

CITY OF CLEWISTON, FLORIDA

Annual Financial Report September 30, 2018



CITY OF CLEWISTON, FLORIDA

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September 30, 2018**

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Andrew Jones, CPA

Owner

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Clewiston, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Clewiston, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Clewiston, Florida, as of September 30, 2018, 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

Implementation of New Accounting Standard

As discussed in Note 24 to the financial statements, during the current year the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85 – *Omnibus 2017*. These statements require employers to report the total Other Postemployment Benefit (OPEB) liability and related deferred outflows/inflows on their statements of net position. In connection with the implementation of these standards, the City's previously reported net position was decreased by \$1,252,167. Our opinion is 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 on pages 4-12, budgetary comparison information on pages 80-83, and the pension and other postemployment benefit trend information on pages 84-92. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clewiston, Florida's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of state financial assistance 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 supplemental schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of the City of Clewiston, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Clewiston, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clewiston, Florida's internal control over financial reporting and compliance.

Andrew Jones, CPA

Labelle, Florida
June 25, 2019



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**CITY OF CLEWISTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis presents a narrative overview and analysis of the City of Clewiston's (City) financial performance for the fiscal year ended September 30, 2018. It is designed to provide a broad overview and a short and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activities, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), clarify material deviations from the approved budget, and explain individual fund issues. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 13) and notes to the financial statements (pages 28-75).

HIGHLIGHTS

Financial Highlights for the Fiscal Year Ended September 30, 2018, and Subsequent Financial Information are shown below.

1. The City's overall net position increased by \$1,727,682.
2. The total cost of all the City's programs was \$22,737,603 which was \$782,439 less than the prior year.
3. The City's governmental activities increased net position by \$1,360,919 as a result of program and general revenues over expenses of \$54,697 plus internal transfers-in of \$1,306,222.
4. During the year, the City had expenses of \$7,707,087 for governmental activities, which was \$135,404 less than the prior year.
5. The City's business-type activities increased net position by \$366,763 as a result of program and general revenues in excess of expenses of \$1,672,985 minus internal transfers-out of \$1,306,222.
6. The City's previously reported net position as of September 30, 2017 was restated downward by \$1,252,167 due to the implementation of GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See note 24 of the notes to the financial statements for more detail.
7. During the fiscal year ended September 30, 2018, the City expensed \$813,689 of state funding awarded to acquire and renovate the Seacoast National Bank building located at 300 South Berner Road for the new site of the police station. The grant awarded from the State totaled \$1,395,831 and had an initial grant period beginning July 1, 2017 and ending June 30, 2018. The project will continue into fiscal year 2019 and is anticipated to be completed by June 30, 2019.
8. The State Aid to Libraries Grant totaled \$179,898 for fiscal year 2018. The annual Hendry County grant for support of the library system in the amount of \$72,903 was discretionary funds.
9. The City paid approximately \$2,100 to vendors in the form of utility customer rebates for energy efficiency improvements to their residences. These funds were reimbursed through the FMPA Conservation Program. The City also utilized funding from this program in the amount of \$20,917 to continue increasing energy efficiency within the street lighting grid by replacing conventional light with LED Lighting.
10. The City received a Highway Beautification grant from the Florida Department of Transportation in the amount of \$101,700 which enabled the City to begin the project of planting royal palm trees along the U.S. Highway 27 Corridor in Clewiston. This project represented the first phase

of a multiphase project.

11. The City received a Highway Beautification grant from the Florida Department of Transportation in the amount of \$82,066 which allowed for the completion of phase two (2) of the project of planting royal palm trees along the U.S. Highway 27 Corridor in Clewiston.
12. The City completed the construction of a major sewer (main sewer lift station) rehabilitation project with financial assistance from the Florida Department of Environmental Protection State Revolving Loan Fund. The loan funding received an interest rate of zero (0) percent and is represented by project funding of \$993,890, combined with loan forgiveness of \$373,220 and a two (2) percent loan servicing fee of \$19,878 for a total funding amount of \$640,548. This amount will be paid back in semi-annual payments of \$10,676 over a period of thirty (30) years with the first payment due in January 2019.
13. The City contracted with the Southwest Florida Regional Planning Council and the Hendry County 4-H to complete a Farmer's Market feasibility study. This project totaled \$6,500 and was funded with a Florida Department of Economic Opportunity Competitive Florida Partnership Technical Assistance Grant.
14. In September 2018, the City was approved to receive financial assistance from the Florida Department of Environmental Protection State Revolving Loan Fund. The assistance represents \$535,000 in loan funding, includes \$267,500 in principal forgiveness and has an interest rate of 1.38 percent per annum. The loan term will be twenty (20) years. The funding will be utilized in fiscal year 2019 to complete the first phase of the City's Inflow and Infiltration Program.
15. As of April 30, 2019, the City received \$33,544 in FEMA funding assistance for Hurricane Irma relief. This amount represents 29,759 in Federal Assistance and \$3,785 in State Assistance. At this time, the final amount of assistance is unknown.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

