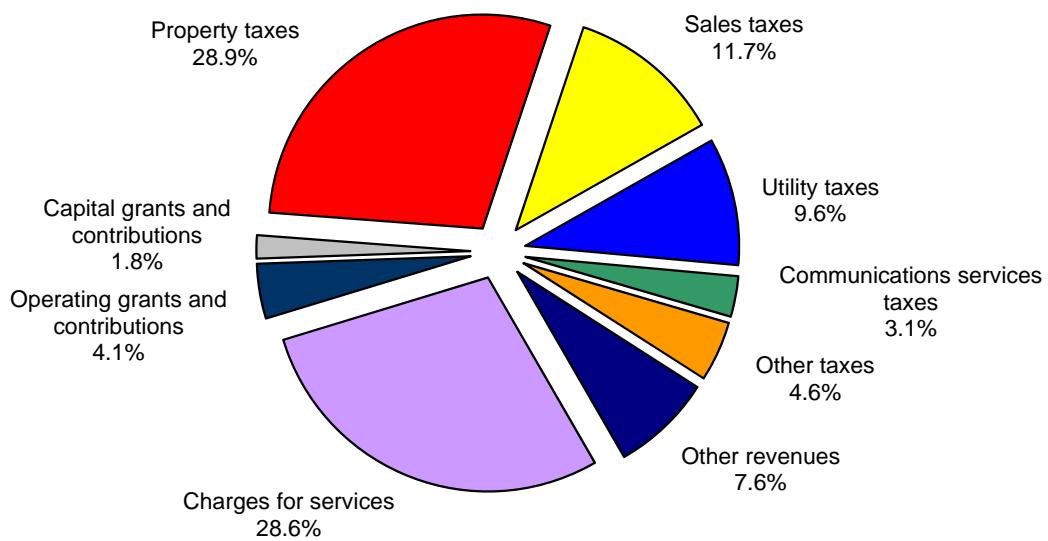
Total general revenues for governmental activities increased by \$1.5 million, or 1.7%, primarily due to a \$2.6 million increase in property taxes, offset by a decrease of \$1.1 million in other taxes due to deferral of renewal fees for business tax receipts. Transfers in from business-type activities decreased \$261 thousand.

The cost of all governmental activities this year was \$146.0 million. This reflects a decrease of \$39.1 million, or 21.1%, from the fiscal 2015 total of \$185.1 million. However, as shown on the *Statement of Activities*, the amount that the City's taxpayers ultimately financed for fiscal 2016 activities totaled \$94.0 million, because some of the cost was paid for by those who directly benefited from the programs (\$43.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.9 million). This total of \$94.0 million is \$39.9 million, or 29.8%, less than the fiscal 2015 amount financed from general revenues.

**Expenses and Program Revenues - Governmental Activities
For the Year Ended September 30, 2016**



Revenues by Sources - Governmental Activities
For the Year Ended September 30, 2016



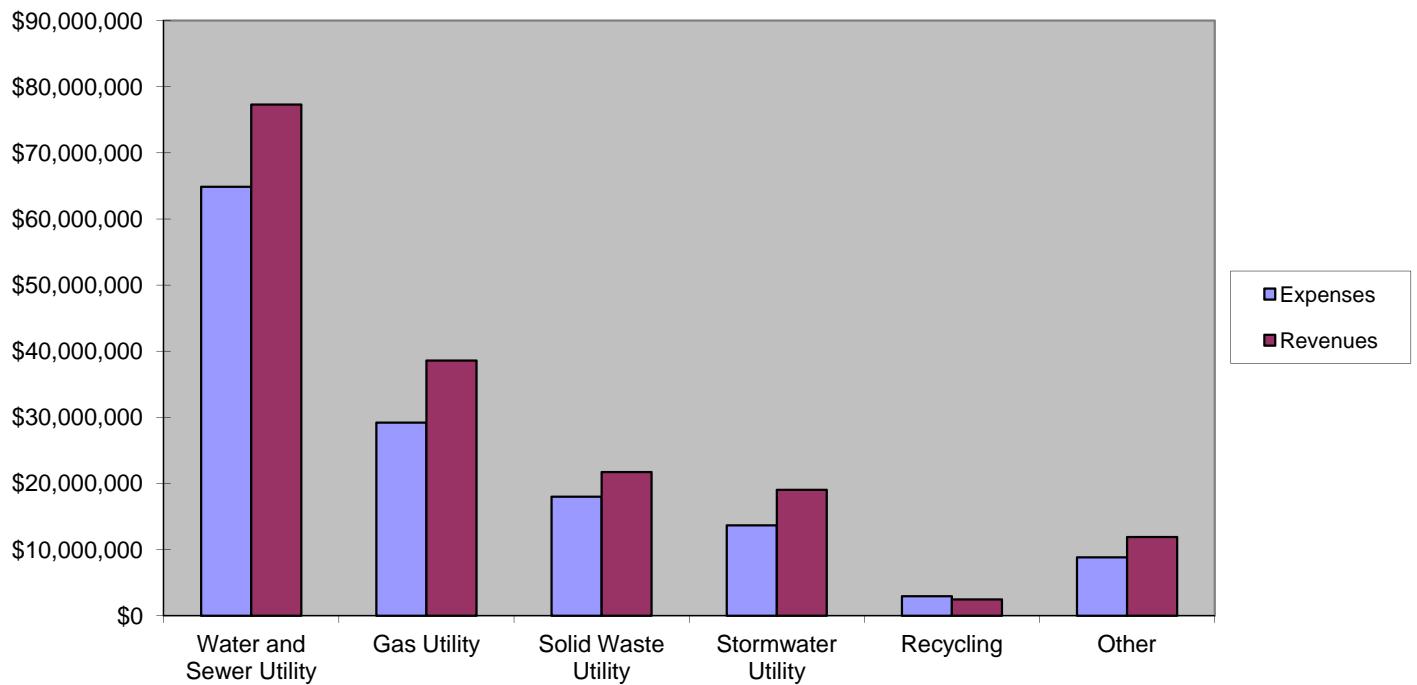
Business-type Activities

Net position for business-type activities increased by \$27.2 million from \$436.2 million as of September 30, 2015, to \$463.4 million as of September 30, 2016. This represents a 6.2% increase in net position for business-type activities. Net revenue from business-type activities, before investment earnings and transfers, increased from \$13.9 million for the prior year to \$33.5 million for fiscal 2016. This \$19.6, or 1.42%, increase was primarily the result of a decrease in program expenses of \$16.7 million coupled with an increase in charges for services of \$4.0 million, an increase in operating grants and contributions of \$158 thousand and a decrease in capital grants and contributions of \$1.2 million.

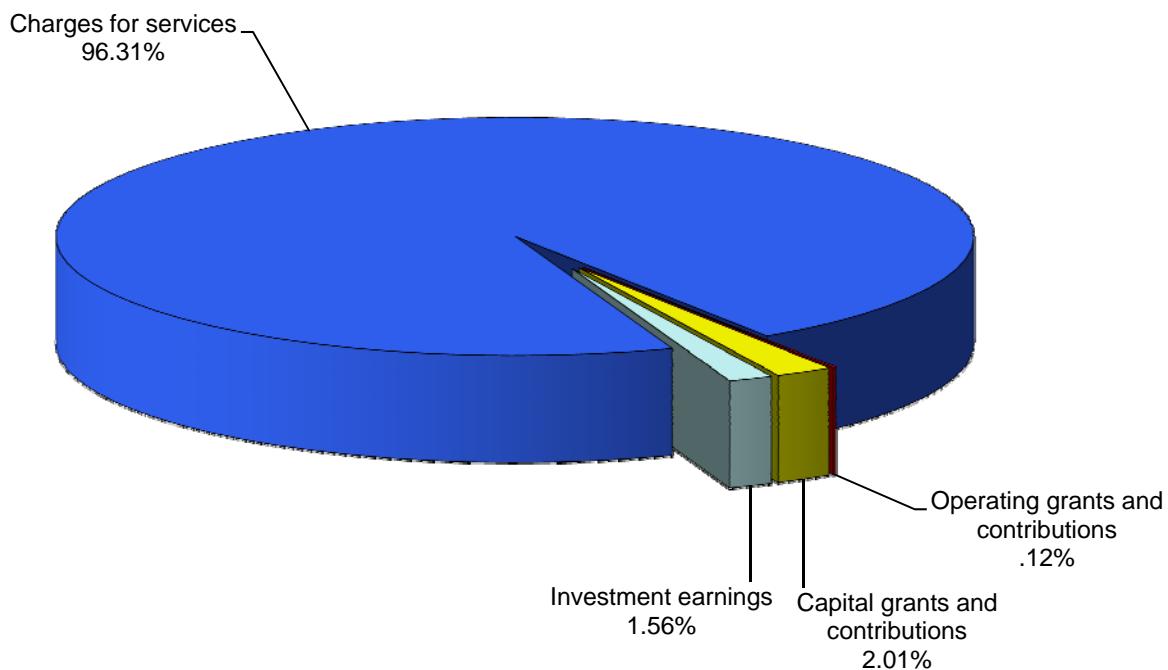
Total program revenues for business-type activities increased by \$3.0 million, or 1.8%, to \$171.0 million versus the prior year total of \$168.0 million, due primarily to an increase of \$4.0 million (2.5%) in charges for services. In the Water & Sewer Utility, charges for services increased \$4.4 million (6.1%) as a result of a 4.5% rate increase effective October 1, 2015, and in the Solid Waste Utility, charges for services increased \$1.2 million (5.9%) primarily due to a rate increase of 3.75% effective October 1, 2015, along with the elimination of grandfathered rates for multi-family complexes. These increases were offset by decreases of \$2.5 million (6.2%) in the Gas Utility due to fluctuating commodity costs and no change in rates. Capital grants and contributions decreased by \$1.2 million (25.2%), primarily in the Water & Sewer Utility, due to a reduction in grant revenue as a result of completed capital projects.

Total expenses for business-type activities decreased by \$16.7 million, or 10.8%, from \$154.2 million in fiscal 2015 to \$137.5 million for fiscal 2016. The majority of this decrease is due to the recognition of pension expense associated the increase in the net pension liability, deferred inflows of resources and deferred outflows of resources per the implementation of GASB Statement No. 68 in fiscal 2015, which increased expenses for business-type activities in the amount of \$14.9 million in fiscal 2015. Finally, transfers for business-type activities decreased \$261 thousand, or 2.8%.

**Expenses and Program Revenue - Business-type Activities
For the Year Ended September 30, 2016**



**Revenues by Source - Business-type Activities
For the Year Ended September 30, 2016**



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, 2016, reflect a combined *fund balance* of \$116.4 million versus \$111.3 million (as restated) for the prior year, an increase of \$5.1 million. A total of \$33.2 million, or 28.55%, represents *unassigned fund balance* available for spending at the government's discretion. The remainder of the fund balance is classified as *assigned* (\$7.8 million or 6.72%) to indicate that it is intended to be used for specific purposes supported by management's intent; *committed* (\$22.4 million or 19.21%) to indicate that it can be used only for the specific purposes determined by a formal vote of the City Council; *restricted* (\$52.9 million or 45.47%) to indicate that it can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation; or *nonspendable* (\$59 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, 2016, unassigned fund balance of the General Fund totaled \$33.2 million, with the remaining \$412 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 28.2% of total general fund expenditures (GAAP basis before transfers) for the current fiscal year.

The fund balance of the Special Development Fund increased from \$8.2 million to \$12.4 million, an increase of \$4.2 million or 51.0%, during the current fiscal year versus an increase of \$2.3 million for fiscal 2015. Total revenues decreased by \$1.2 million, most significantly in the areas of impact fees, intergovernmental revenues and investment earnings. Transfers out decreased by \$3.6 million.

The fund balance for the Capital Improvement Fund decreased from \$47.1 million to \$46.6 million during the current fiscal year. This decrease of \$470 thousand is primarily the result of current year capital project expenditures (\$18.6 million) in excess of current year capital project funding received from other funds (\$17.3 million). 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 \$260 thousand (from \$24.1 million, as restated, to \$23.8 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 \$9.2 million increase in net position versus a \$3.0 million increase for the prior year. Operating revenues increased by \$4.6 million, or 6.6%, while operating expenses decreased \$3.5 million, or 5.6%. This resulted in a net increase in operating income of \$8.1, from \$9.0 million in fiscal 2015 to \$17.1 million in 2016. Additionally, capital grants and contributions decreased by \$1.2 million, or 36.1%, and investment earnings decreased by \$495 thousand (34.0%). The increase in operating revenues was primarily the result of a 4.5% rate increase effective October 1, 2015. The decrease in capital grants and contributions was primarily the result of decreased grant revenues due to the completion of capital projects. The decrease in operating expenses was primarily due to the recognition of pension expense in fiscal 2015 per the implementation of GASB Statement No. 68, offset by the addition of 3 FTE's in fiscal 2016 to support the new reverse osmosis facility (RO #2). Operating expenses also decreased as a result of a reduction in water purchased from Pinellas County.

The Gas Utility Fund realized a \$7.2 million increase in net position versus a \$6.0 million increase for the prior year. Operating revenues decreased by \$2.1 million, or 5.1%, from the prior year, and operating expenses also decreased by \$3.6 million (11.2%). The decrease in operating expenses was primarily due to recognition of pension expense in fiscal 2015 in accordance per the implementation of GASB Statement No. 68, offset by increased personnel costs as a result of 5 additional employees in fiscal 2016. This resulted in a \$1.5 million, or 19.0%, increase in operating income from the prior year. Transfers out to other funds decreased by \$1.2 million, or 32.1%, primarily due to the decreased dividend to the General Fund computed on the fiscal 2015 change in net position.

The Solid Waste & Recycling Utility Fund realized a \$2.4 million increase in net position versus a \$2.0 decrease in the prior year. Operating revenues increased by \$2.1 million, or 9.4%, while operating expenses decreased by \$3.1 million (12.9%), resulting in an increase of \$5.2 million in operating income from an operating loss of \$2.1 million in fiscal 2015 to operating income of \$3.1 million in fiscal 2016. The increase in operating revenues was primarily due to a rate increase of 3.75% effective October 1, 2015, along with the elimination of grandfathered rates for multi-family complexes. The decrease in operating expenses was primarily the result of increased personnel costs in fiscal 2015 due to the recognition of pension expense per the implementation of GASB Statement No. 68 in fiscal 2015.

The Stormwater Utility Fund realized an increase in net position of \$4.8 million versus a prior year increase of \$2.2 million. Operating revenues increased by \$477 thousand, or 2.7%, primarily due to scheduled rate increases of 2.75% effective October 1, 2015. Additionally, fiscal 2016 realized a \$1.8 million, or 12.66% decrease in operating expenses, which was primarily the result of increased personnel costs in fiscal 2015 due to the recognition of pension expense per the implementation of GASB Statement No. 68 in fiscal 2015. There was also an increase in capital grants and contributions of \$464 thousand (72.2%) due to the contribution of environmentally sensitive land at the former Clearwater Christian College campus valued at \$471,474, which was purchased by the Special Programs Fund and subsequently contributed to the Stormwater Utility Fund.

Unrestricted net position and changes in net position of the proprietary funds for fiscal years 2016 and 2015:

Fund	Unrestricted Net Position		Change in Net Position	
	2016	2015	2016	2015
Water and Sewer Utility	\$ 53,178,363	\$ 42,816,009	\$ 9,195,402	\$ 2,968,847
Gas Utility	44,505,891	41,626,186	7,192,155	5,960,947
Solid Waste & Recycling Utility	36,313,750	34,218,753	2,355,306	(2,017,645)
Stormwater Utility	33,825,551	31,318,341	4,753,078	2,206,753
Other funds	26,065,602	13,689,535	3,044,029	1,565,537
Totals	<u>\$ 193,889,157</u>	<u>\$ 163,668,824</u>	<u>\$ 26,539,970</u>	<u>\$ 10,684,439</u>

General Fund Budgetary Highlights

The final amended budget for General Fund expenditures reflected a net increase of \$1.5 million, or 1.21%, from the original budget. Key elements of this increase were as follows:

- First Quarter Budget Amendments included an increase of \$768,810 in the Fire Department to reflect \$607,380 for personnel costs related to the IAFF contract and \$161,430 to fund personnel costs and a vehicle for the new EMS Coordinator position; an increase of \$12,000 in Marine and Aviation to fund health insurance for two part-time employees; an increase of \$13,260 in Planning and Development to fund additional expenditures in the HDR Engineering agreement; an increase of \$4,500 in the Police Department for the purchase of a tablet computer funded by an FDLE grant; and an increase of \$81,500 to fund a legal settlement.
- Mid-Year Budget Amendments included an increase of \$43,470 in Economic Development and Housing to fund the retirement payout of the Housing Manager; an increase of \$205,000 in Marine and Aviation to fund the purchase of inventory for resale at Pier 60; and an increase of \$120,000 in Planning and Development to fund contractual services related to the increased cost of building construction inspection services.

- Third Quarter Budget Amendments included a decrease of \$24,200 in the City Manager's Office to offset the increase in the CRA Administration cost center; an increase of \$24,200 in CRA Administration to fund creation of the CRA Director position; an increase of \$55,000 in Economic Development and Housing to fund the Community Development Coordinator position; an increase of \$173,700 in the Fire Department to fund the retirement payouts of nine employees; an increase of \$50,950 in Human Resources to fund the retirement of a Human Resources Manager; an increase of \$42,000 in the Library to fund the retirement payouts of three employees; an increase of \$32,100 in Marine and Aviation to include \$17,000 to fund the retirement payout of an employee in the Pier 60 cost center and \$15,100 to fund the addition of two FTE's to cover additional labor needs in the Pier 60 cost center; a decrease of \$30,000 in Parks and Recreation reflecting a decrease in electrical utilities charges; a net decrease of \$120,000 in Planning and Development including an increase of \$30,000 to fund contractual services related to the increased cost of building construction inspection services, offset by a decrease in professional services of \$150,000; an increase of \$30,000 to fund the contract with Burton & Associates for the General Fund rate study; and \$10,000 to fund utility charges for the old Countryside Library building.

Final budgeted revenues reflect a net increase of \$1.2 million, or 1.02%, from the original budget primarily due to the following:

- First Quarter Budget Amendments included an increase of \$165,930 in intergovernmental revenue to reflect an increase of \$4,500 in grant revenues from FDLE and an increase of \$161,430 to EMS Tax revenue; and an increase of \$12,000 in charges for services to reflect an increase of \$12,000 to Pier 60 Concession revenues,
- Mid-Year Budget Amendments included an increase of \$120,000 in other permits and fees to reflect an increase to building permit revenues due to better than expected Building/Sign Permit revenues; and an increase of \$205,000 in charges for services to reflect an increase of \$205,000 to Pier 60 Concession revenues.
- Third Quarter Budget Amendments included an increase of \$321,280 in ad valorem taxes to reflect actual collections for the year; a decrease of \$225,000 to reflect timing of collection of business license tax revenue and declining telecommunications tax revenue; a decrease of \$500,000 in franchise fee revenue to reflect a variance primarily related to the Duke Energy fee; an increase of \$30,000 in other permits and fees revenue to reflect better than expected building/sign permit revenues; an increase of \$440,000 in intergovernmental revenue to reflect an increase of \$250,000 to local government 1/2 cent sales tax revenue, an increase of \$110,000 to Fire Tax revenue, and an increase of \$80,000 to EMS Tax Revenue; a net increase of \$2,100 in charges for services to reflect a decrease in admissions of \$13,000 offset by an increase of \$15,100 in concession sales at Pier 60; an increase of \$320,000 in judgments, fines and forfeitures to reflect an increase to red light camera revenues; and an increase of \$276,810 in miscellaneous revenues to reflect an increase of \$276,810 to Pier 60 and South Beach umbrella rentals.

Final budgeted "transfers in" from other funds reflect a net decrease of \$66 thousand, or 0.64%, from the original budget primarily due to:

- The return of General Fund revenues in the amount of \$32,237 from the Capital Improvement Fund from the closure of the Centennial Monument capital project.
- A decrease of \$153,190 from the Gas Fund to reflect actual receipts for the annual gas dividend payment.
- A transfer of \$55,000 from the Community Redevelopment Agency to fund the increased administrative charge due to an additional FTE.

Final budgeted "transfers out" reflect a \$1.8 million, or 40.8%, increase from the original budget primarily due to:

- A transfer of \$252,600 to the Capital Improvement Fund for the Park Land Acquisition project for the purchase of property located at 3158 Gulf to Bay Boulevard;
- A transfer of 409,606 to the Marine Fund to provide funding for the Marina Cantina lease agreement;
- A transfer of \$79,300 to the Special Programs Fund for the Clearwater Ferry program to purchase service capacity for spring break;
- A transfer of \$100,000 to the Capital Improvement Fund to fund the initial cash match for the Seminole Boat Ramp Improvement Project;

- A transfer of \$375,000 to the Special Programs Fund to fund the AECOM contract for the ULI Report Implementation;
- A transfer of \$150,000 to the Capital Improvement Fund for the Marina District Boardwalk & Entry Nodes project;
- A transfer of \$250,000 to the Capital Improvement Fund for the Fire Station Security Cameras project;
- A transfer of \$25,000 to the Capital Improvement Fund for the Centennial Monument project; and
- A transfer of \$150,000 to the Special Programs Fund for the Joint Hercules Planning and Economic Study.

Total actual revenues for the General Fund for fiscal 2016 were \$71 thousand, or .06%, 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 \$1.5 million, primarily due to the deferral of renewal fees for business tax receipts.

Fiscal 2016 actual expenditures for the General Fund were \$3.6 million (3.0%) less than final budgeted expenditures, primarily due to budget savings across most City departments for fiscal 2016.

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, 2016, the City had investments in capital assets totaling \$715,029,404 (net of accumulated depreciation).

City of Clearwater, Florida - Capital Assets*						
	Governmental Activities		Business-type Activities		Total	
	2016	(Restated) 2015	2016	2015	2016	(Restated) 2015
Land	\$ 81,390	\$ 80,408	\$ 31,845	\$ 29,950	\$ 113,235	\$ 110,358
Buildings	101,474	105,741	26,314	26,455	127,788	132,196
Improvements other than buildings	18,955	19,251	347,713	353,044	366,668	372,295
Machinery and equipment	28,951	22,246	9,082	9,963	38,033	32,209
Infrastructure	47,552	58,081	-	-	47,552	58,081
Construction in progress	11,240	2,739	10,513	9,442	21,753	12,181
Total	\$ 289,562	\$ 288,466	\$ 425,467	\$ 428,854	\$ 715,029	\$ 717,320

* Net of accumulated depreciation

Net capital assets for the City's *governmental activities* increased from \$288.5 million (as restated to include \$3.1 million of land previously reported as land held for resale) to \$289.6 million, reflecting an increase of \$1.1 million for the current fiscal year. Capital asset additions of \$21.3 million were offset by depreciation expense of \$19.5 million, net capital asset retirements totaling approximately \$290 thousand and net transfers to business-type activities of \$465 thousand. Major fiscal 2016 completed governmental capital projects included \$400 thousand for the Joe DiMaggio Press Box Storage Building and \$158 thousand for library technology.

Net capital assets for the City's *business-type activities* decreased from \$428.9 million to \$425.5 million, reflecting a decrease of \$3.4 million for the current fiscal year. Capital asset additions of \$18.6 million and net transfers from governmental activities of \$465 thousand were offset by depreciation expense of \$22.5 million and net capital asset retirements totaling approximately \$3,000. Major fiscal 2016 completed business-type capital projects included \$1.9 million for the airpark runway & taxiway extension, \$728 thousand for rehabilitation of airpark hangars, \$812 thousand for water & sewer facility upgrades and improvements, and \$325 thousand for reclaimed water distribution system.

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 decreased from \$269.8 million to \$259.5 million, a decrease of \$10.3 million or 3.8%. Long-term liabilities for governmental activities decreased by \$107 thousand, or .20%, while long-term liabilities for business-type activities decreased by \$10.2 million or 4.76%. Key factors contributing to these changes included:

- The decrease in long-term liabilities for governmental activities is primarily due to a decrease in the net pension liability of \$5.4 million due to an increase in the market value of pension investments; increased accruals for lease purchase contracts of \$4.0 million; increased accruals for compensated absences, other postemployment benefits and claims payable totaling \$2.0 million; and a reduction of \$680 thousand in bonded debt.
- The decrease in long-term liabilities for business-type activities is primarily due to a decrease in the net pension liability of \$1.7 million due to an increase in the market value of pension investments; increased accruals for lease purchase contracts of \$158 thousand; increased accruals for other post-employment benefits and compensated absences totaling \$780 thousand; a decrease in unearned revenue of \$187 thousand; and a reduction of \$9.3 million in bonded debt.

The City's bonded debt as of September 30, 2016, 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 \$7.7 million while business-type activities totaled \$197.7 million.

The City's Charter limits indebtedness to 20% of the assessed valuation of non-exempt real estate. The current debt limitation is approximately \$2.2 billion, which is significantly in excess of the City's applicable indebtedness of approximately \$199 million at September 30, 2016.

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 2017 Budgets and Rates

Factors considered in preparing the City of Clearwater's budget for fiscal year 2017 included:

- An increase of 7.6% in property values, from \$8.7 billion to \$9.4 billion, including new construction. This is the fourth year of increased valuations that the City has recognized since the recessionary years 2008-2012. City taxable values are still approximately 15% below peak values of 2007.
- The approved millage rate of 5.1550 mills for fiscal year 2017 remains the same for the eighth consecutive fiscal year.
- A net increase of 44.7 full-time equivalent positions City-wide to a total of 1,787.7 FTE's. 19.6 positions were added to the General Fund, 19.1 positions were added in the utility and enterprise funds, and 6 positions were added in the internal services funds.
- An increase of \$176 thousand in the actuarially required contribution to the Employees' Pension Plan, from \$8.76 million, or 11.66% of covered payroll, for fiscal 2016 to \$8.93 million, or 11.13% of covered payroll, for fiscal 2017. The approved budget plans for a contribution rate of 15% of covered payroll, which will provide for the actuarially required contribution of 11.13% as well as restore approximately \$3.7 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 \$685,180 to a total of \$16.9 million across all City operations. This increase includes a projected 6% increase in claims costs based on preliminary estimates. Included in the budget is \$1.6 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 2017 reflect a 3.75% rate increase effective October 1, 2016, per a rate study adopted in August 2016. Fiscal 2017 budgeted Stormwater utility revenues reflect a 1.25% rate increase effective October 1, 2016, per a rate study adopted in September 2015. Budgeted revenue for the Solid Waste & Recycling Utility reflect an increase of 3.75% 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.

Basic Financial Statements

Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 176,813,054	\$ 180,876,974	\$ 357,690,028
Receivables (net)	7,690,008	14,279,025	21,969,033
Internal balances	(1,107,160)	1,107,160	-
Due from other governments	5,588,886	907,776	6,496,662
Prepaid items	1,459,991	5,608	1,465,599
Inventories	462,085	2,765,814	3,227,899
Restricted assets:			
Cash and investments	-	47,323,754	47,323,754
Net pension asset	19,997,827	5,886,518	25,884,345
Capital assets:			
Land	81,390,446	31,845,238	113,235,684
Buildings	101,473,719	26,313,900	127,787,619
Improvements other than buildings	18,955,152	347,713,468	366,668,620
Machinery and equipment	28,951,278	9,081,528	38,032,806
Infrastructure	47,551,414	-	47,551,414
Construction in progress	11,240,197	10,513,064	21,753,261
Total assets	<u>500,466,897</u>	<u>678,619,827</u>	<u>1,179,086,724</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	-	4,246,365	4,246,365
Deferred outflows on pension	<u>14,767,600</u>	<u>4,575,900</u>	<u>19,343,500</u>
Total deferred outflows of resources	<u>14,767,600</u>	<u>8,822,265</u>	<u>23,589,865</u>
LIABILITIES			
Accounts payable and other current liabilities	5,878,153	6,194,497	12,072,650
Accrued liabilities	2,689,464	847,869	3,537,333
Accrued interest payable	33,237	43,455	76,692
Due to other governments	375,884	-	375,884
Deposits	5,300	78,538	83,838
Unearned revenue and liens	1,751,076	38,826	1,789,902
Payable from restricted assets:			
Construction contracts payable	-	551,540	551,540
Accrued interest payable	-	2,836,035	2,836,035
Customers deposits	-	7,133,385	7,133,385
Non-current liabilities due within one year:			
Compensated absences	4,386,548	1,186,064	5,572,612
Capital lease purchases payable	5,390,379	123,437	5,513,816
Revenue bonds payable	685,000	9,160,000	9,845,000
Claims payable	3,405,405	-	3,405,405
Long-term debt and liabilities:			
Compensated absences	3,588,614	970,315	4,558,929
Other postemployment benefits	10,829,879	4,677,043	15,506,922
Capital lease purchases payable	12,644,575	313,770	12,958,345
Revenue bonds payable	7,031,923	188,525,902	195,557,825
Claims payable	6,579,600	-	6,579,600
Total liabilities	<u>65,275,037</u>	<u>222,680,676</u>	<u>287,955,713</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension	<u>4,427,305</u>	<u>1,371,851</u>	<u>5,799,156</u>
NET POSITION			
Net investment in capital assets	263,810,329	231,590,454	495,400,783
Restricted for:			
Capital projects	40,099,259	-	40,099,259
Debt service	643,875	21,999,666	22,643,541
Renewal and replacement	-	13,231,995	13,231,995
Grant programs	12,193,387	-	12,193,387
Impact fees	-	1,571,133	1,571,133
Unrestricted	<u>128,785,305</u>	<u>194,996,317</u>	<u>323,781,622</u>
Total net position	<u>\$ 445,532,155</u>	<u>\$ 463,389,565</u>	<u>\$ 908,921,720</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, 2016

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	\$ 13,487,675	\$ 23,030,388	\$ 107	\$ -	\$ 9,542,820	\$ -	\$ 9,542,820
Public safety	71,717,818	11,951,656	2,323,506	1,163,778	(56,278,878)	-	(56,278,878)
Physical environment	4,141,571	137,465	-	848,411	(3,155,695)	-	(3,155,695)
Transportation	14,532,393	149,692	464,974	311,944	(13,605,783)	-	(13,605,783)
Economic environment	4,018,814	104,151	1,321,735	-	(2,592,928)	-	(2,592,928)
Human services	525,809	-	333,281	-	(192,528)	-	(192,528)
Culture and recreation	36,894,334	7,751,185	1,792,731	317,897	(27,032,521)	-	(27,032,521)
Interest on long-term debt	740,286	-	-	-	(740,286)	-	(740,286)
Total governmental activities	<u>146,058,700</u>	<u>43,124,537</u>	<u>6,236,334</u>	<u>2,642,030</u>	<u>(94,055,799)</u>	<u>-</u>	<u>(94,055,799)</u>
Business-type activities:							
Water & Sewer Utility	64,866,011	75,202,977	-	2,108,762	-	12,445,728	12,445,728
Gas Utility	29,195,218	38,598,010	-	-	-	9,402,792	9,402,792
Solid Waste Utility	17,989,428	21,601,949	125,000	-	-	3,737,521	3,737,521
Stormwater Utility	13,664,223	17,854,057	-	1,174,645	-	5,364,479	5,364,479
Recycling Utility	2,957,693	2,390,183	82,720	-	-	(484,790)	(484,790)
Marine	3,476,152	4,053,563	-	1,964	-	579,375	579,375
Aviation	414,692	291,270	-	85,645	-	(37,777)	(37,777)
Parking System	4,096,723	6,638,188	-	66,000	-	2,607,465	2,607,465
Clearwater Harbor Marina	847,832	717,513	-	50,000	-	(80,319)	(80,319)
Total business-type activities	<u>137,507,972</u>	<u>167,347,710</u>	<u>207,720</u>	<u>3,487,016</u>	<u>-</u>	<u>33,534,474</u>	<u>33,534,474</u>
Total primary government	<u>\$ 283,566,672</u>	<u>\$ 210,472,247</u>	<u>\$ 6,444,054</u>	<u>\$ 6,129,046</u>	<u>(94,055,799)</u>	<u>33,534,474</u>	<u>(60,521,325)</u>
General revenues:							
Taxes:							
Property taxes				43,579,658	-	43,579,658	
Sales taxes				17,594,533	-	17,594,533	
Utility taxes				14,518,154	-	14,518,154	
Communications services taxes				4,617,875	-	4,617,875	
Other taxes				6,845,168	-	6,845,168	
Investment earnings				2,285,530	2,714,614	5,000,144	
Miscellaneous				108,868	-	108,868	
Transfers				9,068,691	(9,068,691)	-	
Total general revenues and transfers				<u>98,618,477</u>	<u>(6,354,077)</u>	<u>92,264,400</u>	
Change in net position				<u>4,562,678</u>	<u>27,180,397</u>	<u>31,743,075</u>	
Net position - beginning (as previously reported)				441,205,912	436,209,168	877,415,080	
Prior period restatements (see Note IV.J.)				(236,435)	-	(236,435)	
Net position - beginning (restated)				<u>440,969,477</u>	<u>436,209,168</u>	<u>877,178,645</u>	
Net position - ending				<u>\$ 445,532,155</u>	<u>\$ 463,389,565</u>	<u>\$ 908,921,720</u>	

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

City of Clearwater, Florida
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Special Development Fund	Capital Improvement Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and investments	\$ 34,765,664	\$ 10,480,109	\$ 46,589,280	\$ 20,522,225	\$ 112,357,278
Receivables (net where applicable, of allowances for estimated uncollectible amounts):					
Accrued interest	139,953	128,518	668	62,591	331,730
Accounts and contracts	486,475	-	-	-	486,475
Mortgages, notes and other loans	-	-	-	4,559,128	4,559,128
Property taxes	94,841	5,835	-	-	100,676
Utility taxes	1,080,819	-	-	-	1,080,819
Franchise fees	846,461	-	-	-	846,461
Other	9,170	-	-	7,756	16,926
Due from other governmental entities - grants	-	-	24,650	49,572	74,222
Due from other governmental entities - other	2,098,113	1,982,482	1,163,778	270,291	5,514,664
Inventories, at cost	59,142	-	-	-	59,142
Advances to other funds	-	-	-	325,440	325,440
Total assets	<u>\$ 39,580,638</u>	<u>\$ 12,596,944</u>	<u>\$ 47,778,376</u>	<u>\$ 25,797,003</u>	<u>\$ 125,752,961</u>
LIABILITIES					
Accounts and contracts payable	\$ 1,487,481	\$ -	\$ 1,180,437	\$ 499,274	\$ 3,167,192
Accrued payroll	2,380,396	-	-	40,799	2,421,195
Due to other funds	-	-	-	716,667	716,667
Due to other governmental entities	88,076	238,968	-	48,840	375,884
Deposits	5,300	-	-	-	5,300
Construction escrows	-	-	-	28,383	28,383
Unearned revenue	1,965,209	5,835	-	-	1,971,044
Advances from other funds	-	-	-	642,106	642,106
Total liabilities	<u>5,926,462</u>	<u>244,803</u>	<u>1,180,437</u>	<u>1,976,069</u>	<u>9,327,771</u>
FUND BALANCES					
Nonspendable inventories and prepaid items	59,142	-	-	-	59,142
Restricted	-	6,759,012	27,849,072	18,328,437	52,936,521
Committed	-	271,153	18,636,626	3,451,844	22,359,623
Assigned	352,445	5,321,976	112,241	2,040,653	7,827,315
Unassigned	<u>33,242,589</u>	-	-	-	33,242,589
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 39,580,638</u>	<u>\$ 12,596,944</u>	<u>\$ 47,778,376</u>	<u>\$ 25,797,003</u>	<u>\$ 125,752,961</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, 2016

Total fund balances of governmental funds	\$ 116,425,190
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets totals \$542,675,623 and the accumulated depreciation totals \$253,113,417	289,562,206
Other assets are prepaid or are not available as financial resources and, therefore, are not recognized in the funds:	
Accrued property taxes	100,676
Accrued liens	413,531
Accrued permit fees	88,594
	602,801
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds.	19,997,827
Deferred outflows are not current assets or financial resources and, therefore, are not reported in the funds	14,767,600
Deferred inflows are not current liabilities or financial uses and, therefore, are not reported in the funds	(4,427,305)
Accrued pollution remediation obligation expenses are not financial uses and, therefore, are not reported in the funds.	(232,313)
Accrued general long-term debt interest expenses are not financial uses and, therefore, are not reported in the funds.	(33,237)
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	62,642,807
Less: Capital assets included in total governmental capital assets above	(24,209,008)
Less: Net pension asset included in total governmental net pension asset above	(1,932,229)
Less: Deferred outflows included in total governmental above	(1,502,022)
Add: Deferred inflows included in total governmental above	450,304
Add: Capital lease purchases payable included in total governmental below	17,014,363
Add: Compensated absences included in total governmental below	722,007
Add: Other post-employment benefits included in total governmental below	1,347,242
Less: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,107,160)
	53,426,304
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	(7,595,000)
Add: Issuance premium (to be amortized as a reduction of interest expense)	(121,923)
Capital lease purchases payable	(18,034,954)
Other post-employment benefits	(10,829,879)
Compensated absences	(7,975,162)
	(44,556,918)
Total net position of governmental activities	\$ 445,532,155

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, 2016

	General Fund	Special Development Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 41,536,174	\$ 2,077,957	\$ -	\$ -	\$ 43,614,131
Sales	-	10,714,623	-	-	10,714,623
Utility	14,518,154	-	-	-	14,518,154
Communications services	4,617,875	-	-	-	4,617,875
Other taxes	661,982	1,532,413	-	-	2,194,395
Total taxes	<u>61,334,185</u>	<u>14,324,993</u>	<u>-</u>	<u>-</u>	<u>75,659,178</u>
Franchise fees	9,311,798	-	-	-	9,311,798
Licenses, permits, and fees	2,703,803	635,077	-	-	3,338,880
Intergovernmental:					
Federal	-	-	6,530	927,301	933,831
State	13,250,204	-	43,120	1,096,026	14,389,350
Local	9,096,086	670,838	1,163,778	2,039,507	12,970,209
Total intergovernmental	<u>22,346,290</u>	<u>670,838</u>	<u>1,213,428</u>	<u>4,062,834</u>	<u>28,293,390</u>
Charges for services	15,162,742	-	-	1,372,913	16,535,655
Fines and forfeitures	1,572,485	-	-	543,242	2,115,727
Investment earnings	663,229	506,431	1,748	314,265	1,485,673
Miscellaneous	2,530,943	-	151,828	1,345,055	4,027,826
Total revenues	<u>115,625,475</u>	<u>16,137,339</u>	<u>1,367,004</u>	<u>7,638,309</u>	<u>140,768,127</u>
EXPENDITURES					
Current:					
General government	12,277,283	-	529,910	110,060	12,917,253
Public safety	66,822,582	-	1,049,309	1,703,482	69,575,373
Physical environment	3,106,620	-	369,851	117,109	3,593,580
Transportation	5,851,233	-	3,623,250	79,628	9,554,111
Economic environment	1,788,160	-	-	1,684,304	3,472,464
Human services	156,750	-	-	368,658	525,408
Culture and recreation	27,913,685	-	1,676,780	1,688,761	31,279,226
Debt service:					
Principal	-	-	-	978,828	978,828
Interest & fiscal charges	-	-	20,481	438,571	459,052
Capital outlay	-	-	11,366,829	694,627	12,061,456
Total expenditures	<u>117,916,313</u>	<u>-</u>	<u>18,636,410</u>	<u>7,864,028</u>	<u>144,416,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,290,838)</u>	<u>16,137,339</u>	<u>(17,269,406)</u>	<u>(225,719)</u>	<u>(3,648,624)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,071,462	564,747	17,296,602	4,890,798	32,823,609
Transfers out	(6,153,409)	(12,530,908)	(1,465,314)	(4,924,592)	(25,074,223)
Other long-term debt issued	-	-	967,954	-	967,954
Total other financing sources (uses)	<u>3,918,053</u>	<u>(11,966,161)</u>	<u>16,799,242</u>	<u>(33,794)</u>	<u>8,717,340</u>
Net change in fund balances	1,627,215	4,171,178	(470,164)	(259,513)	5,068,716
Fund balances - beginning (as previously reported)	32,026,961	8,180,963	47,068,103	27,419,199	114,695,226
Prior period adjustment (See Note IV.K.)	-	-	-	(3,338,752)	(3,338,752)
Fund balances - beginning (restated)	<u>32,026,961</u>	<u>8,180,963</u>	<u>47,068,103</u>	<u>24,080,447</u>	<u>111,356,474</u>
Fund balances - ending	<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>

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, 2016

Net change in fund balances - total governmental funds \$ 5,068,716

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	\$ 12,245,591
Less current year depreciation	(12,419,509)
	<u>(173,918)</u>

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. (580,098)

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	(967,954)
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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	(21,691,871)
Current year change in deferred inflows	(2,065,744)

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	660,000
Capital lease principal payments	<u>318,828</u>
	978,828

Net pension asset is not current financial resources 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	22,066,609
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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	(1,157,093)
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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	(216,307)
Amortization of bond discounts and premiums	19,805
Current year change in pollution remediation obligation	11,812
Current year change in accrued interest expense	<u>2,255</u>
	(182,435)

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 property taxes receivable	(34,473)
Current year change in liens receivable	28,404
Current year change in permit fees receivable	(34,804)

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.

3,308,511

Total change in net position of governmental activities

\$ 4,562,678

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, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
			Positive (Negative)	
REVENUES				
Taxes:				
Property	\$ 41,180,080	\$ 41,501,360	\$ 41,536,174	\$ 34,814
Utility taxes	14,385,000	14,385,000	14,518,154	133,154
Communications services	5,066,700	4,841,700	4,617,875	(223,825)
Other taxes	2,135,000	2,135,000	661,982	(1,473,018)
Total taxes	<u>62,766,780</u>	<u>62,863,060</u>	<u>61,334,185</u>	<u>(1,528,875)</u>
Franchise fees	10,184,600	9,684,600	9,311,798	(372,802)
Licenses, permits, and fees	2,372,250	2,522,250	2,703,803	181,553
Intergovernmental:				
State	12,759,920	13,014,420	13,250,204	235,784
Local	8,703,010	9,054,440	9,096,086	41,646
Total intergovernmental	<u>21,462,930</u>	<u>22,068,860</u>	<u>22,346,290</u>	<u>277,430</u>
Charges for services	14,896,090	15,115,190	15,162,742	47,552
Fines and forfeitures	908,000	1,228,000	1,572,485	344,485
Investment earnings	525,000	525,000	663,229	138,229
Miscellaneous	1,270,250	1,547,060	2,530,943	983,883
Total revenues	<u>114,385,900</u>	<u>115,554,020</u>	<u>115,625,475</u>	<u>71,455</u>
EXPENDITURES				
General government				
City Council	313,430	313,430	303,903	9,527
City Manager's Office	1,075,590	1,075,590	918,656	156,934
City Attorney's Office	1,652,360	1,652,360	1,419,150	233,210
Official Records & Legislative Services	1,130,440	1,130,440	1,007,515	122,925
Public Communications	990,180	990,180	977,416	12,764
Finance	2,405,570	2,405,570	2,269,112	136,458
Human Resources	1,001,800	1,052,750	978,588	74,162
Non-Departmental	2,453,480	2,574,980	2,573,227	1,753
Engineering	59,730	59,730	57,112	2,618
Planning	1,817,880	1,681,140	1,509,678	171,462
City Auditor's Office	207,370	207,370	185,826	21,544
Total general government	<u>13,107,830</u>	<u>13,143,540</u>	<u>12,200,183</u>	<u>943,357</u>
Public safety				
Police	38,909,980	38,914,480	37,985,000	929,480
Fire	24,622,320	25,524,830	25,287,917	236,913
Development & Neighborhood Services	3,580,460	3,730,460	3,575,208	155,252
Total public safety	<u>67,112,760</u>	<u>68,169,770</u>	<u>66,848,125</u>	<u>1,321,645</u>
Physical environment				
Engineering	2,657,976	2,657,976	2,541,483	116,493
Parks and Recreation	642,780	617,780	614,268	3,512
Total physical environment	<u>3,300,756</u>	<u>3,275,756</u>	<u>3,155,751</u>	<u>120,005</u>
Transportation				
Engineering	4,890,334	4,890,334	4,596,609	293,725
Parks and Recreation	1,225,750	1,215,750	1,193,323	22,427
Total transportation	<u>6,116,084</u>	<u>6,106,084</u>	<u>5,789,932</u>	<u>316,152</u>
Economic environment				
Economic Development	1,761,030	1,859,500	1,753,506	105,994
Total economic environment	<u>1,761,030</u>	<u>1,859,500</u>	<u>1,753,506</u>	<u>105,994</u>
Human services				
City Manager's Office	171,610	171,610	156,750	14,860
Total human services	<u>171,610</u>	<u>171,610</u>	<u>156,750</u>	<u>14,860</u>
Culture and recreation				
Parks and Recreation	20,854,330	20,859,330	20,320,001	539,329
Library	6,619,720	6,661,720	6,469,902	191,818
Marine	947,980	1,197,080	1,127,799	69,281
Total culture and recreation	<u>28,422,030</u>	<u>28,718,130</u>	<u>27,917,702</u>	<u>800,428</u>
Total expenditures (budgetary basis)				
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(5,606,200)</u>	<u>(5,890,370)</u>	<u>(2,196,474)</u>	<u>3,693,896</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,345,030	10,279,076	10,071,462	(207,614)
Transfers out	(4,487,770)	(6,319,276)	(6,153,409)	165,867
Total other financing sources (uses) (budgetary basis)	<u>5,857,260</u>	<u>3,959,800</u>	<u>3,918,053</u>	<u>(41,747)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	251,060	(1,930,570)	1,721,579	3,652,149
Encumbered purchase orders, beginning of year	-	-	(446,809)	(446,809)
Encumbered purchase orders, end of year	-	-	352,445	352,445
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	251,060	(1,930,570)	1,627,215	3,557,785
Fund balances - beginning	32,026,961	32,026,961	32,026,961	-
Fund balances - ending	<u>\$ 32,278,021</u>	<u>\$ 30,096,391</u>	<u>\$ 33,654,176</u>	<u>\$ 3,557,785</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 2,060,100	\$ 2,076,860	\$ 2,077,957	\$ 1,097
Sales	9,689,920	9,689,920	10,714,623	1,024,703
Other taxes	1,472,080	1,472,080	1,532,413	60,333
Total taxes	<u>13,222,100</u>	<u>13,238,860</u>	<u>14,324,993</u>	<u>1,086,133</u>
Licenses, permits, and fees	195,000	438,820	635,077	196,257
Intergovernmental:				
Local	-	-	670,838	670,838
Investment earnings	625,000	625,000	506,431	(118,569)
Total revenues	<u>14,042,100</u>	<u>14,302,680</u>	<u>16,137,339</u>	<u>1,834,659</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	<u>14,042,100</u>	<u>14,302,680</u>	<u>16,137,339</u>	<u>1,834,659</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	564,747	564,747	-
Transfers out	(10,409,480)	(11,790,157)	(12,530,908)	(740,751)
Total other financing sources (uses)	<u>(10,409,480)</u>	<u>(11,225,410)</u>	<u>(11,966,161)</u>	<u>(740,751)</u>
Excess of revenues and other sources over expenditures and other uses	3,632,620	3,077,270	4,171,178	1,093,908
Fund balances - beginning	<u>8,180,963</u>	<u>8,180,963</u>	<u>8,180,963</u>	<u>-</u>
Fund balances - ending	<u>\$ 11,813,583</u>	<u>\$ 11,258,233</u>	<u>\$ 12,352,141</u>	<u>\$ 1,093,908</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, 2016

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
ASSETS			
Current assets:			
Cash and investments	\$ 46,754,151	\$ 41,946,617	\$ 34,249,944
Accrued interest receivable	221,880	122,115	99,141
Accounts and contracts receivable:			
Billed	3,706,267	1,071,288	1,135,950
Unbilled charges estimated	2,891,500	1,609,100	967,743
	6,597,767	2,680,388	2,103,693
Less: Allowance for uncollectable accounts	(99,671)	(59,904)	(25,394)
	6,498,096	2,620,484	2,078,299
Total receivables, net			
Other receivables	21,941	83,461	-
Due from other funds	-	-	-
Due from other governmental entities	666,983	-	-
Inventories, at cost	931,888	1,800,083	-
Prepaid expenses and other assets	4,400	-	1,208
	55,099,339	46,572,760	36,428,592
Total current assets - unrestricted			
Current assets - restricted:			
Restricted cash and investments	11,652,651	2,974,670	1,086,225
	11,652,651	2,974,670	1,086,225
Total current assets - restricted			
Total current assets	66,751,990	49,547,430	37,514,817
Noncurrent assets:			
Restricted:			
Restricted cash and investments	28,119,148	300,000	-
Advances to other funds	-	-	-
Net pension asset	2,249,747	1,158,093	1,457,694
Capital assets:			
Land and other nondepreciable assets	10,879,440	525,788	1,563,610
Capital assets, net of accumulated depreciation	256,353,077	59,341,020	1,553,001
	297,601,412	61,324,901	4,574,305
Total noncurrent assets			
Total assets	364,353,402	110,872,331	42,089,122
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	2,449,275	575,544	-
Deferred outflows on pension	1,748,846	900,247	1,133,143
Total deferred outflows of resources	4,198,121	1,475,791	1,133,143

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

Activities Funds		Activities - Internal Service Funds		
	Stormwater Utility	Other Funds	Total	
\$	31,381,633	\$ 26,544,629	\$ 180,876,974	\$ 64,455,776
	96,656	75,432	615,224	173,519
	893,307	23,132	6,829,944	-
	1,468,700	-	6,937,043	-
	2,362,007	23,132	13,766,987	-
	(23,619)	-	(208,588)	-
	2,338,388	23,132	13,558,399	-
	-	-	105,402	94,274
	-	-	-	808,321
	234,016	6,777	907,776	-
	-	33,843	2,765,814	402,943
	-	-	5,608	1,459,991
	34,050,693	26,683,813	198,835,197	67,394,824
	1,375,312	-	17,088,858	-
	1,375,312	-	17,088,858	-
	35,426,005	26,683,813	215,924,055	67,394,824
	1,815,748	-	30,234,896	-
	-	-	-	316,666
	630,805	390,179	5,886,518	1,932,229
	26,294,816	3,094,648	42,358,302	729,591
	47,256,333	18,605,465	383,108,896	23,479,417
	75,997,702	22,090,292	461,588,612	26,457,903
	111,423,707	48,774,105	677,512,667	93,852,727
	1,221,546	-	4,246,365	-
	490,358	303,306	4,575,900	1,502,022
	1,711,904	303,306	8,822,265	1,502,022

(Continued)

City of Clearwater, Florida
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
LIABILITIES			
Current liabilities:			
Accounts and contracts payable	2,633,134	2,207,735	630,222
Accrued payroll	326,741	169,484	192,418
Accrued interest payable	19,028	17,850	6,577
Deposits	-	-	-
Unearned revenue and liens	-	-	-
Current portion of long-term liabilities:			
Compensated absences	415,073	353,514	192,680
Revenue bonds	1,110,000	916,666	-
Capital lease purchases payable	82,052	4,706	-
Due to other funds	-	-	-
Claims payable	-	-	-
Total current liabilities (payable from current assets)	<u>4,586,028</u>	<u>3,669,955</u>	<u>1,021,897</u>
Current liabilities (payable from restricted assets):			
Construction contracts payable	551,540	-	-
Accrued interest payable	2,370,527	24,760	-
Current portion of long-term liabilities, revenue bonds	5,550,000	83,334	-
Customer deposits	3,180,584	2,866,576	1,086,225
Total current liabilities payable from restricted assets	<u>11,652,651</u>	<u>2,974,670</u>	<u>1,086,225</u>
Total current liabilities	<u>16,238,679</u>	<u>6,644,625</u>	<u>2,108,122</u>
Noncurrent liabilities:			
Compensated absences	339,569	289,208	157,632
Other postemployment benefits	1,661,722	817,525	1,186,434
Revenue bonds (net of unamortized premiums/discounts)	146,206,483	10,562,852	-
Capital lease purchases payable	269,739	19,794	-
Claims payable	-	-	-
Total non-current liabilities	<u>148,477,513</u>	<u>11,689,379</u>	<u>1,344,066</u>
Total liabilities	<u>164,716,192</u>	<u>18,334,004</u>	<u>3,452,188</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension	524,302	269,893	339,716
Total deferred inflows of resources	<u>524,302</u>	<u>269,893</u>	<u>339,716</u>
NET POSITION			
Net investment in capital assets	116,463,518	48,855,000	3,116,611
Restricted for:			
Revenue bond debt service and sinking fund requirements	19,166,020	83,334	-
Revenue bond renewal and replacement requirements	12,931,995	300,000	-
Water and sewer impact fees	1,571,133	-	-
Unrestricted	53,178,363	44,505,891	36,313,750
Total net position	<u>\$ 203,311,029</u>	<u>\$ 93,744,225</u>	<u>\$ 39,430,361</u>

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

Activities Funds		Activities - Internal Service Funds	
Stormwater Utility	Other Funds	Total	
438,990	284,416	6,194,497	2,450,265
83,606	75,620	847,869	268,269
-	-	43,455	-
-	78,538	78,538	-
-	38,826	38,826	382,833
118,032	106,765	1,186,064	397,123
125,000	-	2,151,666	-
36,679	-	123,437	5,030,084
-	-	-	91,654
-	-	-	3,405,405
<u>802,307</u>	<u>584,165</u>	<u>10,664,352</u>	<u>12,025,633</u>
-	-	551,540	-
440,748	-	2,836,035	-
1,375,000	-	7,008,334	-
-	-	7,133,385	-
<u>1,815,748</u>	<u>-</u>	<u>17,529,294</u>	<u>-</u>
<u>2,618,055</u>	<u>584,165</u>	<u>28,193,646</u>	<u>12,025,633</u>
96,562	87,344	970,315	324,884
462,106	549,256	4,677,043	1,347,242
31,756,567	-	188,525,902	-
24,237	-	313,770	11,984,279
-	-	-	6,579,600
<u>32,339,472</u>	<u>636,600</u>	<u>194,487,030</u>	<u>20,236,005</u>
<u>34,957,527</u>	<u>1,220,765</u>	<u>222,680,676</u>	<u>32,261,638</u>
<u>147,009</u>	<u>90,931</u>	<u>1,371,851</u>	<u>450,304</u>
<u>147,009</u>	<u>90,931</u>	<u>1,371,851</u>	<u>450,304</u>
41,455,212	21,700,113	231,590,454	7,194,645
2,750,312	-	21,999,666	-
-	-	13,231,995	-
-	-	1,571,133	-
<u>33,825,551</u>	<u>26,065,602</u>	<u>193,889,157</u>	<u>55,448,162</u>
<u>\$ 78,031,075</u>	<u>\$ 47,765,715</u>	<u>\$ 462,282,405</u>	<u>\$ 62,642,807</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds		1,107,160	
Net position of business-type activities		\$ <u>463,389,565</u>	

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Operating revenues:			
Sales to customers	\$ 74,471,926	\$ 36,094,250	\$ 21,516,124
Service charges to customers	534,395	1,927,129	89,187
User charges to customers	-	-	2,016,769
Billings to departments	-	-	-
Rentals	-	-	-
Other	196,656	576,631	577,772
Total operating revenues	75,202,977	38,598,010	24,199,852
Operating expenses:			
Personal services	11,974,618	6,050,002	7,912,405
Purchases for resale	5,371,972	10,828,258	10,569
Operating materials and supplies	3,273,560	1,090,161	507,754
Transportation	1,348,092	602,336	4,923,181
Utility service	3,101,842	118,108	105,467
Dumping charges	928	-	4,426,061
Depreciation	15,945,459	2,325,405	323,713
Interfund administrative charges	6,297,550	2,539,910	1,532,430
Other current charges:			
Professional fees	2,097,900	1,062,001	227,501
Advertising	53,578	1,186,237	145,933
Communications	137,667	79,037	111,914
Printing and binding	8,872	15,501	13,052
Insurance	807,830	226,020	411,700
Repairs and maintenance	6,552,590	95,646	66,228
Rentals	43,635	11,758	4,304
Miscellaneous	303,198	273,036	94,325
Data processing charges	756,800	492,810	239,120
Taxes	-	1,919,722	-
Total other current charges	10,762,070	5,361,768	1,314,077
Total operating expenses	58,076,091	28,915,948	21,055,657
Operating income	17,126,886	9,682,062	3,144,195

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	
\$ 17,771,403	\$ 8,828,626	\$ 158,682,329	\$ -
73,081	-	2,623,792	-
-	234,900	2,251,669	-
-	-	-	51,976,767
-	2,379,019	2,379,019	46,752
78,087	257,989	1,687,135	497,779
<u>17,922,571</u>	<u>11,700,534</u>	<u>167,623,944</u>	<u>52,521,298</u>
3,287,534	2,855,004	32,079,563	10,195,892
-	1,546,896	17,757,695	3,520,017
340,123	193,186	5,404,784	874,276
986,135	89,806	7,949,550	185,077
39,677	397,445	3,762,539	523,179
111,948	-	4,538,937	-
3,079,433	813,585	22,487,595	7,050,315
1,900,380	1,409,640	13,679,910	285,210
363,640	400,602	4,151,644	6,272,684
4,984	20,596	1,411,328	-
36,977	45,637	411,232	1,017,376
6,087	21,941	65,453	19,554
109,670	85,960	1,641,180	16,824,282
2,027,873	399,014	9,141,351	2,596,585
1,976	29,662	91,335	525,576
59,795	470,210	1,200,564	347,257
259,460	103,060	1,851,250	512,452
-	811	1,920,533	14,435
<u>2,870,462</u>	<u>1,577,493</u>	<u>21,885,870</u>	<u>28,130,201</u>
<u>12,615,692</u>	<u>8,883,055</u>	<u>129,546,443</u>	<u>50,764,167</u>
<u>5,306,879</u>	<u>2,817,479</u>	<u>38,077,501</u>	<u>1,757,131</u>

(Continued)

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Nonoperating revenues (expenses):			
Investment earnings	960,512	543,996	422,621
Interest expense	(7,068,652)	(417,141)	(7,460)
Gain (loss) on disposal of capital assets	(8,302)	-	-
Total nonoperating revenue (expenses)	<u>(6,116,442)</u>	<u>126,855</u>	<u>415,161</u>
Income before contributions and transfers	11,010,444	9,808,917	3,559,356
Capital grants and contributions	2,108,762	-	-
Transfers in	-	-	-
Transfers out	<u>(3,923,804)</u>	<u>(2,616,762)</u>	<u>(1,204,050)</u>
Change in net position	9,195,402	7,192,155	2,355,306
Total net position - beginning	194,115,627	86,552,070	37,075,055
Total net position - ending	<u>\$ 203,311,029</u>	<u>\$ 93,744,225</u>	<u>\$ 39,430,361</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	
437,129	350,356	2,714,614	832,640
(1,089,806)	(335)	(8,583,394)	(317,001)
(9,037)	(1,223)	(18,562)	356,863
<u>(661,714)</u>	<u>348,798</u>	<u>(5,887,342)</u>	<u>872,502</u>
4,645,165	3,166,277	32,190,159	2,629,633
1,106,131	203,609	3,418,502	-
-	409,606	409,606	1,319,305
<u>(998,218)</u>	<u>(735,463)</u>	<u>(9,478,297)</u>	<u>-</u>
4,753,078	3,044,029	26,539,970	3,948,938
73,277,997	44,721,686		58,693,869
\$ <u>78,031,075</u>	\$ <u>47,765,715</u>		\$ <u>62,642,807</u>
		640,427	
		\$ <u>27,180,397</u>	

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 75,149,116	\$ 38,839,089	\$ 24,093,720
Cash received from other funds	-	-	-
Cash payments to suppliers	(22,266,041)	(16,396,077)	(5,454,541)
Cash payments to employees	(11,532,317)	(6,321,078)	(7,530,513)
Cash payments to other funds	<u>(9,956,964)</u>	<u>(4,020,256)</u>	<u>(7,276,044)</u>
Net cash provided by operating activities	<u>31,393,794</u>	<u>12,101,678</u>	<u>3,832,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(3,923,804)	(2,616,762)	(1,204,050)
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	<u>(3,923,804)</u>	<u>(2,616,762)</u>	<u>(1,204,050)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on debt	(6,844,848)	(843,761)	-
Interest paid	(6,887,342)	(337,320)	(5,692)
Acquisition of capital assets	(7,379,218)	(5,170,713)	(584,022)
Proceeds from issuance of debt	244,612	24,500	-
Capital contributed by:			
General government	-	-	-
Other governmental entities	1,491,112	103,061	-
Property owners	9,328	-	-
Developers	<u>809,365</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(18,556,991)</u>	<u>(6,224,233)</u>	<u>(589,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	973,638	552,021	436,486
Net cash provided by investing activities	<u>973,638</u>	<u>552,021</u>	<u>436,486</u>
Net increase in cash and cash equivalents	9,886,637	3,812,704	2,475,344
Cash and cash equivalents at beginning of year	76,639,313	41,408,583	32,860,825
Cash and cash equivalents at end of year	<u>\$ 86,525,950</u>	<u>\$ 45,221,287</u>	<u>\$ 35,336,169</u>
Cash and cash equivalents classified as:			
Cash and investments	\$ 46,754,151	\$ 41,946,617	\$ 34,249,944
Restricted cash and investments	<u>39,771,799</u>	<u>3,274,670</u>	<u>1,086,225</u>
Total cash and cash equivalents	<u>\$ 86,525,950</u>	<u>\$ 45,221,287</u>	<u>\$ 35,336,169</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		
\$ 17,935,118	\$ 11,673,587	\$ 167,690,630	\$ -	\$ 52,401,706
(3,172,438)	(3,459,282)	(50,748,379)	(29,005,587)	
(3,104,319)	(2,719,494)	(31,207,721)	(9,680,015)	
(3,307,292)	(1,840,259)	(26,400,815)	(4,006,546)	
<u>8,351,069</u>	<u>3,654,552</u>	<u>59,333,715</u>	<u>9,709,558</u>	
-	409,606	409,606	1,319,305	
(998,218)	(735,463)	(9,478,297)	-	
-	-	-	1,448,093	
-	(20,271)	(20,271)	(91,654)	
<u>(998,218)</u>	<u>(346,128)</u>	<u>(9,088,962)</u>	<u>2,675,744</u>	
(1,526,049)	-	(9,214,658)	(4,479,401)	
(1,001,231)	(335)	(8,231,920)	(317,001)	
(3,903,418)	(782,770)	(17,820,141)	(8,543,097)	
30,000	-	299,112	7,831,977	
471,474	567,713	1,039,187	-	
444,607	-	2,038,780	-	
-	66,000	75,328	-	
-	-	809,365	-	
<u>(5,484,617)</u>	<u>(149,392)</u>	<u>(31,004,947)</u>	<u>(5,507,522)</u>	
440,716	349,801	2,752,662	835,375	
<u>440,716</u>	<u>349,801</u>	<u>2,752,662</u>	<u>835,375</u>	
2,308,950	3,508,833	21,992,468	7,713,155	
<u>32,263,743</u>	<u>23,035,796</u>	<u>206,208,260</u>	<u>56,742,621</u>	
<u>\$ 34,572,693</u>	<u>\$ 26,544,629</u>	<u>\$ 228,200,728</u>	<u>\$ 64,455,776</u>	
\$ 31,381,633	\$ 26,544,629	\$ 180,876,974	\$ 64,455,776	
<u>3,191,060</u>	<u>-</u>	<u>47,323,754</u>	<u>-</u>	
<u>\$ 34,572,693</u>	<u>\$ 26,544,629</u>	<u>\$ 228,200,728</u>	<u>\$ 64,455,776</u>	

(Continued)

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	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			
	\$ 17,126,886	\$ 9,682,062	\$ 3,144,195
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,945,459	2,325,405	323,713
Capitalized labor	(113,493)	(725,378)	-
Change in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in accounts receivable	(43,430)	165,493	(126,478)
(Increase) decrease in inventory	(147,828)	189,983	-
(Increase) decrease in prepaid expenses	4	-	(768)
(Increase) decrease in net pension asset	(2,249,747)	(1,158,093)	(1,457,694)
(Increase) decrease in deferred outflows	2,826,101	1,444,778	1,910,683
Increase (decrease) in accounts and contracts payable	(1,897,113)	43,032	89,722
Increase (decrease) in accrued payroll	118,386	116,269	52,376
Increase (decrease) in deposits	(10,431)	75,586	20,346
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in other postemployment benefits	198,833	125,837	125,048
Increase (decrease) in net pension liability	(634,006)	(324,978)	(421,819)
Increase (decrease) in deferred inflows	274,173	141,682	173,298
Total adjustments	14,266,908	2,419,616	688,427
Net cash provided by operating activities	\$ 31,393,794	\$ 12,101,678	\$ 3,832,622

Non-cash investing, capital and financing activities:

Contributions from property owners	\$ -	\$ -	\$ -
Contributions from developers	220,832	-	-

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	
\$ 5,306,879	\$ 2,817,479	\$ 38,077,501	\$ 1,757,131
3,079,433	813,585	22,487,595	7,050,315
-	-	(838,871)	-
12,547	8,712	16,844	(55,786)
-	935	43,090	26,292
-	-	(764)	286,927
(630,805)	(390,179)	(5,886,518)	(1,932,229)
825,393	484,508	7,491,463	2,629,907
(231,005)	(107,167)	(2,102,531)	192,608
23,330	12,782	323,143	20,418
-	(8,472)	77,029	-
-	(6,030)	(6,030)	(63,806)
72,564	89,717	611,999	145,995
(182,339)	(109,176)	(1,672,318)	(572,611)
75,072	47,858	712,083	224,397
<hr/>	<hr/>	<hr/>	<hr/>
<u>3,044,190</u>	<u>837,073</u>	<u>21,256,214</u>	<u>7,952,427</u>
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 8,351,069</u>	<u>\$ 3,654,552</u>	<u>\$ 59,333,715</u>	<u>\$ 9,709,558</u>

\$ -	\$ 66,000	\$ 66,000	\$ -
-	-	220,832	-

City of Clearwater, Florida
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 11,660,046	\$ 1,870,264
Managed investment accounts, at fair value:		
Cash and cash equivalents	27,692,403	-
Government bonds	79,227,042	-
Index linked government bonds	4,641,912	-
Agency bonds	6,177,438	-
Municipal bonds	4,207,588	-
Domestic corporate bonds	96,113,858	-
International equity securities	123,605,599	-
Domestic stocks	356,941,490	-
Mortgage backed bonds	62,848,311	-
Asset backed securities	1,926,055	-
Other/Rights/Warrants	2,200	-
Domestic equity mutual funds	58,869,359	-
International equity mutual funds	36,154,969	-
Real estate	85,004,280	-
Total managed investment accounts	<u>943,412,504</u>	<u>-</u>
Securities lending collateral	194,557,987	-
Receivables:		
Interest and dividends	2,634,354	241
Unsettled investment sales	15,487,380	-
Securities lending earnings	37,820	-
Due from others	25	-
Total receivables	<u>18,159,579</u>	<u>241</u>
Total assets	<u>1,167,790,116</u>	<u>1,870,505</u>
LIABILITIES		
Accounts payable	802,990	-
Unsettled investment purchases	26,533,603	-
Obligations under securities lending	194,557,987	-
Other miscellaneous payables:		
Downtown Development Board	-	104,181
Special purpose funds	-	7,833
Other	-	1,758,491
Total miscellaneous payables	<u>-</u>	<u>1,870,505</u>
Total liabilities	\$ 221,894,580	\$ 1,870,505
FIDUCIARY NET POSITION		
Restricted for pensions	<u>945,895,536</u>	
Total fiduciary net position	<u>\$ 945,895,536</u>	

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, 2016

	Pension Trust Funds
ADDITIONS	
Contributions:	
Contributions from employer	\$ 13,178,874
Contributions from employer - state tax	2,101,565
Contributions from employees	6,706,567
Total contributions	<u>21,987,006</u>
Investment income:	
Net appreciation in fair value of investments	76,588,829
Interest	9,615,368
Dividends	9,795,134
Less investment expenses:	
Investment management / custodian fees	<u>(5,382,665)</u>
Net income from investing activities	<u>90,616,666</u>
Securities lending income:	
Gross earnings	995,905
Rebate paid	(264,752)
Bank fees	(255,687)
Net income from securities lending	<u>475,466</u>
Total additions	<u>113,079,138</u>
DEDUCTIONS	
Benefits and withdrawal payments:	
Benefits	45,382,616
Withdrawal payments	1,060,187
Total benefits and withdrawal payments	<u>46,442,803</u>
Income before administrative expenses	66,636,335
Administrative expenses	<u>(336,897)</u>
Net increase	66,299,438
Fiduciary net position restricted for pensions	
Fiduciary net position - beginning	<u>879,596,098</u>
Fiduciary net position - ending	<u>\$ 945,895,536</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, 2016

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 112,387 and is located in the four-county Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA), which has an estimated population of 2,982,737.

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, 2016 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 2016) 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, 2016, 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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Amended Interlocal Agreement on June 1, 1992, amended and restated by the Amended and Restated Interlocal 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, 2016, FGU has 22 members. Separate audited financial statements of FGU as of September 30, 2016, 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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.

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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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.

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 0.29% at September 30, 2016. 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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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 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, 2016, the performance measure weighted average was 0.73%. The actual pooled cash earnings performance before bank charges was 1.47%.

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 2.78%. 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 2011 thru 2015), and 100% of the receivable attributable to fiscal years 2010 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.

City of Clearwater, Florida
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For the Year Ended September 30, 2016

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, 2016 was the same rate that was levied for the six 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.

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; and 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.

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.

City of Clearwater, Florida
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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 \$8,583,394, of which \$286,832 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

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

City of Clearwater, Florida
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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.

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.

City of Clearwater, Florida
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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% 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, 2016, 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, 2016, the City implemented the following GASB pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*. Issued February 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. The City implemented GASB Statement No. 72 for fiscal year ending September 30, 2016. Implementation did not result in a change in valuation, but Note III.A. Deposits and Investments has been modified to provide the new disclosures required by this statement.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Issued June 2015, this statement is intended to improve the usefulness of pension information included in the general purpose external

City of Clearwater, Florida
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financial reports for decision-making and assessing accountability. GASB Statement No. 73 has been implemented by the City for fiscal year ending September 30, 2016, but has no impact on the City since all City pension plans fall under the scope of GASB Statement No. 68.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 76 was implemented by the City in fiscal year ending September 30, 2016, and had no impact.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Issued in December 2015, the object of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of GASB Statement No. 68. The City does not participate in any pension plans that fall within the scope of this Statement, therefore the Statement provisions do not apply to the City.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Issued December 2015, this statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 was implemented by the City in fiscal year ending September 30, 2016, expanding certain disclosures related to investments in certain investment pools.

Note II – Stewardship, Compliance, and Accountability

II.A. Budgets and budgetary accounting

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

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

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

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.

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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.

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.

City of Clearwater, Florida
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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, 2016 are classified in the accompanying financial statements as follows:

<u>Statement of net position</u>	<u>09/30/16</u>
Primary Government:	
Cash and investments	\$ 357,690,028
Restricted cash and investments	47,323,754
Fiduciary Funds:	
Cash and investments-agency fund	1,870,264
Total pooled cash and investments	<u>\$ 406,884,046</u>

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<u>Pooled Cash and Investments</u>	Carrying Amount	% of Portfolio	Investment Maturities in Years			Moody's Rating
			Less than 1	1-3 Years	More than 3	
Cash and cash equivalents:						
Cash on hand	\$ 51,820	0.01%				N/A
Time / interest bearing account	<u>894,466</u>	0.22%				N/A
Total cash and cash equivalents	<u>946,286</u>					
Investments:						
Local Government Investment Pools:						
Florida Safe Investment Pool	5,032,611	1.24%	5,032,611	-	-	AAAm
Florida Cooperative Liquid Assets Securities System	<u>5,013,579</u>	1.23%	<u>5,013,579</u>	-	-	AAAm
Florida Local Government Investment Trust - Short Term Bonds	<u>85,053,383</u>	20.91%	-	85,053,383	-	AAAf
	<u>95,099,573</u>		<u>10,046,190</u>	<u>85,053,383</u>	-	
Treasuries						
Treasuries	<u>2,096,406</u>	0.52%	-	<u>2,096,406</u>	-	N/A
U.S. Agencies:						
Federal Home Loan Bank (FHLB)	27,698,857	6.81%	3,011,310	7,018,882	17,668,665	Aaa
Federal National Mortgage Assn (FNMA)	<u>54,810,639</u>	13.47%	-	29,992,060	24,818,579	Aaa
Federal Farm Credit Bank (FFCB)	15,525,040	3.82%	10,525,035	5,000,005	-	Aaa
Federal Home Loan Mortgage Corp (FHLMC)	82,932,103	20.38%	3,002,253	25,017,515	54,912,335	Aaa
Federal Home Loan Mortgage Corp Zeroes	1,783,148	0.44%	-	-	1,783,148	Aaa
Other Government Sponsored Agencies	3,858,711	0.95%	1,559,828	2,298,883	-	Aaa
Federal National Mortgage Assn (FNMA) Zeroes	<u>9,243,815</u>	2.27%	-	-	9,243,815	Aaa
Farmer Mac (FAMCA)	2,007,690	0.49%	2,007,690	-	-	Aaa
Tennessee Valley Authority (TVA) Zeroes	<u>2,617,576</u>	0.64%	-	-	<u>2,617,576</u>	Aaa
Total U.S. Agencies	<u>200,477,579</u>		<u>20,106,116</u>	<u>69,327,345</u>	<u>111,044,118</u>	
Municipal bonds						
Municipal bonds	17,280,074	4.25%	8,166,481	6,009,565	3,104,028	Aa1/Aa2/Aa3
Municipal bonds	<u>8,430,446</u>	2.07%	<u>3,265,306</u>	<u>5,165,140</u>	-	A1/A2/A3
Municipal bonds	<u>1,480,641</u>	0.36%	-	<u>1,480,641</u>	-	NR
Total municipal bonds	<u>27,191,161</u>		<u>11,431,787</u>	<u>12,655,346</u>	<u>3,104,028</u>	
Mortgage backed securities	<u>77,648,233</u>	19.08%	<u>1,253,983</u>	<u>39,876,469</u>	<u>36,517,781</u>	Aaa
Asset backed securities	<u>3,424,808</u>	0.84%	<u>122,511</u>	<u>588,122</u>	<u>2,714,175</u>	Aaa
Total investments	<u>405,937,760</u>		<u>42,960,587</u>	<u>209,597,071</u>	<u>153,380,102</u>	
Total pooled cash and investments	<u>\$ 406,884,046</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 has the following recurring fair value measurements as of September 30, 2016:

(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
		\$	\$	\$	\$	
U.S. Government securities	\$ 2,096	\$ -	\$ -	\$ 2,096	\$ -	\$ -
Federal Agency securities	200,478	-	-	200,478	-	-
Municipal obligations	27,191	-	-	27,191	-	-
Mortgage backed securities	77,648	-	-	77,648	-	-
Asset backed securities	3,425	-	-	3,425	-	-
Florida Safe Investment Pool	5,033	-	-	-	-	5,033
Florida Cooperative Liquid Assets Securities System	5,014	-	-	-	-	5,014
Florida Local Govt.						
Investment Trust-Short Term Bonds	85,053	-	-	-	-	85,053
	\$ 405,938	\$ -	\$ -	\$ 310,838	\$ -	\$ 95,100

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

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For the Year Ended September 30, 2016

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.

Employees' Pension Plan

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

City of Clearwater, Florida
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<u>Employees' Pension Plan Cash and Investments</u>	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted avg maturity (years)</u>	<u>Moody's Rating</u>
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents - pooled cash	\$ 10,526,303	1.15%	N/A	N/A
Cash in managed investment accounts	<u>26,241,156</u>	<u>2.87%</u>	N/A	N/A
Total cash and cash equivalents	<u>36,767,459</u>			
<u>Investments:</u>				
Government bonds	77,210,578	8.44%	4.1	Aaa
Government bonds	1,627,410	0.18%		A
Government bonds	231,500	0.03%		Baa
Index linked treasuries	4,641,912	0.51%	27.5	Aaa
U.S. agencies	2,330,790	0.25%	8.4	AGY
U.S. agencies	638,768	0.07%		Baa
Municipal bonds	3,429,573	0.38%	15.2	A
Municipal bonds	649,573	0.07%		NR
Domestic corporate bonds	869,577	0.10%		Aaa
Domestic corporate bonds	2,348,371	0.26%		Aa
Domestic corporate bonds	17,229,409	1.88%		A
Domestic corporate bonds	61,022,309	6.67%	12.4	Baa
Domestic corporate bonds	4,860,825	0.53%		Ba
Domestic corporate bonds	1,434,976	0.16%		B
Domestic corporate bonds	693,438	0.08%		Caa
Domestic corporate bonds	4,091,750	0.45%		NR
Asset backed bonds	146,904	0.02%		AGY
Asset backed bonds	1,023,477	0.11%	9.5	Aaa
Asset backed bonds	13,285	0.00%		Baa
Asset backed bonds	742,389	0.08%		NR
Other/Rights/Warrants	2,200	0.00%	N/A	NR
Domestic stocks	352,951,514	38.59%	N/A	N/A
International equity securities	123,583,923	13.51%	N/A	N/A
Mortgage backed bonds	61,308,061	6.70%	22.5	AGY
Mortgage backed bonds	88,875	0.01%		Aaa
Mortgage backed bonds	156,799	0.02%		NR
International equity mutual funds	32,617,067	3.57%	N/A	N/A
Domestic equity mutual funds	39,550,427	4.32%	N/A	N/A
Real Estate/Timber	82,245,686	8.99%	N/A	N/A
Total investments	<u>877,741,366</u>			
Total cash and investments	<u>\$ 914,508,825</u>	100.00%		

City of Clearwater, Florida
Notes to the Basic Financial Statements
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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, 2016, the Plan had \$11,080,989 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, 2016

<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>	<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>
Common Stock	Euro currency	\$ 22,275,078	Common Stock	Kuwaiti dinar	484,396
Common Stock	Japanese yen	17,489,466	Common Stock	Qatari riyal	483,711
Common Stock	British pound sterling	9,522,027	Common Stock	Egyptian pound	398,842
Common Stock	Hong Kong dollar	3,900,663	Common Stock	Kazakhstan tenge	306,535
Common Stock	Swiss franc	3,181,290	Common Stock	Czech koruna	298,348
Common Stock	Chinese Yuan	2,118,088	Common Stock	Argentine peso	284,029
Common Stock	Australian Dollar	2,441,768	Common Stock	Croatian kuna	274,734
Common Stock	New Russian ruble	2,118,088	Common Stock	Bahraini dinar	260,480
Common Stock	Swedish krona	2,097,660	Common Stock	Romanian leu	254,413
Common Stock	Indian Rupee	2,050,374	Common Stock	Hungarian forint	253,174
Common Stock	New Taiwan dollar	2,021,606	Common Stock	Vietnamese dong	252,619
Common Stock	Brazilian real	2,002,786	Common Stock	Sri Lankan rupee	242,932
Common Stock	South African rand	2,358,706	Common Stock	Moroccan dirham	241,725
Common Stock	South Korean wan	1,870,981	Common Stock	Kenyan shilling	241,432
Common Stock	Mexican peso	1,828,187	Common Stock	Mauritian rupee	240,649
Common Stock	Indonesian rupiah	1,179,662	Common Stock	Bangladesh taka	240,486
Common Stock	Polish zloty	1,013,478	Common Stock	Jordanian dinar	238,594
Common Stock	Turkish lira	981,807	Common Stock	Omani rial	227,765
Common Stock	Malaysian ringgit	975,120	Common Stock	Saudi riyal	224,764
Common Stock	Chilean peso	943,221	Common Stock	Nigerian naira	165,564
Common Stock	Thailand baht	930,272	Common Stock	Panama balboa	104,342
Common Stock	Philippine peso	929,717	Common Stock	Tunisian dinar	95,209
Common Stock	Singapore dollar	903,368	Common Stock	Lebanese pounds	74,204
Common Stock	Danish Krone	711,246	Common Stock	Botswana pula	67,322
Common Stock	Peruvian nouveau sol	556,480	Common Stock	Ghana cedi	27,953
Common Stock	Columbian peso	494,507	Common Stock	Ukraine hryvnia	5,121
Common Stock	Pakistan rupee	493,431	Common Stock	Bulgarian lev	4,371
Common Stock	UAE dirham	489,713			
			Total		\$ 93,872,504

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 Plan has the following recurring fair value measurements as of September 30, 2016:

City of Clearwater, Florida
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(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
	Fair Value	Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value		
Government bonds	\$ 79,069	\$ -	\$ 79,069	\$ -	\$ -	\$ -	
Index linked treasuries	4,642	-	4,642	-	-	-	
U.S. agencies	2,970	-	2,970	-	-	-	
Municipal bonds	4,079	-	4,079	-	-	-	
Domestic corporate bonds	92,551	-	92,551	-	-	-	
Asset backed bonds	1,926	-	1,926	-	-	-	
Other/Rights/Warrants	2	-	-	-	2	-	
Domestic stocks	352,951	352,951	-	-	-	-	
International equity securities	123,584	123,584	-	-	-	-	
Mortgage backed bonds	61,554	-	61,554	-	-	-	
International equity mutual funds	32,617	-	-	-	32,617	-	
Domestic equity mutual funds	39,550	-	39,550	-	-	-	
Real Estate/Timber	82,246	-	-	-	82,246	-	
	\$ 877,741	\$ 476,535	\$ 286,341	\$ 2	\$ 114,863		

Net Asset Value Investments:
(in thousands)

Money Manager	Value	Unfunded Commitments	Investment Strategy	Redemption Restrictions
Eaton Vance	\$ 32,617	\$ -	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	43,445	-	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	Quarterly redemptions with one day notice
Molpus Woodlands Group Funds III & IV	9,979	2,940,000	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	8,194	559,259	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.
USAA U.S. Government Buildings	10,397	-	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	10,231	-	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.
	\$ 114,863	\$ 3,499,259		

City of Clearwater, Florida
Notes to the Basic Financial Statements
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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
Cash and cash equivalents:				
Cash and cash equivalents	\$ 1,122,471	25.92%	N/A	N/A
Total cash and cash equivalents	<u>1,122,471</u>			
Investments:				
U.S. agency - Farmer Mac (FAMCA)	1,207,256	27.88%	7.62	Aaa
U.S. agency - Federal Home Loan Bank (FHLB)	<u>2,000,624</u>	<u>46.20%</u>	<u>19.92</u>	<u>Aaa</u>
Total investments	<u>3,207,880</u>			
Total managed cash and investments	<u>\$ 4,330,351</u>	<u>100.00%</u>		

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
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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, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agency securities	-	\$ 3,207,880	-

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	\$ 11,272	0.06%	N/A	N/A
Cash in managed investment accounts	<u>962,751</u>	5.25%	N/A	N/A
Total cash and cash equivalents	<u>974,023</u>			
<u>Investments:</u>				
Domestic equity mutual funds	15,032,895	81.95%	N/A	N/R
International equity mutual funds	2,336,787	12.74%	N/A	N/R
Total investments	<u>17,369,682</u>			
Total managed cash and investments	<u>\$ 18,343,705</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, 2016:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable	Significant Unobservable
	<u>Fair Value</u>	<u>Inputs (Level 2)</u>	<u>Inputs (Level 3)</u>	
Domestic equity mutual funds	\$ 15,032,895	\$ -	\$ 15,032,895	\$ -
International equity mutual funds	2,336,787	-	2,336,787	-
	<u>\$ 17,369,682</u>	<u>\$ -</u>	<u>\$ 17,369,682</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:

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
Cash and cash equivalents:				
Cash in managed investment accounts	\$ 488,496	2.73%	N/A	N/A
Total cash and cash equivalents	<u>488,496</u>			
Investments:				
U.S. Treasury obligations	157,554	0.88%	27.9	Aaa
Municipal obligations	76,430	0.43%	1.8	A1/A2/A3
Municipal obligations	52,012	0.29%		Aa1/Aa2/Aa3
Domestic corporate bonds	1,397,771	7.81%		A1/A2/A3
Domestic corporate bonds	209,857	1.17%		Aaa/Aa2/Aa3
Domestic corporate bonds	1,848,690	10.33%	8.2	B1/B2/B3
Domestic corporate bonds	106,885	0.60%		Baa1/Baa2/Baa3
International equity securities	21,676	0.12%	N/A	N/R
Domestic stocks	3,989,976	22.30%	N/A	N/R
Mortgage backed bonds	1,294,576	7.24%	23.5	N/R
Domestic equity mutual funds	4,286,037	23.97%	N/A	N/R
International equity mutual funds	1,201,115	6.71%	N/A	N/R
Real estate	2,758,594	15.42%	N/A	N/R
Total investments	<u>17,401,173</u>			
Total managed cash and investments	<u>\$ 17,889,669</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 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% 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 market 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, 2016:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable	Significant Unobservable
U.S. Treasury obligations	\$ 157,554	\$ 157,554	\$ -	\$ -
Municipal obligations	128,442	-	128,442	-
Domestic corporate bonds	3,563,203	-	3,563,203	-
International equity securities	21,676	21,676	-	-
Domestic stocks	3,989,976	3,989,976	-	-
Mortgage backed bonds	1,294,576	-	1,294,576	-
Domestic equity mutual funds	4,286,037	4,286,037	-	-
International equity mutual funds	1,201,115	-	-	1,201,115
Real estate	2,758,594	-	-	2,758,594
	<u>\$ 17,401,173</u>	<u>\$ 8,455,243</u>	<u>\$ 4,986,221</u>	<u>\$ 3,959,709</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 \$4,559,128 are reported on the Governmental Funds Balance Sheet net of an allowance for uncollectible accounts in the amount of \$12,715,504. The gross receivable of \$17,274,632 includes \$4,288,189 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
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Receivables, net of applicable allowances for uncollectible accounts (amounts in thousands):

	Taxes	Franchise Fees	Interest	Accounts and Contracts	Notes	Other	Total
General fund	\$ 1,516	\$ 846	\$ 140	\$ 487	\$ -	\$ 9	\$ 2,998
Special Development	48	-	128	-	-	-	176
Capital Improvement	-	-	1	-	-	-	1
Non-major governmental funds	-	-	62	-	17,275	8	17,345
Internal service funds	-	-	174	-	-	94	268
Total governmental	1,564	846	505	487	17,275	111	20,788
Less: Allowance for uncollectable accounts	(382)	-	-	-	(12,716)	-	(13,098)
Net governmental receivables	<u>\$ 1,182</u>	<u>\$ 846</u>	<u>\$ 505</u>	<u>\$ 487</u>	<u>\$ 4,559</u>	<u>\$ 111</u>	<u>\$ 7,690</u>
Water and Sewer Utility	\$ -	\$ -	\$ 222	\$ 6,598	\$ -	\$ 22	\$ 6,842
Gas Utility	-	-	122	2,680	-	83	2,885
Solid Waste and Recycling Utility	-	-	99	2,104	-	-	2,203
Stormwater Utility	-	-	97	2,362	-	-	2,459
Non-major enterprise funds	-	-	76	23	-	-	99
Total business-type	-	-	616	13,767	-	105	14,488
Less: Allowance for uncollectable accounts	-	-	-	(209)	-	-	(209)
Net business-type receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ 13,558</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ 14,279</u>

III.C. Capital assets

Capital asset activity for the year ended September 30, 2016:

	Beginning Balance (Restated)	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 80,408,408	\$ 1,453,512	\$ -	\$ (471,474)	\$ 81,390,446
Construction in progress	2,739,518	9,315,456	(814,777)	-	11,240,197
Total non-depreciable capital assets	<u>83,147,926</u>	<u>10,768,968</u>	<u>(814,777)</u>	<u>(471,474)</u>	<u>92,630,643</u>
Depreciable capital assets:					
Buildings	171,965,907	1,178,606	-	-	173,144,513
Improvements other than buildings	37,073,099	618,397	-	-	37,691,496
Machinery and equipment	91,391,674	9,569,344	(10,046,514)	8,505	90,923,009
Infrastructure	148,285,962	-	-	-	148,285,962
Total depreciable capital assets	<u>448,716,642</u>	<u>11,366,347</u>	<u>(10,046,514)</u>	<u>8,505</u>	<u>450,044,980</u>
Less accumulated depreciation for:					
Buildings	(66,225,086)	(5,445,708)	-	-	(71,670,794)
Improvements other than buildings	(17,821,834)	(1,566,771)	-	-	(19,388,605)
Machinery and equipment	(69,145,674)	(7,584,503)	9,756,099	(1,701)	(66,975,779)
Infrastructure	(90,205,397)	(4,872,842)	-	-	(95,078,239)
Total accumulated depreciation	<u>(243,397,991)</u>	<u>(19,469,824)</u>	<u>9,756,099</u>	<u>(1,701)</u>	<u>(253,113,417)</u>
Net depreciable capital assets	<u>205,318,651</u>	<u>(8,103,477)</u>	<u>(290,415)</u>	<u>6,804</u>	<u>196,931,563</u>
Net governmental activities capital assets	<u>\$ 288,466,577</u>	<u>\$ 2,665,491</u>	<u>\$ (1,105,192)</u>	<u>\$ (464,670)</u>	<u>\$ 289,562,206</u>

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	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 29,950,296	\$ 1,423,468	\$ -	\$ 471,474	\$ 31,845,238
Construction in progress	9,441,596	5,345,662	(4,274,194)	-	10,513,064
Total non-depreciable capital assets	<u>39,391,892</u>	<u>6,769,130</u>	<u>(4,274,194)</u>	<u>471,474</u>	<u>42,358,302</u>
Depreciable capital assets:					
Buildings	34,170,083	897,648	-	-	35,067,731
Improvements other than buildings	631,260,821	14,702,398	-	-	645,963,219
Machinery and equipment	18,242,314	543,565	(975,978)	(8,505)	17,801,396
Total depreciable capital assets	<u>683,673,218</u>	<u>16,143,611</u>	<u>(975,978)</u>	<u>(8,505)</u>	<u>698,832,346</u>
Less accumulated depreciation for:					
Buildings	(7,714,883)	(1,038,948)	-	-	(8,753,831)
Improvements other than buildings	(278,216,385)	(20,033,366)	-	-	(298,249,751)
Machinery and equipment	(8,279,546)	(1,415,281)	973,258	1,701	(8,719,868)
Total accumulated depreciation	<u>(294,210,814)</u>	<u>(22,487,595)</u>	<u>973,258</u>	<u>1,701</u>	<u>(315,723,450)</u>
Net depreciable capital assets	<u>389,462,404</u>	<u>(6,343,984)</u>	<u>(2,720)</u>	<u>(6,804)</u>	<u>383,108,896</u>
Net business-type activities capital assets	<u>\$ 428,854,296</u>	<u>\$ 425,146</u>	<u>\$ (4,276,914)</u>	<u>\$ 464,670</u>	<u>\$ 425,467,198</u>

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

Governmental activities:	
General government	\$ 685,007
Public safety	1,003,746
Physical environment	21,172
Transportation, including depreciation on infrastructure assets	4,966,547
Economic environment	525,748
Culture and recreation	5,217,289
Capital assets held by governmental internal service funds are charged to the various functions based on their usage of assets	7,050,315
	<u>\$ 19,469,824</u>

Business-type activities:	
Water and sewer utility	\$ 15,945,459
Gas utility	2,325,405
Solid waste and recycling utility	323,713
Stormwater utility	3,079,433
Marine operations	68,604
Aviation operations	171,840
Parking system operations	234,678
Clearwater Harbor Marina operations	338,463
	<u>\$ 22,487,595</u>

City of Clearwater, Florida
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For the Year Ended September 30, 2016

Construction commitments

At September 30, 2016, material outstanding construction commitments were as follows:

<u>Project</u>	<u>Fund</u>	<u>Construction Commitments Outstanding</u>
Magnolia Drive Outfall	Stormwater Utility Enterprise Fund	\$ 3,773,790
Allen's Creek Stormwater Improvements	Stormwater Utility Enterprise Fund	2,252,512
Sanitary Sewer Extensions	Water & Sewer Utility Enterprise Fund	2,227,827
Greenlea Otten Traffic Calming	Capital Improvement Fund	2,223,613
Police Firing Range	Capital Improvement Fund	1,979,118
Sherwood Yard Street Sweeping Facility	Stormwater Utility Enterprise Fund	1,785,006
Island Estates Bridge Replacements	Capital Improvement Fund	1,355,789
East Clarifiers	Water & Sewer Utility Enterprise Fund	1,273,704
Annual Stormwater Improvements	Stormwater Utility Enterprise Fund	1,124,093
Mango Street Outfall	Stormwater Utility Enterprise Fund	864,685
Expansion of RO Plant #1	Water & Sewer Utility Enterprise Fund	638,163
Total Construction Commitments		<u>\$ 19,498,300</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, 2016, 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, 2016, there were no funds reporting a cash pool deficit.

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

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Special Revenue Funds:				
Special Programs	\$ -	\$ 400,000	\$ 325,440	\$ -
Community Redevelopment Agency	-	316,667	-	642,106
Internal Service Funds:				
Administrative Services	-	91,654	-	-
Central Insurance	<u>808,321</u>	<u>-</u>	<u>316,666</u>	<u>-</u>
	<u><u>\$ 808,321</u></u>	<u><u>\$ 808,321</u></u>	<u><u>\$ 642,106</u></u>	<u><u>\$ 642,106</u></u>

City of Clearwater, Florida
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Descriptions of interfund loans as of September 30, 2016:

An internal ten-year loan from the Central Insurance Fund to the Administrative Services Fund for purchase and installation of fiber optic cable and termination equipment. The loan provides for ten annual payments of \$91,654 plus interest at the cash-pool rate, due on September 30 of each year. The loan commenced September 30, 2003 with the first annual principal payment due September 30, 2008, the year that the infrastructure project was completed. Because the final principal payment (\$91,654) is due within one year, this loan is classified as due to/from other funds.

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. The current portion of this loan (\$316,667) is classified as due to/due from other funds, while the long-term portion (\$316,666) is classified as an advance.

An internal loan from the Central Insurance Fund to the Special Programs special revenue fund in the amount of \$400,000, approved January 21, 2016, to provide temporary financing for expenditures incurred in adopting the City's new branding logo, primarily signage and uniform replacements in excess of normally budgeted annual replacements. This loan is interest-free and is to be repaid in fiscal 2017. Because the entire loan is due within one year, it is classified as due to/from other funds.

City of Clearwater, Florida
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III.D.2. Interfund transfers

Interfund transfers for the year ended September 30, 2016 consisted of the following:

Transfers to General Fund from:	
Water & Sewer Utility Enterprise Fund	\$ 3,686,040
Gas Utility Enterprise Fund	2,546,812
Solid Waste & Recycling Utility Enterprise Fund	1,204,050
Stormwater Utility Enterprise Fund	921,830
Capital Improvement Fund	32,237
Nonmajor governmental funds	996,361
Nonmajor enterprise funds	684,132
Total	<u>10,071,462</u>
Transfers to Special Development Fund from:	
Capital Improvement Fund	<u>564,747</u>
Transfers to Capital Improvements Fund from:	
General Fund	3,713,750
Special Development Fund	12,530,908
Nonmajor governmental funds	1,051,944
Total	<u>17,296,602</u>
Transfers to Nonmajor governmental funds from:	
General Fund	1,963,180
Nonmajor governmental funds	2,876,287
Nonmajor enterprise funds	51,331
Total	<u>4,890,798</u>
Transfer to Nonmajor enterprise funds from:	
General fund	<u>409,606</u>
Transfers to Internal service funds from:	
General Fund	66,873
Capital Improvement Fund	868,330
Water & Sewer Utility Enterprise Fund	237,764
Gas Utility Enterprise Fund	69,950
Stormwater Utility Enterprise Fund	76,388
Total	<u>1,319,305</u>
Total interfund transfers	<u>\$ 34,552,520</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: the return of General Fund revenues in the amount of \$32,237 from the Capital Improvement Fund from the closure of the Centennial Monument capital project; a decrease of \$153,190 from the Gas Fund to reflect actual receipts for the annual gas dividend payment; a transfer of \$55,000 from the Community Redevelopment Agency to fund the increased administrative charge due to an additional FTE; a transfer of \$252,600 to the Capital Improvement Fund for the Park Land Acquisition project for the purchase of property located at 3158 Gulf to Bay Boulevard; a transfer of 409,606 to the Marine Fund to provide funding for the Marina Cantina lease agreement; a transfer of \$79,300 to the Special Programs Fund for the Clearwater Ferry program to purchase service capacity for spring break; a transfer of \$100,000 to the Capital Improvement Fund to fund the initial cash match for the Seminole Boat Ramp Improvement Project; a transfer of \$375,000 to the Special Programs Fund to fund the AECOM contract for the ULI Report Implementation; a transfer of \$150,000 to the Capital Improvement Fund for the Marina District Boardwalk & Entry Nodes project; a transfer of \$250,000 to the Capital Improvement Fund for

City of Clearwater, Florida
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the Fire Station Security Cameras project; a transfer of \$25,000 to the Capital Improvement Fund for the Centennial Monument project; and a transfer of \$150,000 to the Special Programs Fund for the Joint Hercules Planning and Economic Study.

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, 2016:

	Governmental Activities	Business-type Activities
Equipment	\$ 26,694,885	\$ 658,416
Less: Accumulated Depreciation	(7,222,119)	(557,804)
Total	<u>\$ 19,472,766</u>	<u>\$ 100,612</u>

The future minimum lease payments under capital lease purchase agreements are as follows as of September 30, 2016:

<u>Year Ending Sept. 30</u>	Governmental Activities	Business-type Activities
2017	\$ 5,717,928	\$ 131,293
2018	4,949,296	95,741
2019	4,025,692	95,741
2020	2,981,984	84,793
2021	1,099,196	49,407
	<u>18,774,096</u>	<u>456,975</u>
Deduction of the amount of imputed interest necessary to reduce net minimum lease payments to present value	(739,142)	(19,768)
	<u>\$ 18,034,954</u>	<u>\$ 437,207</u>

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, 2016, totaled \$384,923.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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 \$685,000 due March 1, 2017, 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.

\$7,595,000

Total revenue bonds for governmental activities	<u>7,595,000</u>
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\$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 \$240,000 at December 1, 2016, to \$260,000 due December 1, 2018, interest at 3.75% to 4.00%.

750,000

\$67,715,000 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, to \$495,000 due December 1, 2023; interest at 4.375% to 5.00%; 5.125% term bonds in the amount of \$5,655,000 due December 1, 2032; and 5.25% term bonds in the amount of \$59,780,000 due December 1, 2039.

67,715,000

\$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 \$4,655,000 at December 1, 2016 to \$5,150,000 due December 1, 2018; interest at 5.00%.

14,700,000

\$47,025,000 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 \$1,615,000 at December 1, 2016, to \$2,000,000 due December 1, 2030, interest at 3.87% to 5.00%; 4.50% term bonds in the amount of \$6,850,000 due December 1, 2032.

41,255,000

\$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 \$150,000 at December 1, 2016, to \$2,305,000 due December 1, 2032; interest at 3.18%.

27,350,000

\$3,700,000 Gas System Revenue Refunding Bonds, Series 2007; issued to refund and redeem on December 1, 2007, all of the outstanding principal amount of the City's Gas System Revenue Bonds, Series 1998; final annual installment of \$370,000 due September 1, 2017; interest at 4.00%.

370,000

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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 \$375,000 due September 1, 2017, to \$1,520,000 due September 1, 2026; interest at 2.41%.

6,275,000

\$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 \$255,000 due September 1, 2017, to \$2,040,000 due September 1, 2027; interest at 2.67%.

4,910,000

\$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 \$705,000 due November 1, 2016, to \$1,350,000 due November 1, 2032, interest at 2.00% to 5.00%.

16,900,000

\$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 \$490,000 due November 1, 2016, to \$780,000 due November 1, 2032; interest at 2.98%.

10,480,000

\$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 \$305,000 due November 1, 2016, to \$435,000 due November 1, 2029; interest at 2.72%.

5,155,000

Total revenue bonds for business-type activities

195,860,000

Total revenue bonds

\$203,455,000

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 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 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 made pursuant to

City of Clearwater, Florida
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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 2007, 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
2017	\$ 685,000	\$ 380,437	\$ 9,160,000	\$ 8,292,441
2018	725,000	342,543	9,185,000	7,885,770
2019	760,000	302,634	9,570,000	7,464,076
2020	805,000	260,574	6,155,000	7,142,574
2021	845,000	219,927	6,370,000	6,910,359
2022-2026	1,640,000	802,567	37,910,000	30,576,873
2027-2031	2,135,000	298,447	40,665,000	22,995,832
2032-2036	-	-	40,025,000	14,605,487
2037-2040	-	-	36,820,000	3,992,625
Totals	<u>\$ 7,595,000</u>	<u>\$ 2,607,129</u>	<u>\$ 195,860,000</u>	<u>\$ 109,866,037</u>

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

City of Clearwater, Florida
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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 \$10,202,129. Principal and interest paid for the current year and total revenue received were \$1,072,376 and \$1,095,069 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 are payable through December 2039.

\$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 are payable through December 2032.

\$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.

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 \$249,851,856. Principal and interest paid for the current year (\$13,635,073) required 40.06% of total net revenue (\$34,032,857).

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.

City of Clearwater, Florida
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\$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 \$42,214,105. Principal and interest paid for the current year (\$2,534,159) required 28.72% of total net revenue (\$8,823,441).

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:

\$3.7 million in Gas System Revenue Refunding Bonds issued in October 2007. Proceeds from the bonds provided financing to refund the outstanding principal of the City of Clearwater Gas System Revenue Bonds, Series 1998. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2017.

\$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 \$13,660,076. Principal and interest paid for the current year (\$1,322,637) required 10.54% of total net revenue (\$12,551,463).

III.F.4. Advance refunding of bonds

On December 9, 2014, the City issued \$27,520,000 at par value of Water & Sewer Revenue Refunding Bonds, Series 2014, for the purpose of redeeming on December 1, 2015, \$26,430,000 principal of Water & Sewer Revenue Bonds, Series 2006, maturing on or after December 1, 2019. The net proceeds in the amount of \$27,590,897 (after payment of \$77,481 plus additional cash of \$148,378 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 \$3,162,339 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,242,720.

There was no outstanding principal of the refunded bonds at September 30, 2016.

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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	\$ 8,255,000	\$ -	\$ (660,000)	\$ 7,595,000	\$ 685,000
Add (subtract) deferred amounts:					
For issuance premiums (discounts)	141,728	-	(19,805)	121,923	-
Net revenue bonds payable	8,396,728	-	(679,805)	7,716,923	685,000
Net pension liability	5,417,086	-	(5,417,086)	-	-
Lease purchase contracts (a)	14,033,252	8,799,930	(4,798,228)	18,034,954	5,390,379
Compensated absences (b)	7,732,915	4,747,073	(4,504,826)	7,975,162	4,386,548
Other postemployment benefits (c)	9,526,791	2,156,025	(852,937)	10,829,879	-
Claims payable (d)	9,542,650	13,934,394	(13,492,039)	9,985,005	3,405,405
Governmental activity					
Long-term liabilities	\$ 54,649,422	\$ 29,637,422	\$ (29,744,921)	\$ 54,541,923	\$ 13,867,332
Business-type activities:					
Revenue bonds payable	\$ 204,685,000	\$ -	\$ (8,825,000)	\$ 195,860,000	\$ 9,160,000
Add (subtract) deferred amounts:					
For issuance premiums (discounts)	2,313,629	-	(487,727)	1,825,902	-
Net revenue bonds payable	206,998,629	-	(9,312,727)	197,685,902	9,160,000
Net pension liability	1,672,318	-	(1,672,318)	-	-
Lease purchase contracts (a)	278,973	299,112	(140,878)	437,207	123,437
Compensated absences (b)	1,988,747	1,385,678	(1,218,046)	2,156,379	1,186,064
Other postemployment benefits (c)	4,065,044	1,012,583	(400,584)	4,677,043	-
Unearned revenue	187,113	-	(187,113)	-	-
Business-type activity					
Long-term liabilities	\$ 215,190,824	\$ 2,697,373	\$ (12,931,666)	\$ 204,956,531	\$ 10,469,501

- (a) Governmental activities lease purchase contract additions of \$8,799,930 includes \$7,831,976 attributable to internal service funds and \$967,954 attributable to governmental funds. The lease purchase contracts reduction of \$4,798,228 includes \$4,479,400 for internal service funds and \$318,828 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, 2016

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, 2016, are:

Cash and Investments	\$1,571,133
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, 2016:	
<u>Water and Sewer Revenue Bonds Debt Service:</u>	
Cash and Investments	21,536,547
<u>Water and Sewer Revenue Bonds Renewals and Replacements:</u>	
Cash and Investments	13,483,535
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>3,180,584</u>
Total restricted assets – Water and Sewer Utility Fund	<u>\$39,771,799</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, 2016:

<u>Gas System Revenue Bonds</u>	
Debt Service:	
Cash and Investments	\$ 108,094
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>2,866,576</u>
Total restricted assets – Gas Utility Fund	<u>\$ 3,274,670</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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

Restricted assets in the Solid Waste & Recycling Utility Fund represent customer deposits in the amount of \$1,086,225 at September 30, 2016, 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, 2016:

<u>Stormwater Revenue Refunding Bonds – Series 2012</u>	
Debt Service: Cash and Investments	\$2,273,760
<u>Stormwater Revenue Refunding Bonds – Series 2013</u>	
Debt Service: Cash and Investments	579,293
<u>Stormwater Revenue Refunding Bonds – Series 2014</u>	
Debt Service: Cash and Investments	338,007
Total restricted assets – Stormwater Utility Fund	<u>\$ 3,191,060</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

II.H. Fund Balance Classification

	General Fund	Special Development Fund	Capital Improvement Fund	Non-Major Governmental Funds
Non Spendable:				
Inventories	\$ 59,142	\$ -	\$ -	\$ -
Restricted for:				
General government	-	-	157,422	103,567
Public safety	-	-	7,829,349	2,106,086
Physical environment	-	18,083	684,574	654,043
Transportation	-	1,352,043	11,964,843	-
Economic environment	-	-	-	14,226,281
Human services	-	-	-	577,449
Culture and recreation	-	985,103	7,212,884	661,011
Infrastructure capital projects	-	4,403,783	-	-
Committed to:				
General government	-	-	4,829,771	209,474
Public safety	-	-	2,389,590	2,396,222
Physical environment	-	-	1,220,395	-
Transportation	-	271,153	6,130,306	51,002
Economic environment	-	-	-	676,627
Human services	-	-	-	14,413
Culture and recreation	-	-	4,066,564	104,106
Assigned to:				
General government	25,869	-	-	76,230
Public safety	111,430	-	-	1,096,383
Physical environment	-	-	-	159,270
Transportation	2,195	-	-	12,420
Economic environment	18,182	-	-	522,698
Human services	-	-	-	144,128
Culture and recreation	194,769	36,303	112,241	29,524
Infrastructure capital projects	-	5,285,673	-	-
Unassigned	<u>33,242,589</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 33,654,176</u>	<u>\$ 12,352,141</u>	<u>\$ 46,597,939</u>	<u>\$ 23,820,934</u>

General Fund assigned fund balance (\$352,445) relates to encumbrances.

In the Special Development Fund, restricted amounts relate to collections from drainage fees (\$18,083), sidewalk fees (\$172,395), transportation impact fees (\$937,337), local option gas tax (\$242,311), recreation impact fees (\$985,103) and the local infrastructure sales tax (\$4,403,783). 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 (\$271,153). Assigned amounts relate to interest earned on recreation impact fees (\$36,303) and local infrastructure sales tax balances (\$5,285,673).

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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 (\$2,077,474) and EMS programs (\$28,612); and economic environment restrictions for economic development programs (\$780,075), low income housing (\$7,955,031) and community redevelopment (\$5,491,175). Significant commitments include consulting services for various general government programs (\$209,474); commitments to public safety for police vehicles (\$175,515), emergency operations (\$2,184,981) and law enforcement programs (\$35,726); and various consulting services for economic development programs (\$676,627). Assigned amounts relate to interest earned on program balances for general government (\$76,230), public safety (\$1,096,383), physical environment (\$159,270), transportation (\$12,420), economic environment (\$354,730), human services (\$144,128), and culture and recreation (\$29,524). Additional amounts assigned for economic environment purposes are for low income housing (\$148,289) and community redevelopment (\$19,679).

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 \$60 million per occurrence after either a \$100,000 self-insured retention for perils other than a named storm or 5% self-insured retention for named storm 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, 2016 in the amount of \$1,022,005.

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, 2016, 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, 2016

Changes in the claims liability amounts in fiscal years 2016 and 2015 were:

	Self Insurance
Balance at September 30, 2014	\$ 10,245,358
Current year claims and changes in estimates	13,091,624
Claims paid	<u>(13,794,332)</u>
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	<u>\$ 9,985,005</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 102-107 and pages 132-133 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, 2016

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, 2016, the membership of the Employees' Pension Plan was as follows:

	Employees' Pension Plan
Retirees and beneficiaries currently receiving benefits	1,174
Terminated employees entitled to benefits but not yet receiving them	63
Active employees	1,505
Total number of participants	<u>2,742</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, 2016

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, 2016:

Asset Class	Target Allocation
Large Cap Growth	13.00%
Large Cap Value	14.00%
Mid Cap Growth	5.00%
Mid Cap Value	5.00%
Small Cap Growth	2.50%
Small Cap Value	2.50%
Intermediate Fixed	28.00%
International Equity	11.00%
Emerging Markets Equity	7.00%
Private Real Estate - Core	7.00%
US REITS	1.50%
Timber	3.50%
	100.00%

The Employees' Pension Plan has invested in real estate and timber 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.

Concentrations. As of September 30, 2016, 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, 2016, the annual money-weighted rate of return on investments of the Employees' Pension Plan, net of pension plan investment expense, was 10.63%. 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, 2016, were as follows:

Total pension liability	\$ 880,355,998
Plan fiduciary net position	905,239,823
City's net pension liability (asset)	\$ (24,883,825)
Plan fiduciary net position as a percentage of the total pension liability	102.83%

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

The changes in the net pension liability (asset) of the City for the Employees' Pension Plan for the year ending September 30, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/15	<u>\$ 847,358,253</u>	<u>\$ 840,268,849</u>	<u>\$ 7,089,404</u>
Changes for the year:			
Service cost	15,173,452	-	15,173,452
Interest	58,870,815	-	58,870,815
Differences between expected and actual experience	6,832,090	-	6,832,090
Assumption changes	(4,748,597)	-	(4,748,597)
Contributions - employer	-	13,178,874	(13,178,874)
Contributions - employee	-	6,706,567	(6,706,567)
Contributions - state tax	-	12,000	(12,000)
Net investment income	-	88,501,532	(88,501,532)
Benefit payments, including refunds of employee contributions	(43,130,015)	(43,130,015)	-
Administrative expense	-	(297,984)	297,984
Net changes	<u>32,997,745</u>	<u>64,970,974</u>	<u>(31,973,229)</u>
Balances at 9/30/16	<u>\$ 880,355,998</u>	<u>\$ 905,239,823</u>	<u>\$ (24,883,825)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2016 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2016 (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

Mortality rates were based on the fully generational RP-2000 Mortality Table for Annuitants with white collar and blue collar adjustments which vary between hazardous and non-hazardous duty members. Mortality improvements are projected to all future years from the year 2000 using Scale BB.

The actuarial assumptions used in the January 1, 2016 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. Effective January 1, 2016, 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). The current FRS mortality rates are based on the fully generational RP-2000 Mortality Table for Annuitants with white collar and blue collar adjustments which vary between hazardous and non-hazardous duty members. Mortality improvement continues to be projected from the year 2000 to all future years using Scale BB. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the

City of Clearwater, Florida
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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 mortality assumption, the required contribution was reduced by \$330,019 (.41% of covered payroll).

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, 2016, these best estimates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Growth	7.00%
Large Cap Value	6.90%
Mid Cap Growth	7.90%
Mid Cap Value	7.40%
Small Cap Growth	8.60%
Small Cap Value	8.20%
Intermediate Fixed	2.60%
International Equity	7.40%
Emerging Markets Equity	10.10%
Private Real Estate - Core	4.50%
US REITS	5.30%
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	Discount Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$ 88,834,974	\$ (24,883,825)	\$ (118,547,271)

City of Clearwater, Florida
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For the Year Ended September 30, 2016

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended September 30, 2016, the City recognized pension expense of \$16,033,108 for the Employees' Pension Plan. At September 30, 2016, 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	\$ 5,378,454	\$ 2,060,899	\$ 3,317,555
Changes in assumptions	-	3,738,257	(3,738,257)
Net differences between projected and actual earnings on pension plan investments	13,965,046	-	13,965,046
Total	<u>\$ 19,343,500</u>	<u>\$ 5,799,156</u>	<u>\$ 13,544,344</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:		
2017	\$ 6,395,820	
2018	6,395,820	
2019	6,543,024	
2020	(5,790,320)	
2021	-	
Thereafter	-	
	<u>\$ 13,544,344</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, 2015, there have been two changes in actuarial assumptions: (1) The mortality assumption has changed from the RP2000 projected statically to 2020 using Scale BB to the RP2000 using Scale BB generation-projected with specific tables for Annuitant Special Risk and Disabled Mortality as shown in the July 1, 2016 FRS Actuarial Report; and (2) The methodology has changed to replace use of annuities for life expectancies with standard annuity calculations.

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, 2016, 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	19
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	-
Total number of participants	<u>19</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, 2016:

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

Concentrations. As of September 30, 2016, 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, 2016, the annual money-weighted rate of return on investments of the Firefighters' Relief and Pension Plan, net of pension plan investment expense, was 4.554%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Clearwater, Florida
Notes to the Basic Financial Statements
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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, 2016, were as follows:

Total pension liability	\$ 3,360,237
Plan fiduciary net position	4,360,757
City's net pension liability (asset)	<u><u>\$ (1,000,520)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	129.78%

The changes in the net pension liability (asset) of the City for the Firefighters' Relief and Pension Plan for the year ending September 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/15	<u><u>\$ 3,771,835</u></u>	<u><u>\$ 4,615,299</u></u>	<u><u>\$ (843,464)</u></u>
Changes for the year:			
Service cost	-	-	-
Interest	99,691	-	99,691
Differences between expected and actual experience	(296,507)	-	(296,507)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	171,674	(171,674)
Benefit payments, including refunds of employee contributions	(423,458)	(423,458)	-
Administrative expense	-	(2,758)	2,758
Other changes	208,676	-	208,676
Net changes	<u><u>(411,598)</u></u>	<u><u>(254,542)</u></u>	<u><u>(157,056)</u></u>
Balances at 9/30/16	<u><u>\$ 3,360,237</u></u>	<u><u>\$ 4,360,757</u></u>	<u><u>\$ (1,000,520)</u></u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2016 (Measurement Date):

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

City of Clearwater, Florida
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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 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%
\$ (757,158)	\$ (1,000,520)	\$ (1,215,283)

Pension expense. For the year ended September 30, 2016, the City recognized pension expense of \$0 for the Firefighters' Relief and Pension Plan.

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 \$961,886 for the year ended September 30, 2016, 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 5.09% of covered employees' gross payroll. The fair value of cash and investments at September 30, 2016, totaled \$18,343,705.

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

City of Clearwater, Florida
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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 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, 2016, the gross payroll of the covered officers was \$18,893,609; the City's total gross payroll for the same period was \$90,346,905.

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 \$1,127,679 in the year ended September 30, 2016, 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 7.69% of covered employees' gross payroll. The fair value of cash and investments at September 30, 2016, totaled \$17,889,669.

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, 2016, the gross payroll covered firefighters was \$14,668,252; the City's total gross payroll for the same period was \$90,346,905.

City of Clearwater, Florida
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For the Year Ended September 30, 2016

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 Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters Supplemental Pension Fund
ASSETS				
Cash and investments	\$ 10,526,303	\$ 1,122,471	\$ 11,272	\$ -
Managed investment accounts, at fair value:				
Cash and cash equivalents	26,241,156	-	962,751	488,496
Government bonds	79,069,488	-	-	157,554
Index linked government bonds	4,641,912	-	-	-
Agency bonds	2,969,558	3,207,880	-	-
Municipal bonds	4,079,146	-	-	128,442
Domestic corporate bonds	92,550,655	-	-	3,563,203
International equity securities	123,583,923	-	-	21,676
Domestic stocks	352,951,514	-	-	3,989,976
Mortgage backed bonds	61,553,735	-	-	1,294,576
Asset backed securities	1,926,055	-	-	-
Other/Rights/Warrants	2,200	-	-	-
Domestic equity mutual funds	39,550,427	-	15,032,895	4,286,037
International equity mutual funds	32,617,067	-	2,336,787	1,201,115
Real estate	82,245,686	-	-	2,758,594
Total managed investment accounts	<u>903,982,522</u>	<u>3,207,880</u>	<u>18,332,433</u>	<u>17,889,669</u>
Securities lending collateral	194,557,987	-	-	-
Receivables:				
Interest and dividends	2,542,366	30,406	8,163	53,419
Unsettled investment sales	15,487,380	-	-	-
Securities lending earnings	37,820	-	-	-
Due from others	25	-	-	-
Total receivables	<u>18,067,591</u>	<u>30,406</u>	<u>8,163</u>	<u>53,419</u>
Total assets	<u>1,127,134,403</u>	<u>4,360,757</u>	<u>18,351,868</u>	<u>17,943,088</u>
LIABILITIES				
Accounts payable	802,990	-	-	-
Unsettled investment purchases	26,533,603	-	-	-
Obligations under securities lending	<u>194,557,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>221,894,580</u>	<u>-</u>	<u>-</u>	<u>-</u>
FIDUCIARY NET POSITION				
Net position restricted for pension benefits	\$ <u>905,239,823</u>	\$ <u>4,360,757</u>	\$ <u>18,351,868</u>	\$ <u>17,943,088</u>

City of Clearwater, Florida
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For the Year Ended September 30, 2016

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	\$ 13,178,874	\$ -	\$ -	\$ -	
Contributions from employer - state tax	12,000	-	961,886	1,127,679	
Contributions from employees	6,706,567	-	-	-	
Total contributions	<u>19,897,441</u>	<u>-</u>	<u>961,886</u>	<u>1,127,679</u>	
Investment income:					
Net appreciation in fair value of investments	74,729,119	67,988	799,047	992,675	
Interest	9,284,250	103,686	391	227,041	
Dividends	<u>9,227,214</u>	<u>-</u>	<u>269,245</u>	<u>298,675</u>	
	<u>93,240,583</u>	<u>171,674</u>	<u>1,068,683</u>	<u>1,518,391</u>	
Less investment expenses:					
Investment management / custodian fees	(5,214,517)	-	(61,601)	(106,547)	
Net income from investing activities	<u>88,026,066</u>	<u>171,674</u>	<u>1,007,082</u>	<u>1,411,844</u>	
Securities lending income:					
Gross earnings	995,905	-	-	-	
Rebate received	(264,752)	-	-	-	
Bank fees	(255,687)	-	-	-	
Net income from securities lending	<u>475,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total additions	<u>108,398,973</u>	<u>171,674</u>	<u>1,968,968</u>	<u>2,539,523</u>	
DEDUCTIONS					
Benefits and withdrawal payments:					
Benefits	42,069,828	423,458	1,391,554	1,497,776	
Withdrawal payments	<u>1,060,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total benefits and withdrawal payments	<u>43,130,015</u>	<u>423,458</u>	<u>1,391,554</u>	<u>1,497,776</u>	
Income (loss) before administrative expenses	65,268,958	(251,784)	577,414	1,041,747	
Administrative expenses	(297,984)	(2,758)	(13,469)	(22,686)	
Net increase (decrease)	<u>64,970,974</u>	<u>(254,542)</u>	<u>563,945</u>	<u>1,019,061</u>	
Fiduciary net position restricted for pensions					
Fiduciary net position - beginning	840,268,849	4,615,299	17,787,923	16,924,027	
Fiduciary net position - ending	<u>\$ 905,239,823</u>	<u>\$ 4,360,757</u>	<u>\$ 18,351,868</u>	<u>\$ 17,943,088</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, 2016 was \$90,346,905. The Plan members' payroll for the same period totaled \$4,248,775. The City's contribution, per the above contribution rates, totaled \$365,502.

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, 2016, the estimated retiree contributions for health insurance premiums totaled \$1,356,401. 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, 2016, the City estimated it subsidized \$1,237,393 of health care costs for retirees and their covered dependents, and \$16,128 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	\$ 3,242,746
Interest on net OPEB obligation	543,673
Adjustment to annual required contribution	<u>(617,811)</u>
Annual OPEB cost (expense)	<u>3,168,608</u>
Contributions made	<u>(1,253,521)</u>
Increase in net OPEB obligation	<u>1,915,087</u>
Net OPEB obligation - beginning of year	<u>13,591,835</u>
Net OPEB obligation - end of year	<u><u>\$ 15,506,922</u></u>

The actuarially determined contribution requirements for the City's fiscal year ended September 30, 2016, are based on an actuarial valuation as of January 1, 2016.

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, 2016, are presented below:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Costs Contributed	Net OPEB Obligation
9/30/2014	\$ 3,298,390	36.47%	\$ 11,816,331
9/30/2015	\$ 3,405,329	47.86%	\$ 13,591,835
9/30/2016	\$ 3,168,608	39.56%	\$ 15,506,922

As of September 30, 2016, 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.

City of Clearwater, Florida
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For the September 30, 2016 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 22-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 fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral at 105% of the fair 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 plans loans at September 30, 2016 was 32 days. If a borrower fails to return the loaned security because of bankruptcy, insolvency, reorganization, liquidations, receivership, conservatorship, or a similar event, Northern Trust Company shall, at its expense, credit the City with the difference between the fair value of such loaned security and the fair value of the related collateral. At September 30, 2016, there was no failure by a borrower to return a loaned security.

Cash "open" collateral is invested in a commingled short term investment fund, the Northern Trust Collective SL Core Short Term investment fund (SL Core STIF). The fund had an average weighted maturity of 32 days as of September 30, 2016.

There were no significant violations of legal or contractual provisions, nor any borrower or lending agent defaults 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 2016.

Northern Trust has indemnified the Plan for losses attributable to violations by the entity of the Standard of Care set out in the Agreement. Northern Trust has also indemnified the Plan for all losses as a result of borrower default and for any losses resulting from related collateral insufficiency. At year-end the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers equal or exceed the amounts the borrowers owe the Plan and the lending agent indemnifies the Plan if the collateral is inadequate to repay the borrowers.

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	\$ 139,771,215	\$ 142,521,020	\$ -	\$ -
U.S. Corporate Fixed	9,292,691	9,492,999	-	-
U.S. Government Fixed	39,204,237	39,968,259	-	-
U.S. Agencies	18,996	19,269	-	-
Global Equities	2,389,630	2,556,440	-	-
Total	\$ 190,676,769	\$ 194,557,987	\$ -	\$ -

On the statement of fiduciary net position, a securities lending asset of \$194,557,987 was reported that represents the fair value of the investments made with cash collateral at September 30, 2016. In addition, a securities lending obligation of \$194,557,987 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.

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, 2015, accruals totaled \$449,118 consisting of \$11,551 for removal of hydraulic lifts from a recently acquired property at 421 McMullen Booth Road, \$232,574 for the Harbor Drive Fill Area site which was a former landfill area, and \$204,993 for assessment and remediation at the Gas Plant site (see the Soil and groundwater contamination site note below).

During fiscal year 2016 there was a reduction to estimates and contractual commitments in the amount of \$687, and payments totaled \$82,230. 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

In addition to the above sites for which accruals exist, the City has 17 other sites that have known contamination from petroleum products, metals, arsenic, chlorine or coal tar. Ten 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 for which assessment and remedial planning remain.

Soil and groundwater contamination site

The City is the owner of property located at 400 Myrtle Street, Clearwater, Pinellas County, Florida ("Property"). The Property occupies approximately six acres and is currently used by the City Gas Division 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, 2016

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 Attorney 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. The project is scheduled to last approximately 7 years at an estimated cost of \$600,000.

In addition, 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 summary, the City has recovered \$787,500 on all of its outstanding insurance claims.

Costs related to MGP assessment activities include both environmental consultant and outside attorney fees, from 1993 through September 30, 2016, the City spent a total of \$1,361,602.

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, 2015, the rate, which is set by the Pinellas County Board of County Commissioners (BOCC), was \$3.9232 per 1,000 gallons. The rate effective October 1, 2016 is \$3.9919 per 1,000 gallons. The cost of water purchased from the County during fiscal years 2015 and 2016 was \$7,176,114 and \$5,371,972 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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, 2016, the amount of encumbrances expected to be honored upon performance by the vendor in the coming year were:

General fund	\$ 352,445
Capital Improvement fund	9,600,561
Nonmajor governmental funds	154,457
	<u><u>\$ 10,107,463</u></u>

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>	Original Issue Amount	Amount Outstanding at 9/30/15	Amount Outstanding at 9/30/16
Drew Gardens Refunding Bonds / residential rental facility	\$ 3,425,000	\$ 1,940,000	\$ 1,810,000

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. Restatement of Prior Year Net Position

During the current year it was determined that land previously recorded as Land Held for Resale is land of and for use by the City. The fifteen parcels were originally purchased to enable future economic development, and were not intended to be sold for a profit. Therefore, they have been reclassified as capital assets for governmental activities. An additional parcel that was purchased for \$205,640 was not included in Land Held for Resale, and has been added to the capital assets. In addition, costs for clearing and demolition of existing structures in the amount of \$442,075 that were included in Land Held for Resale have been expensed, and have not been added to capital assets. These reclassifications have resulted in a decrease to the beginning net position of governmental activities in the amount of \$236,435 as follows:

	<u>Governmental Activities</u>
Beginning net position, as previously reported	\$ 441,205,912
Reduction of Land Held for Resale	(3,338,752)
Addition to Capital Assets	3,102,317
	<u>(236,435)</u>
Beginning net position, as restated	<u>\$ 440,969,477</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

IV.K. Prior Period Adjustment

During the current year it was determined that land previously recorded as Land Held for Resale in the Special Programs Fund and the Community Redevelopment Agency Fund (nonmajor governmental funds) is land of and for use by the City and should be recorded as capital assets. The fifteen parcels were originally purchased to enable future economic development, and were not intended to be sold for a profit. The assets were removed from their respective funds, and a prior period adjustment was recorded as follows:

	Land Held for Resale	Fund Balance
Balances, as previously reported:		
Special Programs Fund	\$ 220,741	\$ 15,995,993
Community Redevelopment Fund	3,118,011	1,788,145
	<u>3,338,752</u>	<u>17,784,138</u>
Prior period adjustments:		
Special Programs Fund	(220,741)	(220,741)
Community Redevelopment Fund	(3,118,011)	(3,118,011)
	<u>(3,338,752)</u>	<u>(3,338,752)</u>
Balances, as restated:		
Special Programs Fund	-	15,775,252
Community Redevelopment Fund	-	(1,329,866)
	<u>\$ -</u>	<u>\$ 14,445,386</u>

IV.L. Deepwater Horizon Oil Spill

In the time period 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, 2016, none of the proceeds, included in General Fund unassigned fund balance, have been separately identified as expended.

IV.M. Subsequent Event

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.

**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**

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 15,173,452	\$ 14,585,979	\$ 14,670,375
Interest on the Total Pension Liability	58,870,815	56,983,247	55,622,257
Difference between Expected and Actual Experience	6,832,090	(3,532,969)	(11,230,163)
Assumption Changes	(4,748,597)	-	-
Benefit Payments	(42,069,828)	(39,276,003)	(37,118,458)
Refunds	(1,060,187)	(1,000,827)	(1,675,419)
Net Change in Total Pension Liability	32,997,745	27,759,427	20,268,592
Total Pension Liability - Beginning	847,358,253	819,598,826	799,330,234
Total Pension Liability - Ending (a)	\$ 880,355,998	\$ 847,358,253	\$ 819,598,826
Plan Fiduciary Net Position			
Contributions - Employer	\$ 13,178,874	\$ 14,923,098	\$ 18,860,463
Contributions - Non-Employer Contributing Entity	12,000	12,000	12,000
Contributions - Employee	6,706,567	6,483,666	7,073,440
Net Investment Income	88,501,532	(4,165,092)	82,832,149
Benefit Payments	(42,069,828)	(39,276,003)	(37,118,458)
Refunds	(1,060,187)	(1,000,827)	(1,675,419)
Administrative Expense	(297,984)	(297,942)	(175,212)
Net Change in Plan Fiduciary Net Position	64,970,974	(23,321,100)	69,808,963
Plan Fiduciary Net Position - Beginning	840,268,849	863,589,949	793,780,986
Plan Fiduciary Net Position - Ending (b)	\$ 905,239,823	\$ 840,268,849	\$ 863,589,949
Net Pension Liability/(Asset) - Beginning	\$ 7,089,404	\$ (43,991,123)	\$ 5,549,248
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (24,883,825)	\$ 7,089,404	\$ (43,991,123)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)	102.83%	99.16%	105.37%
Covered Employee Payroll	\$ 76,942,048	\$ 74,021,494	\$ 75,629,669
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	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**

	2016	2015	2014
Total Pension Liability			
Interest on the Total Pension Liability	\$ 99,691	\$ 100,650	\$ 92,956
Difference between Expected and Actual Experience	(296,507)	114,258	(426,528)
Assumption Changes	208,676	201,922	-
Benefit Payments	(423,458)	(442,775)	(525,760)
Other	-	-	143,654
Net Change in Total Pension Liability	(411,598)	(25,945)	(715,678)
Total Pension Liability - Beginning	3,771,835	3,797,780	4,513,458
Total Pension Liability - Ending (a)	\$ 3,360,237	\$ 3,771,835	\$ 3,797,780
 Plan Fiduciary Net Position			
Net Investment Income	171,674	199,776	169,627
Benefit Payments	(423,458)	(442,775)	(525,760)
Administrative Expense	(2,758)	(2,005)	(5,808)
Net Change in Plan Fiduciary Net Position	(254,542)	(245,004)	(361,941)
Plan Fiduciary Net Position - Beginning	4,615,299	4,860,303	5,222,244
Plan Fiduciary Net Position - Ending (b)	\$ 4,360,757	\$ 4,615,299	\$ 4,860,303
 Net Pension Liability/(Asset) - Beginning	\$ (843,464)	\$ (1,062,523)	\$ (495,433)
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (1,000,520)	\$ (843,464)	\$ (1,062,523)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)	129.78%	122.36%	127.98%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	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 September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%

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, 2015

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	23 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	RP-2000 Combined Healthy Participant Mortality Tables for males and females with future mortality improvements projected from 2000 to all future years by using Scale BB.

Other Information:

Notes

Effective for the January 1, 2015 valuation, the actuarial cost method was changed from the Frozen Entry Age method to the Entry Age Normal method. There were no benefit or assumption changes during the year. The above assumptions 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. As of January 1, 2016, for the fiscal year 2017 Actuarially Determined Contribution, the mortality assumption was changed to the same mortality assumption used in the July 1, 2015 actuarial valuation for the Florida Retirement System (FRS).

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%

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**

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	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**

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	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, 2014, reflected changes in actuarial assumptions and methods from the previous valuation as of January 1, 2012 as follows: The Health Care Cost Trend Rate decreased from 8.5% in 2012 to 8.0% in 2014, with planned decreases of ½% each subsequent year so that it is projected to reach the ultimate goal of 5% in 2021 rather than 2019. There were no changes to the Investment Discount Rate, Mortality Tables or Medicare Benefits.

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, 2016

Special Revenue Funds						
	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total	
ASSETS						
Cash and investments	\$ 12,155,782	\$ 989,475	\$ 611,248	\$ 416,779	\$ 14,173,284	
Receivables:						
Accrued interest	37,570	20,508	1,666	1,148	60,892	
Mortgage notes	2,584,181	25,000	1,731,419	218,528	4,559,128	
Other	7,756	-	-	-	7,756	
Due from other governments - grants	49,572	-	-	-	49,572	
Due from other governments - other	270,291	-	-	-	270,291	
Advances to other funds	325,440	-	-	-	325,440	
Total assets	<u>\$ 15,430,592</u>	<u>\$ 1,034,983</u>	<u>\$ 2,344,333</u>	<u>\$ 636,455</u>	<u>\$ 19,446,363</u>	
LIABILITIES						
Accounts and contracts payable	\$ 292,156	\$ 3,210	\$ 6,958	\$ 1,039	\$ 303,363	
Accrued payroll	40,799	-	-	-	40,799	
Due to other funds	400,000	316,667	-	-	716,667	
Due to other governmental entities	840	48,000	-	-	48,840	
Construction escrows	-	25,000	3,383	-	28,383	
Advances from other funds	-	642,106	-	-	642,106	
Total liabilities	<u>733,795</u>	<u>1,034,983</u>	<u>10,341</u>	<u>1,039</u>	<u>1,780,158</u>	
FUND BALANCES						
Restricted	9,223,979	-	2,333,992	635,416	12,193,387	
Committed	3,451,844	-	-	-	3,451,844	
Assigned	2,020,974	-	-	-	2,020,974	
Total fund balances	<u>14,696,797</u>	<u>-</u>	<u>2,333,992</u>	<u>635,416</u>	<u>17,666,205</u>	
Total liabilities and fund balances	<u>\$ 15,430,592</u>	<u>\$ 1,034,983</u>	<u>\$ 2,344,333</u>	<u>\$ 636,455</u>	<u>\$ 19,446,363</u>	

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	
\$ -	\$ 642,176	\$ 642,176	\$ 5,706,765	\$ 20,522,225			
-	1,699	1,699	-	-	62,591		
-	-	-	-	-	4,559,128		
-	-	-	-	-	7,756		
-	-	-	-	-	49,572		
-	-	-	-	-	270,291		
-	-	-	-	-	325,440		
<u>\$ -</u>	<u>\$ 643,875</u>	<u>\$ 643,875</u>	<u>\$ 5,706,765</u>	<u>\$ 25,797,003</u>			
\$ -	\$ -	\$ -	\$ 195,911	\$ 499,274			
-	-	-	-	-	40,799		
-	-	-	-	-	716,667		
-	-	-	-	-	48,840		
-	-	-	-	-	28,383		
-	-	-	-	-	642,106		
<u>-</u>	<u>-</u>	<u>-</u>	<u>195,911</u>	<u>1,976,069</u>			
-	643,875	643,875	5,491,175	18,328,437			
-	-	-	-	3,451,844			
-	-	-	19,679	2,040,653			
<u>-</u>	<u>643,875</u>	<u>643,875</u>	<u>5,510,854</u>	<u>23,820,934</u>			
<u>\$ -</u>	<u>\$ 643,875</u>	<u>\$ 643,875</u>	<u>\$ 5,706,765</u>	<u>\$ 25,797,003</u>			

City of Clearwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

Special Revenue Funds					
	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total
REVENUES					
Intergovernmental:					
Federal	\$ 927,301	-	-	-	\$ 927,301
State	62,670	-	533,352	-	596,022
Local	320,616	1,131,241	-	-	1,451,857
Charges for services	1,372,913	-	-	-	1,372,913
Fines and forfeitures	543,242	-	-	-	543,242
Investment earnings	191,407	92,741	13,782	9,119	307,049
Miscellaneous	1,270,564	67,284	-	7,207	1,345,055
Total revenues	<u>4,688,713</u>	<u>1,291,266</u>	<u>547,134</u>	<u>16,326</u>	<u>6,543,439</u>
EXPENDITURES					
Current:					
General government	110,060	-	-	-	110,060
Public safety	1,703,482	-	-	-	1,703,482
Physical environment	117,109	-	-	-	117,109
Transportation	79,628	-	-	-	79,628
Economic environment	656,536	326,252	239,727	-	1,222,515
Human services	368,658	-	-	-	368,658
Culture and recreation	1,688,761	-	-	-	1,688,761
Debt service:					
Principal	-	-	-	-	-
Interest & fiscal charges	-	13,707	-	-	13,707
Capital outlay	<u>482,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,664</u>
Total expenditures	<u>5,206,898</u>	<u>339,959</u>	<u>239,727</u>	<u>-</u>	<u>5,786,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(518,185)</u>	<u>951,307</u>	<u>307,407</u>	<u>16,326</u>	<u>756,855</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	804,345	2,293,430	8,417	-	3,106,192
Transfers out	<u>(1,364,615)</u>	<u>(1,914,871)</u>	<u>(79,380)</u>	<u>(30,563)</u>	<u>(3,389,429)</u>
Total other financing sources (uses)	<u>(560,270)</u>	<u>378,559</u>	<u>(70,963)</u>	<u>(30,563)</u>	<u>(283,237)</u>
Net change in fund balances	(1,078,455)	1,329,866	236,444	(14,237)	473,618
Fund balances - beginning (as previously reported)	15,995,993	1,788,145	2,097,548	649,653	20,531,339
Prior period adjustment (See Note IV.K.)	<u>(220,741)</u>	<u>(3,118,011)</u>	<u>-</u>	<u>-</u>	<u>(3,338,752)</u>
Fund balances - beginning (restated)	<u>15,775,252</u>	<u>(1,329,866)</u>	<u>2,097,548</u>	<u>649,653</u>	<u>17,192,587</u>
Fund balances - ending	<u>\$ 14,696,797</u>	<u>\$ -</u>	<u>\$ 2,333,992</u>	<u>\$ 635,416</u>	<u>\$ 17,666,205</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 Facility Revenue Bonds		Total	Community Redevelopment	Agency	
\$ - \$ - \$	- \$ 500,004	- \$ 500,004	- \$ -	- \$ -	- \$ 927,301	
- 587,650	- 587,650	- 587,650	- -	- -	- 1,096,026	
- -	- -	- -	- -	- -	- 2,039,507	
- -	- -	- -	- -	- -	- 1,372,913	
- -	- -	- -	- -	- -	- 543,242	
- 7,216	- 7,216	- 7,216	- -	- -	- 314,265	
- -	- -	- -	- -	- -	- 1,345,055	
- 1,094,870	- 1,094,870	- 1,094,870	- -	- -	- 7,638,309	
- -	- -	- -	- -	- -	- 110,060	
- -	- -	- -	- -	- -	- 1,703,482	
- -	- -	- -	- -	- -	- 117,109	
- -	- -	- -	- -	- -	- 79,628	
- -	- -	- -	- 461,789	- 461,789	- 1,684,304	
- -	- -	- -	- -	- -	- 368,658	
- -	- -	- -	- -	- -	- 1,688,761	
318,828	660,000	978,828	- -	- -	978,828	
12,188	412,676	424,864	- -	- -	438,571	
- -	- -	- -	- 211,963	- 211,963	- 694,627	
331,016	1,072,676	1,403,692	- 673,752	- 673,752	- 7,864,028	
(331,016)	22,194	(308,822)	(673,752)	(673,752)	(225,719)	
331,016	- -	331,016	1,453,590	1,453,590	4,890,798	
- -	- -	- -	(1,535,163)	(1,535,163)	(4,924,592)	
331,016	- -	331,016	(81,573)	(81,573)	(33,794)	
- -	22,194	22,194	(755,325)	(755,325)	(259,513)	
- -	621,681	621,681	6,266,179	6,266,179	27,419,199	
- -	- -	- -	- -	- -	(3,338,752)	
- -	621,681	621,681	6,266,179	6,266,179	24,080,447	
\$ - \$ 643,875	\$ 643,875	\$ 643,875	\$ 5,510,854	\$ 5,510,854	\$ 23,820,934	

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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Local	\$ 1,131,598	\$ 1,131,241	\$ 1,131,241	\$ -
Investment earnings	50,000	80,022	92,741	12,719
Miscellaneous	65,317	66,967	67,284	317
Total revenues	<u>1,246,915</u>	<u>1,278,230</u>	<u>1,291,266</u>	<u>13,036</u>
EXPENDITURES				
Current - Economic environment	273,673	373,618	326,252	47,366
Debt Service - Interest & fiscal charges	-	-	13,707	(13,707)
Total expenditures	<u>273,673</u>	<u>373,618</u>	<u>339,959</u>	<u>33,659</u>
Excess of revenues over expenditures	<u>973,242</u>	<u>904,612</u>	<u>951,307</u>	<u>46,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	925,156	924,864	2,293,430	1,368,566
Transfers out	(1,898,398)	(1,829,476)	(1,914,871)	(85,395)
Total other financing sources (uses)	<u>(973,242)</u>	<u>(904,612)</u>	<u>378,559</u>	<u>1,283,171</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>1,329,866</u>	<u>1,329,866</u>
Fund balances - beginning (as previously reported)	1,788,145	1,788,145	1,788,145	-
Prior period adjustment (See Note IV.K.)	(3,118,011)	(3,118,011)	(3,118,011)	-
Fund balances - beginning (restated)	<u>(1,329,866)</u>	<u>(1,329,866)</u>	<u>(1,329,866)</u>	<u>-</u>
Fund balances - ending	\$ <u>(1,329,866)</u>	\$ <u>(1,329,866)</u>	\$ <u>-</u>	\$ <u>1,329,866</u>

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, 2016

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Total
ASSETS					
Current assets:					
Cash and investments	\$ 1,447,172	\$ 483,223	\$ 23,262,597	\$ 1,351,637	\$ 26,544,629
Accrued interest receivable	2,957	1,362	67,579	3,534	75,432
Accounts and contracts receivable	-	-	-	23,132	23,132
Due from other governmental entities	887	5,669	221	-	6,777
Inventories, at cost	33,843	-	-	-	33,843
Total current assets	<u>1,484,859</u>	<u>490,254</u>	<u>23,330,397</u>	<u>1,378,303</u>	<u>26,683,813</u>
Noncurrent assets:					
Net pension asset	136,861	9,705	215,245	28,368	390,179
Capital assets:					
Land and other nondepreciable assets	670,086	1,401,500	1,023,062	-	3,094,648
Capital assets, net of accumulated depreciation	576,873	4,194,366	2,644,692	11,189,534	18,605,465
Total noncurrent assets	<u>1,383,820</u>	<u>5,605,571</u>	<u>3,882,999</u>	<u>11,217,902</u>	<u>22,090,292</u>
Total assets	<u>2,868,679</u>	<u>6,095,825</u>	<u>27,213,396</u>	<u>12,596,205</u>	<u>48,774,105</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pension	<u>106,389</u>	<u>7,544</u>	<u>167,321</u>	<u>22,052</u>	<u>303,306</u>
Total deferred outflows of resources	<u>106,389</u>	<u>7,544</u>	<u>167,321</u>	<u>22,052</u>	<u>303,306</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	156,078	2,625	113,413	12,300	284,416
Accrued payroll	29,323	1,667	38,854	5,776	75,620
Deposits	32,698	-	4,338	41,502	78,538
Unearned revenue and liens	-	-	17,669	21,157	38,826
Current portion of long-term liabilities:					
Compensated absences	71,319	1,909	30,576	2,961	106,765
Total current liabilities	<u>289,418</u>	<u>6,201</u>	<u>204,850</u>	<u>83,696</u>	<u>584,165</u>
Noncurrent liabilities:					
Compensated absences	58,346	1,562	25,014	2,422	87,344
Other postemployment benefits	159,101	12,406	318,202	59,547	549,256
Total non-current liabilities	<u>217,447</u>	<u>13,968</u>	<u>343,216</u>	<u>61,969</u>	<u>636,600</u>
Total liabilities	<u>506,865</u>	<u>20,169</u>	<u>548,066</u>	<u>145,665</u>	<u>1,220,765</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pension	<u>31,895</u>	<u>2,262</u>	<u>50,162</u>	<u>6,612</u>	<u>90,931</u>
Total deferred inflows of resources	<u>31,895</u>	<u>2,262</u>	<u>50,162</u>	<u>6,612</u>	<u>90,931</u>
NET POSITION					
Net investment in capital assets	1,246,959	5,595,866	3,667,754	11,189,534	21,700,113
Unrestricted	1,189,349	485,072	23,114,735	1,276,446	26,065,602
Total net position	<u>\$ 2,436,308</u>	<u>\$ 6,080,938</u>	<u>\$ 26,782,489</u>	<u>\$ 12,465,980</u>	<u>\$ 47,765,715</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, 2016

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Totals
Operating revenues:					
Sales to customers	\$ 2,279,182	\$ 19,828	\$ 6,529,616	\$ -	\$ 8,828,626
User charges to customers	207,506	-	-	27,394	234,900
Rentals	1,329,487	271,399	106,538	671,595	2,379,019
Other	237,388	43	2,034	18,524	257,989
Total operating revenues	<u>4,053,563</u>	<u>291,270</u>	<u>6,638,188</u>	<u>717,513</u>	<u>11,700,534</u>
Operating expenses:					
Personal services	1,070,640	60,285	1,527,324	196,755	2,855,004
Purchases for resale	1,546,368	-	-	528	1,546,896
Operating materials and supplies	100,909	18,793	46,970	26,514	193,186
Transportation	5,634	844	78,949	4,379	89,806
Utility service	226,560	41,779	49,586	79,520	397,445
Depreciation	68,604	171,840	234,678	338,463	813,585
Interfund administrative charges	219,660	99,840	965,290	124,850	1,409,640
Other current charges:					
Professional fees	54,993	8,541	305,026	32,042	400,602
Advertising	15,836	200	26	4,534	20,596
Communications	20,082	-	24,557	998	45,637
Printing and binding	1,489	255	20,076	121	21,941
Insurance	13,290	7,990	31,920	32,760	85,960
Repairs and maintenance	25,181	330	373,203	300	399,014
Rentals	2,210	-	27,212	240	29,662
Miscellaneous	86,411	3,482	375,350	4,967	470,210
Data processing charges	33,440	2,000	59,930	7,690	103,060
Taxes	811	-	-	-	811
Total other current charges	<u>253,743</u>	<u>22,798</u>	<u>1,217,300</u>	<u>83,652</u>	<u>1,577,493</u>
Total operating expenses	<u>3,492,118</u>	<u>416,179</u>	<u>4,120,097</u>	<u>854,661</u>	<u>8,883,055</u>
Operating income (loss)	<u>561,445</u>	<u>(124,909)</u>	<u>2,518,091</u>	<u>(137,148)</u>	<u>2,817,479</u>
Nonoperating revenues (expenses):					
Investment earnings	15,775	6,007	312,094	16,480	350,356
Interest expense	(43)	(292)	-	-	(335)
Gain (loss) on disposal of capital assets	(1,223)	-	-	-	(1,223)
Total nonoperating revenue (expenses)	<u>14,509</u>	<u>5,715</u>	<u>312,094</u>	<u>16,480</u>	<u>348,798</u>
Income (loss) before contributions and transfers	<u>575,954</u>	<u>(119,194)</u>	<u>2,830,185</u>	<u>(120,668)</u>	<u>3,166,277</u>
Capital grants and contributions	1,964	85,645	66,000	50,000	203,609
Transfers in	409,606	-	-	-	409,606
Transfers out	(244,430)	(14,760)	(442,213)	(34,060)	(735,463)
Change in net position	<u>743,094</u>	<u>(48,309)</u>	<u>2,453,972</u>	<u>(104,728)</u>	<u>3,044,029</u>
Net position - beginning	1,693,214	6,129,247	24,328,517	12,570,708	44,721,686
Net position - ending	<u>\$ 2,436,308</u>	<u>\$ 6,080,938</u>	<u>\$ 26,782,489</u>	<u>\$ 12,465,980</u>	<u>\$ 47,765,715</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, 2016

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
ACTIVITIES					
Cash received from customers	\$ 4,045,547	\$ 291,270	\$ 6,638,040	\$ 698,730	\$ 11,673,587
Cash payments to suppliers	(2,007,004)	(189,520)	(1,123,144)	(139,614)	(3,459,282)
Cash payments to employees	(1,013,770)	(58,748)	(1,452,879)	(194,097)	(2,719,494)
Cash payments to other funds	(319,162)	(111,304)	(1,236,249)	(173,544)	(1,840,259)
Net cash provided (used) by operating activities	<u>705,611</u>	<u>(68,302)</u>	<u>2,825,768</u>	<u>191,475</u>	<u>3,654,552</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	409,606	-	-	-	409,606
Transfers to other funds	(244,430)	(14,760)	(442,213)	(34,060)	(735,463)
Payment of cash on loans to/from other funds	-	(20,271)	-	-	(20,271)
Net cash provided (used) by noncapital financing activities	<u>165,176</u>	<u>(35,031)</u>	<u>(442,213)</u>	<u>(34,060)</u>	<u>(346,128)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest paid	(43)	(292)	-	-	(335)
Acquisition of capital assets	(464,906)	(95,659)	(222,205)	-	(782,770)
Capital contributed by other governmental entities	2,302	515,632	(221)	50,000	567,713
Capital contributed by property owners	-	-	66,000	-	66,000
Net cash provided (used) by capital and related financing activities	<u>(462,647)</u>	<u>419,681</u>	<u>(156,426)</u>	<u>50,000</u>	<u>(149,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	14,966	6,118	312,287	16,430	349,801
Net cash provided (used) by investing activities	<u>14,966</u>	<u>6,118</u>	<u>312,287</u>	<u>16,430</u>	<u>349,801</u>
Net increase (decrease) in cash and cash equivalents	423,106	322,466	2,539,416	223,845	3,508,833
Cash and cash equivalents at beginning of year	1,024,066	160,757	20,723,181	1,127,792	23,035,796
Cash and cash equivalents at end of year	<u>\$ 1,447,172</u>	<u>\$ 483,223</u>	<u>\$ 23,262,597</u>	<u>\$ 1,351,637</u>	<u>\$ 26,544,629</u>
Cash and cash equivalents classified as:					
Cash and investments	\$ 1,447,172	\$ 483,223	\$ 23,262,597	\$ 1,351,637	\$ 26,544,629
Total cash and cash equivalents	<u>\$ 1,447,172</u>	<u>\$ 483,223</u>	<u>\$ 23,262,597</u>	<u>\$ 1,351,637</u>	<u>\$ 26,544,629</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, 2016

	Marine Operations	Aviation Operations	Parking System	Clearwater Harbor Marina	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 561,445	\$ (124,909)	\$ 2,518,091	\$ (137,148)	\$ 2,817,479
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	68,604	171,840	234,678	338,463	813,585
Change in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	-	-	-	8,712	8,712
(Increase) decrease in inventory	935	-	-	-	935
(Increase) decrease in net pension asset	(136,861)	(9,705)	(215,245)	(28,368)	(390,179)
(Increase) decrease in deferred outflows	185,716	12,407	272,627	13,758	484,508
Increase (decrease) in accounts and contracts payable	25,773	(116,770)	(1,298)	(14,872)	(107,167)
Increase (decrease) in accrued payroll	9,388	(833)	1,617	2,610	12,782
Increase (decrease) in deposits	(8,016)	-	(40)	(416)	(8,472)
Increase (decrease) in unearned revenue	-	-	(108)	(5,922)	(6,030)
Increase (decrease) in other postemployment benefits	23,183	1,261	50,307	14,966	89,717
Increase (decrease) in net pension liability	(40,481)	(2,764)	(60,969)	(4,962)	(109,176)
Increase (decrease) in deferred inflows	15,925	1,171	26,108	4,654	47,858
Total adjustments	<u>144,166</u>	<u>56,607</u>	<u>307,677</u>	<u>328,623</u>	<u>837,073</u>
Net cash provided (used) by operating activities	<u>\$ 705,611</u>	<u>\$ (68,302)</u>	<u>\$ 2,825,768</u>	<u>\$ 191,475</u>	<u>\$ 3,654,552</u>
Non-cash investing, capital and financing activities:					
Contributions from property owners	\$ -	\$ -	\$ 66,000	\$ -	\$ 66,000

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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, 2016

	Garage	Administrative Services	General Services	Central Insurance	Total
ASSETS					
Current assets:					
Cash and investments	\$ 9,747,977	\$ 10,905,041	\$ 2,462,012	\$ 41,340,746	\$ 64,455,776
Accrued interest receivable	25,552	31,023	6,460	110,484	173,519
Other receivables	4,537	-	462	89,275	94,274
Due from other funds	-	-	-	808,321	808,321
Inventories, at cost	402,943	-	-	-	402,943
Prepaid expenses and other assets	-	-	-	1,459,991	1,459,991
Total current assets	<u>10,181,009</u>	<u>10,936,064</u>	<u>2,468,934</u>	<u>43,808,817</u>	<u>67,394,824</u>
Noncurrent assets:					
Advances to other funds	-	-	-	316,666	316,666
Net pension asset	437,209	993,113	385,202	116,705	1,932,229
Capital assets:					
Land and other nondepreciable assets	729,591	-	-	-	729,591
Capital assets, net of accumulated depreciation	21,473,641	1,957,929	38,451	9,396	23,479,417
Total noncurrent assets	<u>22,640,441</u>	<u>2,951,042</u>	<u>423,653</u>	<u>442,767</u>	<u>26,457,903</u>
Total assets	<u>32,821,450</u>	<u>13,887,106</u>	<u>2,892,587</u>	<u>44,251,584</u>	<u>93,852,727</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pension	339,865	771,999	299,437	90,721	1,502,022
Total deferred outflows of resources	<u>339,865</u>	<u>771,999</u>	<u>299,437</u>	<u>90,721</u>	<u>1,502,022</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	1,628,004	347,749	182,585	291,927	2,450,265
Accrued payroll	68,099	132,527	52,034	15,609	268,269
Unearned revenue	382,833	-	-	-	382,833
Current portion of long-term liabilities:					
Compensated absences	57,016	256,680	70,941	12,486	397,123
Capital lease purchases payable	4,752,613	277,471	-	-	5,030,084
Due to other funds	-	91,654	-	-	91,654
Claims payable	-	-	-	3,405,405	3,405,405
Total current liabilities (payable from current assets)	<u>6,888,565</u>	<u>1,106,081</u>	<u>305,560</u>	<u>3,725,427</u>	<u>12,025,633</u>
Noncurrent liabilities:					
Compensated absences	46,644	209,989	58,036	10,215	324,884
Other postemployment benefits	319,908	664,782	295,872	66,680	1,347,242
Capital lease purchases payable	11,564,873	419,406	-	-	11,984,279
Claims payable	-	-	-	6,579,600	6,579,600
Total noncurrent liabilities	<u>11,931,425</u>	<u>1,294,177</u>	<u>353,908</u>	<u>6,656,495</u>	<u>20,236,005</u>
Total liabilities	<u>18,819,990</u>	<u>2,400,258</u>	<u>659,468</u>	<u>10,381,922</u>	<u>32,261,638</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pension	101,891	231,444	89,771	27,198	450,304
Total deferred inflows of resources	<u>101,891</u>	<u>231,444</u>	<u>89,771</u>	<u>27,198</u>	<u>450,304</u>
NET POSITION					
Net investment in capital assets	5,885,746	1,261,052	38,451	9,396	7,194,645
Unrestricted	8,353,688	10,766,351	2,404,334	33,923,789	55,448,162
Total net position	<u>\$ 14,239,434</u>	<u>\$ 12,027,403</u>	<u>\$ 2,442,785</u>	<u>\$ 33,933,185</u>	<u>\$ 62,642,807</u>

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

City of Clearwater, Florida
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2016

	Garage	Administrative Services	General Services	Central Insurance	Total
Operating revenues:					
Charges for services	\$ 13,434,136	\$ 10,467,794	\$ 4,707,948	\$ 23,366,889	\$ 51,976,767
Rentals	46,752	-	-	-	46,752
Other	158,281	-	28,466	311,032	497,779
Total operating revenues	13,639,169	10,467,794	4,736,414	23,677,921	52,521,298
Operating expenses:					
Personal services	2,503,833	4,972,942	2,182,591	536,526	10,195,892
Purchases for resale	3,520,017	-	-	-	3,520,017
Operating materials and supplies	214,063	192,085	290,047	178,081	874,276
Transportation	2,302	83,555	93,344	5,876	185,077
Utility service	103,729	-	415,940	3,510	523,179
Depreciation	6,364,741	679,680	3,545	2,349	7,050,315
Interfund administrative charges	281,210	4,000	-	-	285,210
Other current charges:					
Professional fees	429,420	950,966	1,111,195	3,781,103	6,272,684
Communications	11,650	951,320	44,682	9,724	1,017,376
Printing and binding	69	19,410	75	-	19,554
Insurance:					
Premiums	43,070	18,170	38,190	2,790,458	2,889,888
Claims incurred	-	-	-	13,934,394	13,934,394
Repairs and maintenance	679,235	1,648,348	248,548	20,454	2,596,585
Rentals	46,029	424,132	4,861	50,554	525,576
Miscellaneous	24,950	87,911	26,656	207,740	347,257
Data processing charges	130,794	234,060	114,970	32,628	512,452
Taxes	14,435	-	-	-	14,435
Total other current charges	1,379,652	4,334,317	1,589,177	20,827,055	28,130,201
Total operating expenses	14,369,547	10,266,579	4,574,644	21,553,397	50,764,167
Operating income (loss)	(730,378)	201,215	161,770	2,124,524	1,757,131
Nonoperating revenues (expenses)					
Investment earnings	114,992	131,589	29,210	556,849	832,640
Interest expense	(298,560)	(18,441)	-	-	(317,001)
Gain (loss) on disposal of capital assets	463,936	(107,073)	-	-	356,863
Total nonoperating revenue (expenses)	280,368	6,075	29,210	556,849	872,502
Income (loss) before contributions and transfers	(450,010)	207,290	190,980	2,681,373	2,629,633
Transfers in	1,319,305	-	-	-	1,319,305
	1,319,305	-	-	-	1,319,305
Change in net position	869,295	207,290	190,980	2,681,373	3,948,938
Net position - beginning	13,370,139	11,820,113	2,251,805	31,251,812	58,693,869
Net position - ending	\$ 14,239,434	\$ 12,027,403	\$ 2,442,785	\$ 33,933,185	\$ 62,642,807

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, 2016

	Garage	Administrative Services	General Services	Central Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 13,576,644	\$ 10,467,794	\$ 4,735,952	\$ 23,621,316	\$ 52,401,706
Cash payments to suppliers	(5,265,588)	(3,922,073)	(2,066,117)	(17,751,809)	(29,005,587)
Cash payments to employees	(2,379,244)	(4,741,092)	(2,022,164)	(537,515)	(9,680,015)
Cash payments to other funds	(666,540)	(565,694)	(305,712)	(2,468,600)	(4,006,546)
Net cash provided (used) by operating activities	<u>5,265,272</u>	<u>1,238,935</u>	<u>341,959</u>	<u>2,863,392</u>	<u>9,709,558</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,319,305	-	-	-	1,319,305
Receipt of cash on loans to/from other funds	-	-	-	1,448,093	1,448,093
Payment of cash on loans to/from other funds	-	(91,654)	-	-	(91,654)
Net cash provided (used) by noncapital financing activities	<u>1,319,305</u>	<u>(91,654)</u>	<u>-</u>	<u>1,448,093</u>	<u>2,675,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on debt	(4,175,910)	(303,491)	-	-	(4,479,401)
Interest paid	(298,560)	(18,441)	-	-	(317,001)
Acquisition of capital assets	(8,148,109)	(345,867)	(37,376)	(11,745)	(8,543,097)
Proceeds from issuance of debt	7,522,874	309,103	-	-	7,831,977
Net cash provided (used) by capital and related financing activities	<u>(5,099,705)</u>	<u>(358,696)</u>	<u>(37,376)</u>	<u>(11,745)</u>	<u>(5,507,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	116,222	136,163	29,470	553,520	835,375
Net cash provided by investing activities	<u>116,222</u>	<u>136,163</u>	<u>29,470</u>	<u>553,520</u>	<u>835,375</u>
Net increase (decrease) in cash and cash equivalents	1,601,094	924,748	334,053	4,853,260	7,713,155
Cash and cash equivalents at beginning of year	8,146,883	9,980,293	2,127,959	36,487,486	56,742,621
Cash and cash equivalents at end of year	<u>\$ 9,747,977</u>	<u>\$ 10,905,041</u>	<u>\$ 2,462,012</u>	<u>\$ 41,340,746</u>	<u>\$ 64,455,776</u>
Cash and cash equivalents classified as:					
Cash and investments	\$ 9,747,977	\$ 10,905,041	\$ 2,462,012	\$ 41,340,746	\$ 64,455,776
Total cash and cash equivalents	<u>\$ 9,747,977</u>	<u>\$ 10,905,041</u>	<u>\$ 2,462,012</u>	<u>\$ 41,340,746</u>	<u>\$ 64,455,776</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, 2016

	Administrative Garage	General Services	Central Insurance	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (730,378)	\$ 201,215	\$ 161,770	\$ 2,124,524
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,364,741	679,680	3,545	2,349
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	1,281	-	(462)	(56,605)
(Increase) decrease in inventory	26,292	-	-	26,292
(Increase) decrease in prepaid expenses	-	444	-	286,483
(Increase) decrease in net pension asset	(437,209)	(993,113)	(385,202)	(116,705)
(Increase) decrease in deferred outflows	595,792	1,324,404	572,785	136,926
Increase (decrease) in accounts and contracts payable	(457,447)	125,746	16,679	507,630
Increase (decrease) in accrued payroll	(4,630)	16,079	12,513	(3,544)
Increase (decrease) in unearned revenue	(63,806)	-	-	(63,806)
Increase (decrease) in other postemployment benefits	49,566	58,178	39,122	(871)
Increase (decrease) in net pension liability	(129,665)	(290,524)	(120,874)	(31,548)
Increase (decrease) in deferred inflows	50,735	116,826	42,083	14,753
Total adjustments	<u>5,995,650</u>	<u>1,037,720</u>	<u>180,189</u>	<u>738,868</u>
Net cash provided (used) by operating activities	<u>\$ 5,265,272</u>	<u>\$ 1,238,935</u>	<u>\$ 341,959</u>	<u>\$ 2,863,392</u>
	<u><u>\$ 5,265,272</u></u>	<u><u>\$ 1,238,935</u></u>	<u><u>\$ 341,959</u></u>	<u><u>\$ 2,863,392</u></u>
	<u><u><u>\$ 5,265,272</u></u></u>	<u><u><u>\$ 1,238,935</u></u></u>	<u><u><u>\$ 341,959</u></u></u>	<u><u><u>\$ 2,863,392</u></u></u>
	<u><u><u><u>\$ 5,265,272</u></u></u></u>	<u><u><u><u>\$ 1,238,935</u></u></u></u>	<u><u><u><u>\$ 341,959</u></u></u></u>	<u><u><u><u>\$ 2,863,392</u></u></u></u>

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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, 2016

	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	
ASSETS					
Cash and cash equivalents	\$ 10,526,303	\$ 1,122,471	\$ 11,272	\$ -	\$ 11,660,046
Managed investment accounts, at fair value:					
Cash and cash equivalents	26,241,156	-	962,751	488,496	27,692,403
Government bonds	79,069,488	-	-	157,554	79,227,042
Index linked government bonds	4,641,912	-	-	-	4,641,912
Agency bonds	2,969,558	3,207,880	-	-	6,177,438
Municipal bonds	4,079,146	-	-	128,442	4,207,588
Domestic corporate bonds	92,550,655	-	-	3,563,203	96,113,858
International equity securities	123,583,923	-	-	21,676	123,605,599
Domestic stocks	352,951,514	-	-	3,989,976	356,941,490
Mortgage backed bonds	61,553,735	-	-	1,294,576	62,848,311
Asset backed securities	1,926,055	-	-	-	1,926,055
Other/rights/warrants	2,200	-	-	-	2,200
Domestic equity mutual funds	39,550,427	-	15,032,895	4,286,037	58,869,359
International equity mutual funds	32,617,067	-	2,336,787	1,201,115	36,154,969
Real estate	82,245,686	-	-	2,758,594	85,004,280
Total managed investment accounts	903,982,522	3,207,880	18,332,433	17,889,669	943,412,504
Securities lending collateral	194,557,987	-	-	-	194,557,987
Receivables:					
Interest and dividends	2,542,366	30,406	8,163	53,419	2,634,354
Unsettled investment sales	15,487,380	-	-	-	15,487,380
Securities lending earnings	37,820	-	-	-	37,820
Due from others	25	-	-	-	25
Total receivables	18,067,591	30,406	8,163	53,419	18,159,579
Total assets	1,127,134,403	4,360,757	18,351,868	17,943,088	1,167,790,116
LIABILITIES					
Accounts payable	802,990	-	-	-	802,990
Unsettled investment purchases	26,533,603	-	-	-	26,533,603
Obligations under securities lending	194,557,987	-	-	-	194,557,987
Total liabilities	221,894,580	-	-	-	221,894,580
FIDUCIARY NET POSITION					
Net position restricted for pensions	\$ 905,239,823	\$ 4,360,757	\$ 18,351,868	\$ 17,943,088	\$ 945,895,536

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, 2016

	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	\$ 13,178,874	\$ -	\$ -	\$ -	\$ 13,178,874	
Contributions from employer - state tax	12,000	-	961,886	1,127,679	2,101,565	
Contributions from employees	6,706,567	-	-	-	6,706,567	
Total contributions	<u>19,897,441</u>	<u>-</u>	<u>961,886</u>	<u>1,127,679</u>	<u>21,987,006</u>	
Investment income:						
Net appreciation in fair value of investments	74,729,119	67,988	799,047	992,675	76,588,829	
Interest	9,284,250	103,686	391	227,041	9,615,368	
Dividends	9,227,214	-	269,245	298,675	9,795,134	
Less investment expenses:						
Investment management/custodian fees	(5,214,517)	-	(61,601)	(106,547)	(5,382,665)	
Net investment income	<u>88,026,066</u>	<u>171,674</u>	<u>1,007,082</u>	<u>1,411,844</u>	<u>90,616,666</u>	
Securities lending income:						
Gross earnings	995,905	-	-	-	995,905	
Rebate received paid	(264,752)	-	-	-	(264,752)	
Bank fees	(255,687)	-	-	-	(255,687)	
Net income from securities lending	<u>475,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,466</u>	
Total additions	<u>108,398,973</u>	<u>171,674</u>	<u>1,968,968</u>	<u>2,539,523</u>	<u>113,079,138</u>	
DEDUCTIONS						
Benefits and withdrawal payments:						
Benefits	42,069,828	423,458	1,391,554	1,497,776	45,382,616	
Refunds	<u>1,060,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,187</u>	
Total benefits and refunds	<u>43,130,015</u>	<u>423,458</u>	<u>1,391,554</u>	<u>1,497,776</u>	<u>46,442,803</u>	
Income (loss) before administrative expenses	65,268,958	(251,784)	577,414	1,041,747	66,636,335	
Less administrative expenses	<u>(297,984)</u>	<u>(2,758)</u>	<u>(13,469)</u>	<u>(22,686)</u>	<u>(336,897)</u>	
Net increase (decrease)	<u>64,970,974</u>	<u>(254,542)</u>	<u>563,945</u>	<u>1,019,061</u>	<u>66,299,438</u>	
Fiduciary net position restricted for pensions						
Fiduciary net position - beginning	<u>840,268,849</u>	<u>4,615,299</u>	<u>17,787,923</u>	<u>16,924,027</u>	<u>879,596,098</u>	
Fiduciary net position - ending	<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>	

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, 2016

Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
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TREASURER'S ESCROW FUND

ASSETS

Cash and investments	\$ 1,612,594	746,807	489,137	\$ 1,870,264
Accrued interest receivable	<u>303</u>	<u>259</u>	<u>321</u>	<u>241</u>
Total Assets	<u><u>\$ 1,612,897</u></u>	<u><u>747,066</u></u>	<u><u>489,458</u></u>	<u><u>\$ 1,870,505</u></u>

LIABILITIES

Other miscellaneous payables:

Downtown Development Board	\$ 99,499	435,637	430,955	\$ 104,181
Special purpose funds	7,833	-	-	7,833
Other	<u>1,505,565</u>	<u>311,429</u>	<u>58,503</u>	<u>1,758,491</u>
Total Liabilities	<u><u>\$ 1,612,897</u></u>	<u><u>747,066</u></u>	<u><u>489,458</u></u>	<u><u>\$ 1,870,505</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>2007</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>
Governmental activities										
Net investment in capital assets	\$ 205,079	\$ 218,384	\$ 240,550	\$ 249,043	\$ 257,542	\$ 249,742	\$ 252,661	\$ 261,886	\$ 262,934	\$ 263,810
Restricted	41,543	39,020	42,681	49,682	57,245	65,603	60,454	56,044	57,003	52,936
Unrestricted	108,262	114,247	103,556	93,283	79,955	80,208	82,369	153,334	121,033	128,785
Total governmental activities net position	<u>\$ 354,884</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 164,246	\$ 170,735	\$ 158,129	\$ 165,704	\$ 159,913	\$ 163,316	\$ 180,324	\$ 214,175	\$ 226,571	\$ 231,591
Restricted	35,775	39,635	41,333	44,332	55,038	55,204	53,237	49,530	45,503	36,803
Unrestricted	84,021	83,681	120,461	126,204	136,067	151,693	153,761	163,876	164,135	194,997
Total business-type activities net position	<u>\$ 284,042</u>	<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>
Primary government										
Net investment in capital assets	\$ 369,325	\$ 389,119	\$ 398,679	\$ 414,747	\$ 417,455	\$ 413,058	\$ 432,985	\$ 476,061	\$ 489,505	\$ 495,401
Restricted	77,318	78,655	84,014	94,014	112,283	120,807	113,691	105,574	102,506	89,739
Unrestricted	192,283	197,928	224,017	219,487	216,022	231,901	236,130	317,210	285,168	323,782
Total primary government net position	<u>\$ 638,926</u>	<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>

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 13,169	\$ 14,342	\$ 13,515	\$ 15,966	\$ 16,183	\$ 14,230	\$ 13,496	\$ 15,018	\$ 16,818	\$ 13,488
Public safety	68,636	66,582	64,977	69,457	66,914	67,559	68,057	70,126	99,056	71,718
Physical environment	3,027	2,730	4,266	4,941	3,868	3,189	3,451	3,416	3,273	4,142
Transportation	13,694	12,322	9,595	13,760	13,275	13,432	12,954	11,129	19,366	14,532
Economic environment	3,142	4,534	3,924	4,155	3,113	2,240	3,035	2,517	4,895	4,019
Human services	448	440	402	97	182	186	104	137	249	526
Culture and recreation	32,872	37,688	28,740	30,610	30,606	32,814	32,213	33,051	40,783	36,894
Interest on long-term debt	2,248	1,998	1,850	1,446	1,217	709	698	727	689	740
Total governmental activities expenses	<u>137,236</u>	<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>
Business-type activities:										
Water and sewer utility	49,840	52,015	54,520	57,229	61,010	59,406	57,774	64,810	69,550	64,866
Gas utility	33,579	35,944	29,285	31,200	28,354	27,662	29,747	31,639	33,352	29,195
Solid waste utility	16,172	16,036	14,801	15,618	15,844	16,632	17,042	17,572	22,486	17,989
Stormwater utility	9,465	11,070	11,775	10,937	12,234	12,847	12,284	16,476	16,110	13,664
Recycling	2,895	3,207	2,518	2,759	2,954	2,855	4,056	3,094	2,455	2,958
Marine	4,366	4,696	4,025	3,868	4,136	4,168	4,214	4,378	4,182	3,476
Aviation	382	417	743	388	515	366	404	345	399	415
Parking system	3,427	3,521	3,752	4,302	3,867	4,200	3,730	3,637	4,724	4,097
Harborview Center	2,664	2,800	2,345	984	579	610	520	522	-	-
Clearwater Harbor Marina	-	23	474	473	657	726	676	779	911	848
Total business-type activities expenses	<u>122,790</u>	<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>
Total primary government expenses	<u>\$ 260,026</u>	<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>

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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)**

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	<u>2007</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>
Program revenues										
Charges for services:										
General government ^{a b}	\$ 14,508	\$ 21,639	\$ 21,679	\$ 21,484	\$ 20,869	\$ 20,401	\$ 19,920	\$ 22,726	\$ 23,668	\$ 23,030
Public safety	8,444	9,803	10,291	8,966	9,980	9,265	10,654	11,040	10,593	11,952
Physical environment	123	91	249	331	147	77	174	150	196	137
Transportation	261	194	397	857	852	885	738	454	327	150
Economic environment	107	108	211	124	153	122	121	132	109	105
Culture and recreation	5,574	5,318	5,334	5,174	5,491	5,474	5,973	6,855	7,103	7,751
Operating grants and contributions	9,687	9,123	8,542	7,561	8,062	8,521	8,114	6,305	6,893	6,236
Capital grants and contributions	11,748	7,632	3,169	1,315	2,766	845	437	2,391	2,326	2,642
Total governmental activities program revenues	50,452	53,908	49,872	45,812	48,320	45,590	46,131	50,053	51,215	52,003
Business-type activities:										
Charges for services:										
Water and sewer utility	50,381	52,111	53,965	55,801	59,810	62,012	65,292	67,141	70,848	75,203
Gas utility	38,906	40,902	39,079	36,622	36,470	36,351	37,693	41,347	41,143	38,598
Solid waste utility	17,301	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401	21,602
Stormwater utility	11,885	12,770	13,493	14,717	15,222	15,890	16,378	16,789	17,162	17,854
Recycling	3,204	3,411	2,227	2,695	3,135	2,681	2,453	2,370	2,261	2,390
Marine	4,323	4,798	4,031	4,064	4,387	4,181	4,331	4,643	4,352	4,054
Aviation	224	227	216	332	237	257	261	268	283	291
Parking system	4,655	4,166	5,007	4,358	4,677	4,890	4,994	5,159	6,215	6,638
Harborview Center	1,846	2,032	1,641	440	51	209	48	50	-	-
Clearwater Harbor Marina	-	-	50	44	325	467	559	619	664	717
Operating grants and contributions	83	83	83	187	133	134	584	140	50	208
Capital grants and contributions	6,382	1,086	2,609	11,060	5,290	7,469	6,250	13,590	4,662	3,487
Total business-type activities program revenues	139,190	139,098	140,248	148,742	148,942	154,003	158,347	172,082	168,041	171,042
Total primary government program revenues	\$ 189,642	\$ 193,006	\$ 190,120	\$ 194,554	\$ 197,262	\$ 199,593	\$ 204,478	\$ 222,135	\$ 219,256	\$ 223,045

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

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	<u>2007</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>
Net (Expenses) / Revenue										
Governmental activities	\$ (86,784)	\$ (86,728)	\$ (77,397)	\$ (94,620)	\$ (87,038)	\$ (88,770)	\$ (87,876)	\$ (86,068)	\$ (133,914)	\$ (94,055)
Business-type activities	16,400	9,369	16,010	20,984	18,792	24,531	27,900	28,830	13,872	33,534
Total primary government net (expense) / revenue	<u>\$ (70,384)</u>	<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>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 53,717	\$ 50,347	\$ 46,893	\$ 44,040	\$ 39,253	\$ 37,938	\$ 37,360	\$ 38,574	\$ 40,925	\$ 43,580
Sales	16,079	15,675	13,850	13,253	13,385	14,092	14,818	15,722	16,833	17,595
Franchise ^a	9,505	-	-	-	-	-	-	-	-	-
Utility	11,410	11,533	12,021	13,574	13,229	12,736	13,473	14,309	14,095	14,518
Communications services	6,784	7,316	6,398	6,107	5,852	5,871	5,470	5,061	4,919	4,618
Other taxes ^b	5,779	8,154	7,581	7,773	7,451	7,105	8,157	7,725	7,969	6,845
Investment earnings	7,402	5,837	8,635	5,015	2,965	2,758	(1,109)	2,596	3,279	2,285
Miscellaneous	131	437	113	128	125	101	134	28	26	108
Extraordinary item	-	-	-	-	-	-	-	-	6,480	-
Transfers	6,948	4,196	(2,958)	9,951	7,511	8,980	9,505	13,410	9,330	9,069
Total governmental activities	<u>117,755</u>	<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>
Business-type activities:										
Investment earnings	5,373	4,313	6,904	5,284	3,497	3,644	(1,287)	3,407	4,086	2,715
Transfers	(6,948)	(4,196)	2,958	(9,951)	(7,511)	(8,980)	(9,505)	(13,410)	(9,330)	(9,069)
Total business-type activities	<u>(1,575)</u>	<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>
Total primary government	<u>\$ 116,180</u>	<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>
Change in Net Position										
Governmental activities	\$ 30,971	\$ 16,767	\$ 15,136	\$ 5,221	\$ 2,733	\$ 811	\$ (68)	\$ 11,357	\$ (30,058)	\$ 4,563
Business-type activities	14,825	9,486	25,872	16,317	14,778	19,195	17,108	18,827	8,628	27,180
Total primary government change in net position	<u>\$ 45,796</u>	<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>

^a Franchise fees reclassified from General Revenues to Charges for Services effective with fiscal 2008, per guidance from State of Florida, Department of Financial Services, Bureau of Local Government.

^b Occupational licenses reclassified from Charges for Services to Local Business Tax (Other Taxes) effective with fiscal 2008, per guidance from State of Florida, Department of Financial Services, Bureau of Local Government.

Schedule 2a

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 14,514	\$ 21,640	b \$ 21,681	\$ 21,512	\$ 21,533	\$ 20,418	\$ 19,920	\$ 22,728	\$ 23,668	\$ 23,030
Public safety	11,763	12,784	13,284	12,309	12,631	13,753	13,551	14,192	13,201	15,439
Physical environment	704	695	304	360	344	327	326	447	1,311	986
Transportation	10,491 ^a	6,628	1,852	2,024	2,651	1,436	1,284	885	1,024	927
Economic environment	3,298	2,844	3,327	1,982	2,444	1,687	2,988	1,828	1,713	1,426
Human services	-	-	-	-	211	180	147	-	350	333
Culture and recreation	9,682	9,317	9,424	7,625	8,506	7,789	7,915	9,973	9,948	9,862
Subtotal governmental activities	<u>50,452</u>	<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>
Business-type activities:										
Water and sewer utility	56,071	52,807	55,291	63,426	63,566	68,812	69,732	78,478	74,146	77,312
Gas utility	38,906	40,902	39,078	36,672	36,470	36,351	38,143	41,347	41,143	38,598
Solid waste utility	17,301	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401	21,727
Stormwater utility	12,559	12,941	14,478	15,682	16,523	15,961	16,869	18,821	17,805	19,029
Recycling	3,287	3,493	2,310	2,779	3,218	2,764	2,536	2,453	2,261	2,473
Marine	4,323	4,810	4,031	4,064	4,387	4,259	4,334	4,658	4,357	4,055
Aviation	242	335	365	491	454	776	1,491	480	999	377
Parking system	4,655	4,266	5,157	4,364	4,677	4,890	4,994	5,159	6,215	6,704
Harborview Center	1,846	2,032	1,641	440	51	209	48	50	-	-
Clearwater Harbor Marina	-	-	50	2,402	391	518	696	670	714	767
Subtotal business-type activities	<u>139,190</u>	<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>
Total primary government	<u>\$ 189,642</u>	<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>

^a In 2007, the City received grants from the Florida Department of Transportation for construction of Beach Walk (\$3.8 million) and the Downtown Streetscape (\$2.6 million).

^b Franchise fees reclassified from General Revenues to Charges for Services effective with fiscal 2008, per guidance from State of Florida, Department of Financial Services, Bureau of Local Government.

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

	2007	2008	2009	2010	2011	^b	2012	2013	2014	2015	2016
General Fund:											
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 24		\$ 25	\$ 37	\$ 33	\$ 40	\$ 59
Restricted	-	-	-	-	-		-	-	-	-	-
Committed	-	-	-	-	-		-	-	-	-	-
Assigned	-	-	-	-	856		1,043	588	894	447	352
Unassigned	-	-	-	-	23,081		22,034	21,664	23,488	31,540	33,243
Reserved	3,476	3,500	3,168	1,164	-		-	-	-	-	-
Unreserved	<u>23,580</u>	<u>17,564</u>	<u>19,171</u>	<u>22,903</u>	<u>23,961</u>		<u>23,102</u>	<u>22,289</u>	<u>24,415</u>	<u>32,027</u>	<u>33,654</u>
Total General Fund	<u><u>\$ 27,056</u></u>	<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>
All Other Governmental Funds:											
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 90		\$ 87	\$ 96	\$ -	\$ -	\$ -
Restricted	-	-	-	-	61,991		65,645	60,493	56,043	53,900	52,936
Committed	-	-	-	-	17,131		17,346	27,322	19,374	20,167	22,360
Assigned	-	-	-	-	7,404		8,488	5,801	6,689	7,815	7,475
Unassigned	-	-	-	-	(1,921)		(2,119)	(3,917)	(6,347)	(2,553)	-
Reserved	48,722	36,641	37,259	29,970	-		-	-	-	-	-
Unreserved, reported in:											
Special revenue funds	18,656	16,426	16,899	13,944	-		-	-	-	-	-
Debt service funds	90	113	136	7,726	-		-	-	-	-	-
Capital project funds	<u>19,225</u>	<u>40,685</u>	^a <u>36,757</u>	<u>36,240</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u><u>\$ 86,693</u></u>	<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>

^a The fiscal 2008 unreserved fund balance increase for capital projects is due to funding of capital projects in advance of project expenditures.

^b 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Governmental Funds:										
Property taxes	\$ 53,717	\$ 50,347	\$ 46,579	\$ 44,097	\$ 39,290	\$ 37,954	\$ 37,413	\$ 38,597	\$ 40,919	\$ 43,614
Sales taxes	9,931	9,863	8,574	7,987	7,929	8,393	8,868	9,465	10,188	10,715
Utility taxes	11,410	11,533	12,020	13,574	13,229	12,735	13,473	14,309	14,094	14,518
Communications services taxes	6,784	6,747	6,966	6,107	5,852	5,871	5,470	5,061	4,919	4,618
Other taxes	3,015	3,669	4,167	3,613	3,561	3,308	3,556	3,554	3,519	2,194
Franchise fees	9,505	9,254	10,204	10,540	9,994	9,603	9,164	9,877	9,873	9,311
Licenses, permits, and fees	4,441	2,719	1,918	1,766	2,364	2,117	2,187	3,292	4,408	3,339
Intergovernmental revenues	34,622	31,473	27,972	25,400	26,693	25,750	26,842	26,354	27,573	28,293
Charges for services	14,806	14,895	14,933	14,803	14,081	14,682	14,484	15,574	15,830	16,536
Fines and forfeitures	1,401	1,298	1,478	1,101	1,638	985	1,808	1,480	1,638	2,116
Investment earnings	5,400	4,101	5,768	3,360	1,937	1,719	(668) ^a	1,717	2,160	1,486
Miscellaneous	4,173	4,961	1,880	1,709	2,963	2,016	2,310	2,734	3,886	4,028
Total revenues	<u>159,205</u>	<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>
Expenditures										
Total Governmental Funds:										
Current:										
General government	13,357	14,170	13,633	15,676	15,042	12,764	12,520	14,391	13,159	12,917
Public safety	65,099	64,636	64,242	64,734	63,610	64,171	66,262	66,771	66,886	69,575
Physical environment	2,964	2,673	4,085	3,777	3,722	3,032	3,376	3,400	3,158	3,594
Transportation	11,162	9,950	7,768	9,128	8,536	8,332	7,522	7,787	9,925	9,554
Economic environment	3,175	4,213	3,166	3,089	2,773	2,470	3,256	2,544	3,993	3,473
Human services	453	437	405	100	180	182	104	137	223	525
Culture and recreation	29,939	30,317	27,114	25,883	25,198	27,028	26,567	27,557	28,339	31,279
Debt service:										
Principal	7,192	7,414	7,825	11,670	9,510	1,049	1,049	947	928	979
Interest & issuance costs	1,999	1,728	1,617	1,339	856	548	538	542	501	459
Capital outlay	<u>24,126</u>	<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>
Total expenditures	<u>159,466</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	(261)	(6,648)	(9,708)	(11,484)	(9,061)	(3,303)	(9,605)	(8,160)	(237)	(3,649)
Other Financing Sources (Uses)										
Total Governmental Funds:										
Transfers in	47,334	42,481	38,956	52,481	34,908	31,373	35,813	34,453	39,386	32,824
Transfers out	(40,779)	(39,023)	(31,312)	(42,440)	(30,204)	(24,491)	(26,673)	(25,819)	(31,190)	(25,074)
Long term debt issued	254	4,370	525	-	1,066	314	-	-	82	968
Total other financing sources (uses)	<u>6,809</u>	<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>
Extraordinary Item:										
BP Oil settlement proceeds	-	-	-	-	-	-	-	-	6,480	-
Net Change in Fund Balances	<u>\$ 6,548</u>	<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>
Debt service as a percentage of noncapital expenditures	6.9%	6.8%	7.4%	9.6%	8.2%	1.3%	1.3%	1.3%	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						Homestead Assessment Cap Differential ^b	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate ^c	Estimated Actual Taxable Value	Assessed Value as % of Actual Value	
	Residential Property	Commercial Property	Industrial Property	Government and Institutional Property	Personal Property	Other Property							
144	2007	\$ 10,967,910	\$ 2,294,492	\$ 178,987	\$ 1,499,434	\$ 637,308	\$ 67,478	\$ 2,767,035	\$ 2,222,329	\$ 10,656,245	5.2088	\$ 12,536,759	85.0%
	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	131,162	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	119,541	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	103,770	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	92,546	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	89,376	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	88,144	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	91,033	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	96,523	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	102,926	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

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					
	Operating	GOB Debt Service	Total Direct	Pinellas County	Pinellas County Schools	Pinellas Transit District	Emergency Medical Services	Other Districts	Downtown Development Board^a
2007	5.2088	0.0000	5.2088	5.4700	8.2100	0.6074	0.6300	1.6378	1.0000
2008	4.6777	0.0000	4.6777	4.8730	7.7310	0.5601	0.5832	1.5121	0.9651
2009	4.7254	0.0000	4.7254	4.8730	8.0610	0.5601	0.5832	1.5551	0.9651
2010	5.1550	0.0000	5.1550	4.8730	8.3460	0.5601	0.5832	1.5106	0.9651
2011	5.1550	0.0000	5.1550	4.8730	8.3400	0.5601	0.5832	1.4410	0.9651
2012	5.1550	0.0000	5.1550	4.8730	8.3850	0.7305	0.8506	1.2390	0.9651
2013	5.1550	0.0000	5.1550	5.0727	8.3020	0.7305	0.9158	1.3034	0.9651
2014	5.1550	0.0000	5.1550	5.3377	8.0600	0.7305	0.9158	1.2959	0.9651
2015	5.1550	0.0000	5.1550	5.3377	7.8410	0.7305	0.9158	1.2799	0.9651
2016	5.1550	0.0000	5.1550	5.3377	7.7700	0.7305	0.9158	1.2629 ^b	0.9651

Source: Pinellas County Property Appraiser

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

^b "Other" includes Pinellas County Planning Council 0.0160; Juvenile Welfare Board 0.8981; SW Florida Water Management District 0.3658.

Schedule 7

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

Fiscal Year	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2007	\$ 55,506,248	\$ 53,668,684	96.69%	\$ 163,903	\$ 53,832,587	96.98%	
2008	52,150,534	50,215,870	96.29	248,491	50,464,361	96.77	
2009	48,014,740	46,405,161	96.65	220,821	46,625,982	97.11	
2010	45,469,638	43,912,287	96.57	162,855	44,075,142	96.93	
2011	40,551,363	39,163,100	96.58	53,041	39,216,141	96.71	
2012	39,162,295	37,874,151	96.71	55,998	37,930,149	96.85	
2013	38,622,438	37,298,959	96.57	44,753	37,343,712	96.69	
2014	39,888,516	38,521,211	96.57	39,187	38,560,398	96.67	
2015	42,294,009	40,832,366	96.54	32,156	40,864,522	96.62	
2016	45,099,493	43,545,722	96.55	-	43,545,722	96.55	

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>	2016			2007		
	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	\$ 146,375,938	1	1.76%	\$121,397,300	1	0.89%
301 SOUTH GULFVIEW LLC	63,385,746	2	0.76%			
JOHN S TAYLOR PROPERTIES LLC	53,000,490	3	0.64%	35,135,000	5	0.26%
GRAND RESERVE BORROWER LLC	42,000,000	4	0.51%			
SANDPEARL RESORT LLC	41,779,017	5	0.50%			
SAND KEY ASSOC LTD PARTNERSHIP	41,500,000	6	0.50%	35,500,000	4	0.26%
CENTRO NP CLEARWATER MALL LLC	40,935,911	7	0.49%	45,216,800	2	0.33%
ZOM BAYSIDE ARBORS LTD	40,608,925	8	0.49%	25,606,200	9	0.19%
NWP CLEARWATER HOLDINGS LLC	30,540,000	9	0.37%			
B R CLEARWATER DST	28,400,000	10	0.34%			
UNITED DOMINION RLTL TRUST				28,150,000	8	0.21%
PARK ISLE CONDO DEV. LL				42,916,100	3	0.32%
SUNSPREE GREEN LLC				34,466,000	6	0.25%
WEINGARTEN NOSTAT INC.				31,820,000	7	0.23%
COUNTRYSIDE SHOPPES				25,250,000	10	0.19%
Total	<u><u>\$ 528,526,027</u></u>		<u><u>6.36%</u></u>	<u><u>\$ 425,457,400</u></u>		<u><u>3.13%</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>	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>PERSONAL PROPERTY</u>						
DUKE ENERGY (1)	\$ 87,814,898	1	19.66%	\$58,362,900	1	11.42%
VERIZON FLORIDA LLC (2)	23,453,699	2	5.25%	52,343,850	2	10.24%
BRIGHT HOUSE NETWORKS LLC (3)	14,113,025	3	3.16%	17,071,630	3	3.34%
INSTRUMENT TRANSFORMERS	8,380,576	4	1.88%	6,301,730	5	1.23%
BAUSCH & LOMB INC	8,347,210	5	1.87%	9,173,970	4	1.79%
PUBLIX SUPER MARKET	7,647,230	6	1.71%			
FLORIDA GAS TRANSMISSION	7,146,405	7	1.60%			
MONIN INC	6,652,987	8	1.49%			
WOW! INTERNET, CABLE & PHONE	6,183,318	9	1.38%			
HYATT REGENCY CLEARWATER BEACH	5,097,339	10	1.14%			
MACY'S FLORIDA				4,481,450	6	0.88%
LOWS'S OF CLEARWATER				4,418,860	7	0.86%
SIEMENS FINANCIAL SERVICES				4,258,690	8	0.83%
GENERAL ELECTRIC CREDIT CO				3,684,910	9	0.72%
SHERATON SAND KEY				3,509,940	10	0.69%
Total	<u>\$ 174,836,687</u>		<u>39.14%</u>	<u>\$ 163,607,930</u>		<u>32.00%</u>

Notes:

- (1) Duke Energy was formerly Progress Energy and Florida Power prior to that
- (2) Verizon Florida, Inc. was formerly GTE
- (3) Bright House Networks was formerly Time Warner Entertainment

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							
14	2007	\$ 9,532	\$ 19,151	\$ 13,108	\$ 10,840	\$ 136,189	\$ 22,751	\$ 43,333	-	\$ 1,366	\$ 256,270	6.05%	\$ 2,320			
	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			

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.

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>									
Fiscal Year	General Obligation Bonds	Public Service Tax Revenue Bonds	Sales Tax Revenue Bonds	Total	Percentage of Actual Taxable Value of Property (a)			Per Capita (b)	
2007	\$ -	\$ 9,532	\$ 19,151	\$ 28,683	0.23%			\$ 260	
2008	-	12,970	12,999	25,969	19.80%			236	
2009	-	12,517	6,620	19,137	16.01%			174	
2010	-	8,514	-	8,514	8.20%			79	
2011	-	-	-	-	-			-	
2012	-	-	-	-	-			-	
2013	-	-	-	-	-			-	
2014	-	-	-	-	-			-	
2015	-	-	-	-	-			-	
2016	-	-	-	-	-			-	

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, 2016
(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	11,208	13.8%	1,542
Pinellas County Government Capital Leases	22	13.8%	3
Pinellas County School District State Bonds ^b	11,572	13.8%	1,592
Pinellas County School District Capital Leases	7,319	13.8%	<u>1,007</u>
Subtotal, overlapping debt			4,144
City direct debt			<u>25,752</u>
Total direct and overlapping debt			<u>\$ 29,896</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.

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
2007	\$ 2,028,832	\$ 230,639	\$ 1,798,193	11.37%
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

Legal Debt Margin Calculation for Fiscal Year 2016:

Assessed valuation of non-exempt real estate	\$ 10,851,071
Debt Limit (20% of assessed valuation per City Charter)	2,170,214
Debt applicable to limit:	
Revenue bonds	\$ 203,455
Capital leases	18,472
Less: Amount set aside for repayment of bonded debt	<u>(22,610)</u>
	199,317
Legal debt margin	<u>\$ 1,970,897</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 Bonds ^(a)						
2007	\$ 9,931	\$ -	\$ 9,931	\$ 5,875	\$ 889	1.47
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	-	-	-	-	-	-
Spring Training Facility Bonds ^(b)						
2007	\$ 1,112	\$ -	\$ 1,112	\$ 490	\$ 591	1.03
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
Public Service Tax/Improvement Revenue Bonds ^(c)						
2007	\$ 18,194	\$ -	\$ 18,194	\$ 320	\$ 464	23.21
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	-	-	-	-	-	-

(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 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

Fiscal <u>Year</u>	Gross <u>Revenues</u>	Less: <u>Operating Expenses</u>	Net <u>Available Revenues</u>	<u>Debt Service</u>		Coverage	Maximum <u>Coverage ^(a)</u>
				<u>Principal</u>	<u>Interest</u>		
Water & Sewer Utility Revenue Bonds							
2007	\$ 52,815	\$ 37,109	\$ 15,706	\$ 7,115	\$ 3,588	1.47	
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	
Gas Utility Revenue Bonds							
2007	\$ 39,756	\$ 30,483	\$ 9,273	\$ 855	\$ 1,162	4.60	4.31
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
Stormwater Utility Revenue Bonds							
2007	\$ 12,458	\$ 6,161	\$ 6,297	\$ 985	\$ 1,874	2.20	
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	

^(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)
2007	110,469	\$ 4,234,387	\$ 38,331	44.5	15,500	3.8%
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	4.7

- (a)** Source is the University of Florida, Bureau of Economic and Business Research: April 1, 2016 estimate for current year and Florida Statistical Abstract for prior years.
- (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 2007 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 2016 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.

Schedule 15

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

Employer	2016 ^b			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	10,713	1	2.30%	15,980	1	3.41%
Bay Pines VA Medical Center	4,568	2	0.98%	2,800	7	0.60%
City of St. Petersburg	3,372	3	0.72%	3,485	5	0.74%
All Children's Hospital	3,250	4	0.70%	2,370	9	0.51%
Raymond James	2,800	5	0.60%	2,450	8	0.52%
Pinellas County Sheriff	2,684	6	0.58%			
Morton Plant Hospital	2,625	7	0.56%	4,685	3	1.00%
St. Petersburg College	2,367	8	0.51%			
Home Shopping Network	2,150	9	0.46%			
Mease Hospital	2,150	10	0.46%			
Pinellas County Government				6,490	2	1.38%
Crum Resources & Staffing				3,640	4	0.78%
Nielson Media Research				3,480	6	0.74%
Bayfront Medical Center				2,180	10	0.46%
Total Employment ^b	465,339			468,892		

^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>2007</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>
General government	322.0	327.3	321.6	346.6	326.6	316.5	317.0	312.1	312.0	312.2
Public safety:										
Fire	221.0	212.0	212.0	211.0	205.0	201.0	201.0	201.0	201.0	201.0
Police	407.9	393.9	389.9	370.9	344.0	342.5	343.5	345.5	345.0	352.7
Physical environment	38.7	34.0	33.5	28.5	27.5	17.5	17.0	17.0	17.0	17.0
Transportation	74.3	69.0	67.5	57.5	53.5	52.5	38.0	38.0	38.0	38.0
Economic environment	66.5	64.5	62.5	11.0	11.0	8.0	9.0	10.0	10.0	12.0
Human services	3.0	3.0	2.0	-	-	-	-	-	-	-
Culture and recreation:										
Library	93.9	88.4	78.3	73.2	73.2	73.6	73.6	73.6	74.4	81.4
Parks & Rec	240.8	221.8	203.7	191.1	184.1	184.7	197.2	199.2	200.9	204.4
Water & Sewer Utility	175.0	168.0	169.0	164.0	166.0	167.0	167.0	176.0	184.0	187.0
Gas Utility	90.0	90.0	84.0	77.0	77.0	79.0	83.0	83.0	87.0	92.0
Solid Waste Utility	112.0	112.0	112.0	112.0	112.0	112.2	112.2	111.5	111.5	111.5
Stormwater Utility	46.0	46.0	47.0	46.0	47.0	48.0	50.0	49.0	49.0	52.0
Recycling	22.5	22.5	22.3	22.3	22.3	22.3	22.3	22.0	22.0	22.0
Marine	18.1	18.6	18.8	17.1	16.1	17.1	17.1	17.1	17.1	17.9
Clearwater Harbor Marina				5.6	5.6	5.6	5.6	5.6	5.6	6.7
Aviation	1.9	1.9	1.7	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Parking System	20.7	20.7	20.7	31.6	31.6	30.8	30.6	33.7	33.7	35.8
Total	1,954.3	1,893.6	1,846.5	1,766.8	1,703.9	1,679.7	1,685.5	1,695.7	1,709.6	1,745.0

Source: City of Clearwater Office of Management and Budget

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

<u>Function/Program</u>		Fiscal Year Ended Sept 30:										
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
General government:												
Planning	Commercial building permits issued	2,009	1,639	1,349	1,365	1,400	1,803	2,065	1,988	1,854	1,706	
	Residential building permits issued	5,330	4,773	4,273	4,794	5,102	4,941	4,985	5,756	6,546	6,987	
Public safety:												
Police	Average officer training hours	105	78	83	51	75	83	83	85	120	115	
	Total volunteer training hours	1,023	1,001	735	39	355	385	412	286	246	1034	
Fire	Percentage of fire responses under 7.5 minutes	91%	92%	96%	90%	92%	95%	91%	93%	93%	91%	
Physical environment	Square feet of sidewalks repaired/constructed	88,028	64,201	47,076	53,157	45,169	45,416	28,036	23,651	35,611	36,694	
Transportation	Miles of roadway resurfaced	14	10	10	5	8	8	0	8	15	15	
Economic environment	Code enforcement cases brought to compliance	8,794	9,300	8,553	6,029	4,346	4,664	4,905	4,431	4,458	4,736	
Human services	City employees that mentor in area schools	34	24	20	22	18	20	23	6	5	16	
Culture and recreation:												
Library system	Library visits	979,544	976,987	864,350	860,044	833,036	820,000	836,919	600,148	636,006	562,387	
	Circulation	1,121,480	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	
Parks and recreation	Recreation center visitations	967,817	1,050,782	868,445	724,769	759,807	738,577	719,393	517,378	696,094	714,657	
	Athletic program visitations	414,805	643,995	546,446	547,492	515,665	541,433	1,108,644	989,570	1,066,767	1,093,090	
Water and Sewer Utility:												
	Water customers	40,407	40,131	39,935	39,971	41,391	41,988	43,500	43,704	44,236	44,743	
	Volume of water pumped (million gallons/day)	12.66	11.92	11.52	10.76	11.32	10.90	11.00	12.10	12.10	11.70	
	Sewer customers	33,255	33,146	33,084	33,041	33,063	33,093	33,405	33,564	33,390	33,763	
	Miles of sewers cleaned	16	89	176	208	215	230	229	197	172	160	
Gas Utility:	Number of customers	19,470	19,527	19,527	19,581	19,807	20,029	20,313	20,719	21,049	21,566	
Solid Waste Utility:	Solid waste tonnage collected and disposed	130,308	123,018	112,851	110,905	112,936	114,317	116,830	113,218	117,214	124,917	
Stormwater Utility:	Number of equivalent residential units	98,513	97,986	98,436	99,536	100,125	100,461	98,195	100,629	101,663	102,798	
Recycling Utility:	Marketable tons recycled	14,492	14,006	12,114	9,564	9,250	8,605	8,143	11,716	12,079	13,467	

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

Schedule 18

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

<u>Function/Program</u>	<u>2007</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>
Public safety										
Fire Stations	8	8	8	8	8	8	8	8	8	8
Police Stations	10	9	6	5	6	6	6	6	7	7
Transportation										
Paved streets (miles)	305	305	313	314	315	316	316	320	321	322
Culture and recreation										
Library system										
Volumes in collection (thousands)	590	601	606	606	601	598	581	582	564	519
Parks and recreation										
Parks acreage	1400	1400	1400	1427	1427	1427	1427	1453	1455	1457
Recreational paths (miles)	16	16	16	16	16	16	16	18	22	22
Playgrounds	33	29	29	29	27	27	27	27	27	27
Baseball and softball fields	35	32	32	32	32	32	34	32	32	32
Soccer and football fields	25	20	20	20	20	20	18	20	20	20
Recreation centers	7	7	7	6	5	5	5	5	5	5
Water & Sewer Utility										
Water mains (miles)	571	575	593	592	592	591	590	597	589	588
Sanitary sewer mains (miles)	368	362	362	363	363	363	363	364	364	369
Daily treatment capacity (millions of gallons)	29	29	29	29	29	29	29	29	29	29
Gas Utility										
Gas mains (miles)	816	814	821	826	830	843	849	862	884	908
Stormwater Utility										
Stormwater mains (miles)	156	146	148	148	148	150	150	151	153	154
Marine										
Boat slips	209	209	207	207	207	203	189	189	189	189
Clearwater Harbor Marina										
Boat slips	0	0	0	126	126	126	126	126	126	126
Aviation										
Airpark spaces	177	177	177	177	177	177	177	177	177	177
Parking system										
Parking spaces	3322	3382	3497	3297	2475 ^a	2460	2319	2232	2312	2302

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

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 2007, 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, 2016, contract rates applied to an average of 197 customer accounts per month and impacted 7.7% 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 MAY 1, 2016 - SEPTEMBER 30, 2016 BASED ON APPROVED GAS ADJUSTMENT FACTORS

	Firm Natural Gas Rate Schedules														Interr. NG Rate <u>IS</u>	Contract NG Rate <u>CNS</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>NSS</u>		
	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		
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	100,000 & up	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)	By Contract (By Contract)	\$50.00 (\$75.00)	\$250.00 \$400.00	By Contract (By Contract)
<u>Non-Fuel Energy Charge/Therm</u>																
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
Energy Conservation Adj. (ECA)	0.19	0.19	0.19	0.19	0.19	0.19	0.19	NA	NA	NA	NA	NA	NA	NA	NA	NA
Regulatory Imposition Adj. (RIA)	0.12	0.12	0.12	0.12	0.12	0.12	0.12	NA	NA	NA	NA	NA	NA	NA	NA	NA
Usage & Inflation Adj. (UIA)	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</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	\$0.76	\$0.76	\$0.76	\$0.76	\$0.74	\$0.70	\$0.66	\$0.20	\$0.15	\$0.10	\$0.20	\$0.35	By Contract	\$0.42	\$0.24	By Contract
Purchased Gas Adjustment (PGA)	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.62</u>	<u>0.53</u>	<u>0.62</u>	<u>0.53</u>	<u>0.53</u>
Total Energy Charge/Therm	1.38	1.38	1.38	1.38	1.36	1.32	1.28	0.82	0.77	0.72	0.82	0.97	0.53	1.04	0.77	0.53
													+ Non-Fuel		+ Non-Fuel	
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)	By Contract (By Contract)	\$50.00 (\$75.00)	\$250.00 \$400.00	Customer Charge +
								@ premise	@ premise	@ premise	+ FAC	+ FAC	+ FAC	+ FAC	+ 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	\$1.26 \$1.34	\$1.26 \$1.34	\$1.26 \$1.34	\$1.26 \$1.34	\$1.24 \$1.32	\$1.21 \$1.28	\$1.17 \$1.24	\$0.75 \$0.80	\$0.70 \$0.75	\$0.66 \$0.70	\$0.75 \$0.80	\$0.89 \$0.94	\$0.48 \$0.51	\$0.95 \$1.01	\$0.70 \$0.75	
Change from 9/2014 Therm Rate % Change from 9/2014 Therm Rate	-\$0.37 -16.4%	-\$0.37 -16.4%	-\$0.37 -16.4%	-\$0.37 -16.4%	-\$0.35 -16.3%	-\$0.33 -15.8%	-\$0.31 -15.3%	-\$0.32 -17.0%	-\$0.32 -17.5%	-\$0.32 -18.0%	-\$0.32 -17.0%	-\$0.32 -16.2%	-\$0.32 -18.0%	-\$0.36 -16.7%	-\$0.36 -20.7%	-\$0.32 -21.9%
<u>Utility Tax Note:</u>																
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
Non-Utility Taxable Fuel/Therm	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.551	\$0.461	\$0.551	\$0.475	\$0.461
<u>BTU FACTOR = THERMS/100 CUBIC FEET (CCF)</u>																
	10/2015	11/2015	12/2015	01/2016	02/2016	03/2016	04/2016	05/2016	06/2016	07/2016	08/2016	09/2016	FY 15/16 Avg.			
Firm Service Rates	1.042	1.044	1.042	1.042	1.042	1.045	1.046	1.046	1.043	1.041	1.039	1.040	1.043			
Interruptible Service Rates	1.022	1.023	1.021	1.021	1.022	1.025	1.025	1.025	1.022	1.021	1.019	1.020	1.022			

City of Clearwater, Florida
Continuing Disclosure - Gas System Revenue Bonds
Series 2007, 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 25.

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 2/01/07 - 1/31/17	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 2007, 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 908 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 93 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 21,566 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 73% of our customer base.

City of Clearwater, Florida
Continuing Disclosure - Gas System Revenue Bonds
Series 2007, 2013 and 2014

As of September 30, 2016 the System's active natural gas customers were located as shown in the following table:

Location	Meters	Percentage
Belleair	469	2.33%
Belleair Beach	212	1.05%
Belleair Bluffs	35	0.17%
Belleair Shores	32	0.16%
Clearwater	6,967	34.66%
Dunedin	1,200	5.97%
Indian Rocks Beach	121	0.60%
Indian Shores	103	0.51%
Largo	1,063	5.29%
New Port Richey	84	0.42%
North Redington Beach	52	0.26%
Oldsmar	133	0.66%
Port Richey	15	0.07%
Redington Beach	142	0.71%
Redington Shores	78	0.39%
Safety Harbor	636	3.16%
Tarpon Springs	1,585	7.88%
Unincorporated Areas Pasco	3,308	16.46%
Central Pasco	889	4.42%
Unincorporated Areas Pinellas	2,982	14.83%
Total	20,106	100.00%

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, 2016:

Customer Name	Peak Monthly Therms	% of Gross Revenues
Ajax Paving Industries	142,829.2	2.75%
Morton Plant Hospital	116,104.3	2.46%
New Port Richey Hospital, Inc.	70,588.5	2.04%
Mease Hospital	74,118.8	1.64%
Metal Industries	101,004.8	1.61%

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, 2016:

	Average No. Customers	Gas Volume	Gas Sales
	Therms	Revenues	
Interruptible (including Gas Station)	18	30.84%	16.72%
Residential	17,753	13.92%	23.64%
Commercial (excluding Gas Station)	2,335	55.24%	59.64%
Interruptible (including Gas Station)	7,313,869.8	\$ 5,325,388	
Residential	3,300,529.9	7,527,153	
Commercial (excluding Gas Station)	13,099,859.0	18,995,408	
Totals	23,714,258.7	\$ 31,847,949	

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011 and 2014; 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
2012	5.9	5.0	10.9
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

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

Year	Potable Water Service Customers	Reclaimed Water Service Customers	Total Water Service Customers
2012	36,438	5,550	41,988
2013	36,547	6,943	43,490
2014	36,651	7,053	43,704
2015	37,018	7,218	44,236
2016	37,302	7,441	44,743

Ten Largest Water Customers
Fiscal Year Ending September 30, 2016

Name of User	Water Used (in 100 Cubic Feet)	Revenues Produced
1. CITY OF CLEARWATER	67,599	\$ 896,081
2. CHURCH OF SCIENTOLOGY	125,128	799,806
3. MORTON PLANT HOSPITAL	65,289	494,542
4. PINELLAS COUNTY SCHOOLS	41,844	358,796
5. SANDPEARL RESORT LLC	45,613	296,750
6. PINELLAS COUNTY GOVERNMENT	20,909	274,427
7. MADISON PLACE CLEARWATER LLC	37,548	241,096
8. CF PARK PLACE GARDENS LLC	32,629	197,233
9. BRENNTAG MID-SOUTH, INC.	25,157	174,012
10. CLEARWATER HOUSING AUTHORITY	28,007	172,332
	<u>489,723</u>	<u>\$ 3,905,075</u>

Reclaimed Water System:

Year	Daily Flow MGD
2012	6.7
2013	5.0
2014	5.3
2015	4.7
2016	5.2

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011 and 2014; 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
2012	14.5	32,353
2013	13.2	32,649
2014	12.3	32,815
2015	13.8	33,390
2016	13.5	33,763

Ten Largest Sewer Customers
Fiscal Year Ending September 30, 2016

Name of User	Sewer Used (in 100 Cubic Feet)	Revenues Produced
1. CHURCH OF SCIENTOLOGY	91,737	\$ 637,200
2. CITY OF CLEARWATER	30,077	594,013
3. MORTON PLANT HOSPITAL	59,777	524,802
4. PINELLAS COUNTY SCHOOLS	40,876	477,184
5. SANDPEARL RESORT LLC	43,510	290,304
6. MADISON PLACE CLEARWATER LLC	37,548	250,527
7. CF PARK PLACE GARDENS LLC	32,630	228,135
8. CP CLEARWATER, LLC	30,464	216,150
9. CLEARWATER HOUSING AUTHORITY	27,632	216,141
10. SHERATON SAND KEY	29,661	213,324
	<u>423,912</u>	<u>\$ 3,647,780</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 2016 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 and 2014; and Revenue Bonds Series 2009A

Residential and Nonresidential Water Rates		October 1, <u>2012</u>	October 1, <u>2013</u>	October 1, <u>2014</u>	October 1, <u>2015</u>	October 1, <u>2016</u>
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 17.03	\$ 17.80	\$ 18.60	\$ 19.44	\$ 20.16
	1 inch	39.75	41.54	43.41	45.36	47.04
	1.5 inch	567.85	593.40	620.10	648.00	672.00
	2 inch	1,323.10	1,382.64	1,444.86	1,509.88	1,565.76
	3 or 2 inch manifold	2,038.60	2,130.34	2,226.21	2,326.39	2,412.48
	4 inch	3,923.86	4,100.43	4,284.95	4,477.77	4,643.52
	6 inch	10,079.39	10,532.96	11,006.94	11,502.25	11,928.00
	8 inch	17,035.59	17,802.19	18,603.29	19,440.44	20,160.00

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

Rates for Irrigation (Lawn) Meters		October 1, <u>2012</u>	October 1, <u>2013</u>	October 1, <u>2014</u>	October 1, <u>2015</u>	October 1, <u>2016</u>
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 6.07	\$ 6.34	\$ 6.63	\$ 6.93	\$ 7.19
	1 inch	18.22	19.04	19.90	20.80	21.58
	1.5 inch	91.20	95.30	99.59	104.07	107.97
	2 inch	255.34	266.83	278.84	291.39	302.32
	3 or 2 inch manifold	504.59	527.30	551.03	575.83	597.42
	4 inch	972.73	1,016.50	1,062.24	1,110.04	1,151.67
	6 inch	2,936.42	3,068.56	3,206.65	3,350.95	3,476.61

Sewer Rates		October 1, <u>2012</u>	October 1, <u>2013</u>	October 1, <u>2014</u>	October 1, <u>2015</u>	October 1, <u>2016</u>
		<u>Size of Meter</u>				
Minimum -	Under 1 inch	\$ 23.46	\$ 24.51	\$ 25.62	\$ 26.76	\$ 27.75
	1 inch	54.74	57.19	59.78	62.44	64.75
	1.5 inch	782.00	817.00	854.00	892.00	925.00
	2 inch	1,822.06	1,903.61	1,989.82	2,078.36	2,155.25
	3 or 2 inch manifold	2,807.38	2,933.03	3,065.86	3,202.28	3,320.75
	4 inch	5,403.62	5,645.47	5,901.14	6,163.72	6,391.75
	6 inch	13,880.50	14,501.75	15,158.50	15,833.00	16,418.75
	8 inch	23,460.00	24,510.00	25,620.00	26,760.00	27,750.00

Per 1,000 gallons of water used over the allowed minimum

7.82	8.17	8.54
8.92	9.25	

Additional Indebtedness

No additional indebtedness was incurred for capital improvements to the water and sewer systems. Additional indebtedness in the amount of \$244,612 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, 2007	\$10.51
October 1, 1998	4.00	October 1, 2008	11.14
October 1, 1999	4.17	October 1, 2009	11.80
October 1, 2000	4.35	October 1, 2010	12.51
October 1, 2001	4.54	October 1, 2011	13.04
January 1, 2002	6.13	October 1, 2012	13.40
October 1, 2002	7.16	October 1, 2013	13.77
October 1, 2003	8.01	October 1, 2014	14.15
October 1, 2004	8.65	October 1, 2015	14.33
October 1, 2005	9.35	October 1, 2016	14.51
October 1, 2006	9.71	October 1, 2017	14.69

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Operating Revenues (Excluding Depreciation)	\$ 7,343,936	\$ 8,105,045	\$ 4,207,288	\$ 5,916,286	\$ 8,386,312
Interest Income and other					
Non-operating Revenues (Expenses)	530,796	(92,148)	495,462	677,829	437,129
Total Net Revenues	<u>\$ 7,874,732</u>	<u>\$ 8,012,897</u>	<u>\$ 4,702,750</u>	<u>\$ 6,594,115</u>	<u>\$ 8,823,441</u>
Maximum Annual Debt Service	\$ 2,693,144	\$ 2,608,421	\$ 2,568,762	\$ 2,568,762	\$ 2,608,421
Coverage	2.92	3.07	1.83	2.57	3.38

**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, 2016, 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, 2016 are summarized below.

Total Revenue Received from Pinellas County Fire Protection Authority	\$ 2,215,711
Total Fire Service Expenditures for Fiscal Year Ended September 30, 2016	\$ 20,387,272

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 Councilmembers
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, 2016, 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 28, 2017. 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, 2016, as listed in the table of contents. That report recognizes that the City implemented new accounting standards effective October 1, 2015.

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.



Tampa, Florida
March 28, 2017

**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 Councilmembers
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, 2016. 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. 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.

Basis for Qualified Opinion on CFDA 14.218 Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 14.218 Community Development Block Grant as described in finding number 2016-001 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.218 Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.218 Community Development Block Grant for the year ended September 30, 2016.

Unmodified Opinion on Each of the Other 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 other major federal programs and state financial assistance projects identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2016.

Other Matters

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Cherry Bekant LLP

Tampa, Florida
March 28, 2017

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2016

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Program/ Project #	FY 2016 Federal Share of Expenditures
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development:				
Community Development Block Grant - Entitlement	14.218	B-13-MC-12-0002		\$ 346,341
	14.218	B-14-MC-12-0002		116,989
	14.218	B-15-MC-12-0002		311,370
ARRA-Neighborhood Stabilization Program 3	14.218	B-11-MN-12-0031		
	14.218	Program Income		2,457
	<u>14.218</u>			<u>777,157</u>
Home Investment Partnerships Program	14.239	M-13-MC-12-0230		13,290
	14.239	Program Income		219,626
	<u>14.239</u>			<u>232,916</u>
Total U.S. Department of Housing and Urban Development				1,010,073
U.S. Department of the Interior:				
Fish and Wildlife Service				
Passed through Florida Dept of Environmental Protection				
Clean Vessel Act - Pumpout Pump & Maintenance	15.616	DEP Agreement MV149 CVA14-720	432-01371	1,077
Clean Vessel Act - Pumpout Pump & Maintenance	<u>15.616</u>	DEP Agreement MV192 CVA15-760	432-01371	<u>887</u>
	<u>15.616</u>			<u>1,964</u>
National Park Service				
Passed through Florida Dept of Environmental Protection				
Moccasin Lake Nature Park Project	15.916	DEP LW625 12-00625	315-93648	6,530
Total U.S. Department of the Interior				8,494
U.S. Department of Justice:				
Federal Forfeiture Sharing	16.000	FL0520300	181-99387	71,690
National Institute of Justice				
Clearwater Cold Case Team Project 2014	16.560	2014-DN-BX-K086	181-99209	13,046
Edward Byrne Memorial Justice Assistance Grant Program				
Passed through Florida Department of Law Enforcement				
Countywide Justice Assistance Grant	16.738	2016-JAGC-PINE-1-H3-146	010-XXXXX	4,500
Total U.S. Department of Justice				89,236
U.S. Department of Transportation:				
Federal Highway Administration				
Passed through Florida Dept of Transportation:				
Federal-Aid Highway Program - HVE for Pedestrian & Bicycle Saf	20.205	TWO #945-002 Contract #BDV25	181-99214	29,929
Total U.S. Department of Transportation				29,929
U.S. Dept of Health & Human Services				
Centers for Disease and Control				
Passed through Pinellas County Health Department	93.331	Cooperative Agreement 1U58DP005597	181-99869	67,248
Total U.S. Dept of Health & Human Services				67,248
Corporation For National and Community Services:				
Passed through FL Commission on Community Services				
AmeriCorps - 2015	94.006	12AFHFL0010012	181-99212	32,741
Total Corporation for National and Community Services				32,741

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2016

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Program/ Project #	FY 2016 Federal Share of Expenditures
National Endowment for the Humanities				
Promotion of the Humanities Division of Preservation and Access	45.149	PY-234444-16	181-98603	10,209
Total National Endowment for the Humanities				
Total Expenditures of Federal Awards				
\$ 1,247,930				

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects - Continued
For the Year Ended September 30, 2016

State Grantor / Pass-through Grantor / Program Title	CSFA Number	Grant I.D. Number	Program/ Project #	FY 2016 State Share of Expenditures (a)
STATE FINANCIAL ASSISTANCE				
Florida Department of Community Affairs:				
Florida Housing Finance Corporation State Housing Initiative Partnership Program (\$	40.901	N/A	Fund 191	\$ 510,843
Total Florida Department of Community Affairs				510,843
Florida Department of Transportation:				
Aviation Development Grants - Airpark Runway/Taxiway Extension and Rehabilitat	55.004	FPN:422554-1-94-01; Contract AQJ28	315-94871	4,867
Maintenance Hangar Rehab	55.004	FPN:425922-1-94-01; Contract ARB47	315-94881	7,456
Rehabilitation of Hangar D	55.004	FPN:425922-1-94-01; Contract ARB48	315-94882	63,164
	55.004			75,487
Florida Highway Beautification Council Grant	55.003	FPID 438701-1-58-01	315-93322	18,120
Total Florida Department of Transportation				93,607
Florida Department of Revenue:				
Phillies Stadium	73.016	N/A	213-334730	500,004
Total Florida Department of Revenue				500,004
Total Expenditures of State Financial Assistance				\$ 1,104,454
Total Expenditures of Federal Awards and State Financial Assistance Projects				\$ 2,352,384

(a) Funded with State grants and aids appropriations.

City of Clearwater, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2016

NOTE 1 – Basis of Presentation

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.

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	\$ 392,788
U.S. HUD Home Investment Partnerships Program	14.239	\$ 65,092
Florida Housing Finance Corporation, State Housing Initiative Partnership Program	40.901	\$ 66,750

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 \$12,542,772 allowance for uncollectable accounts, at September 30, 2016.

14.218	Community Development Block Grant	\$ 1,045,542
14.239	Home Investment Partnership Program	1,538,639
40.901	State Housing Initiative Partnership	<u>1,731,419</u>
		<u>\$ 4,315,600</u>

**City of Clearwater, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2016**

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, 2016.

CITY OF CLEARWATER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2016

Part I—Summary of auditor's results

Financial Statement Section

Type of auditors' 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: _____ **Qualified**

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
14.218	Community Development Block Grant

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, 2016

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 x 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).

Finding 2016-001: Material Weakness in Internal Controls in Internal Controls Over Compliance and Material Noncompliance

**Department of Housing and Urban Development
Community Development Block Grant – CDFA 14.218**

Criteria: The City of Clearwater (the “City”) is responsible for following 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 grant award agreements related to subrecipient monitoring. This requires the City to perform annual subrecipient monitoring for the Community Development Block Grant (“CDBG”).

Condition/Context: During the audit it was noted that the City did not maintain adequate controls over compliance with subrecipient monitoring. There was no evidence that could be provided to document that subrecipient monitoring was performed in the current year.

Questioned Cost: The total award to subrecipients under CDBG for the current year was \$392,788.

Effect: The City did not comply with the provision of subrecipient in accordance with Uniform Guidance and grant award agreements.

Cause: There were not proper controls in place to detect whether or not subrecipient monitoring was occurring, and there were no documentation of controls to prove that subrecipient monitoring did occur in the current year.

CITY OF CLEARWATER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2016

Part III—Findings and questioned costs - major federal award programs (continued)

Recommendation: We recommend that the City implements controls to ensure that all subrecipient monitoring is conducted for all applicable grants and that the documentation that supports the monitoring is performed is kept for an appropriate period of time.

Management's Response: The City of Clearwater Housing Division recognizes the requirements to perform monitoring of subrecipient agreements in accordance with the Uniform Guidance of grant award agreements.

Management's Planned Corrective Action: The City of Clearwater Housing Division will adopt a Policies and Procedures Manual to include subrecipient monitoring procedures, elements and frequency of monitoring and a comprehensive checklist to ensure compliance. Monitoring records will be held in the Housing Division for a period no less than required by federal regulation.

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, 2016

Summary of Prior Year Audit Findings

Finding 2015-001: Material Weakness in Internal Controls over Financial Close and Reporting Process

Finding: During the audit it was noted that the City did not maintain adequate controls over investment assets. As a result, an asset was recorded twice within the Firefighters Supplemental Defined Contribution Pension Trust Fund ("Pension Trust Fund"), resulting in an overstatement of the Pension Trust Fund balance for the year ending September 30, 2014.

Status/Corrective Action: The City enhanced its internal controls over investment assets by ensuring that the Pension Trust Fund's annual report is compared to the comprehensive annual financial report. These controls were properly implemented and found to be operating effectively during the fiscal year ended September 30, 2016.

Independent Auditor's Management Letter

To the Honorable Mayor and City Councilmembers
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, 2016, and have issued our report thereon dated March 28, 2017.

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 28, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

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.

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, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Deepwater Horizon Oil Spill

Section 10.557(3)(n), *Rules of the Auditor General*, requires a determination of the City's compliance with federal and state laws, rules, regulations, contracts or grant agreements related to the receipt and expenditure of funds related to the Deepwater Horizon Oil Spill. The City's Deepwater Horizon Oil Spill funds received are unrestricted and, therefore, do not have related compliance requirements.

Other Matters

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

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 not have any such findings.

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.



Tampa, Florida
March 28, 2017

Report of Independent Accountant on Compliance with Local Government Investment Policies

To the Honorable Mayor and City Councilmembers
City of Clearwater, Florida

Report on Compliance

We have examined the City of Clearwater, Florida's (the "City"), compliance with the local government investment policy requirements of Sections 218.415, *Florida Statutes*, for the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Scope

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

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.



Tampa, Florida
March 28, 2017