Governmental Activities

Most of the City's basic services are reported in the governmental activities including police, fire, animal control, streets and street lighting, library, parks and recreation, and general administrative. Property taxes, utility taxes, franchise fees, and intergovernmental revenues finance most of these activities.

Business-type Activities

The City provides electric, water, sewer, and solid waste services through customer charges that help the City recover the cost of these services. The City's Electric Fund, Water and Sewer Fund, and Solid Waste Fund are reported as business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over financial resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary fund. The main features of each are described as follows:

Governmental Funds

Most of the City's basic services are reported in governmental funds, which report how money flows within these funds and the resulting balances at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that are considered liquid. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine financial resources that are available in the near future to finance the City's programs.

The similarities and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds can be understood by an analysis of the reconciliations on the schedules included in the basic financial statements on pages 17 and 20.

Proprietary Funds

The City's charges for electric, water, sewer, and solid waste collection services and related expenses are reported in the proprietary funds. Proprietary funds are reported using the same accounting method that is used to report these activities in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary funds.

Fiduciary (Trust) Fund - The City as a Trustee

The City is the trustee, or fiduciary, for the City Employees' Pension Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. We excluded these activities from the City's other financial statements because the City can only use these assets to provide pension benefits to participants in the pension plan.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-79.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including a budgetary comparison schedule for the governmental funds, and detailed information concerning the City's obligation to provide pension benefits to its employees. The required supplementary information can be found on pages 80-92 of this report.

Additional supplemental schedules are included in this report on pages 93-105 to provide information about interlocal agreements, breakdown of revenue and expenses for the water and sewer systems, and federal and state financial assistance.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

During the fiscal year ended September 30, 2018, the City's combined net position increased to \$33.8 million from \$32.1 million at the beginning of the year as restated, or \$1.7 million. The City's net position of the governmental activities increased \$1.4 million. Net position of the business-type activities increased \$367,000.. The City's unrestricted net position for governmental activities (the part of net position that can be used to finance day-to-day operations) was a deficit of \$3.12 million as of September 30, 2018.

The condensed Statement of Net Position and Statement of Activities on the following pages provide a comprehensive analysis of the government-wide financial information for the fiscal years ended September 30, 2018, and September 30, 2017.

GOVERNMENT WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position broken down by governmental activities and business-type activities for the current and preceding years:

For more detailed information, see the Statement of Net Position on page 13.

Summary of Statement of Net Position as of September 30, 2018 and September 30, 2017 (in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------|----------------------------|-----------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and Other Assets | \$ 1,299 | \$ 791 | \$ 13,632 | \$ 13,529 | \$ 14,931 | \$ 14,320 |
| Capital Assets | 9,418 | 8,782 | 30,576 | 30,468 | 39,994 | 39,250 |
| Total assets | <u>10,717</u> | <u>9,573</u> | <u>44,208</u> | <u>43,997</u> | <u>54,925</u> | <u>53,570</u> |
| Deferred outflows of resources | <u>1,247</u> | <u>1,299</u> | <u>303</u> | <u>227</u> | <u>1,550</u> | <u>1,526</u> |
| Long-term Liabilities | 3,177 | 3,652 | 14,158 | 14,047 | 17,335 | 17,699 |
| Other liabilities | 1,351 | 1,392 | 2,086 | 2,283 | 3,436 | 3,675 |
| Total liabilities | <u>4,527</u> | <u>5,044</u> | <u>16,244</u> | <u>16,330</u> | <u>20,771</u> | <u>21,374</u> |
| Deferred inflows of resources | <u>1,350</u> | <u>1,102</u> | <u>511</u> | <u>504</u> | <u>1,861</u> | <u>1,606</u> |
| Net position: | | | | | - | - |
| Invested in capital assets | | | | | - | - |
| net of related debt | 9,201 | 8,498 | 16,329 | 16,476 | 25,530 | 24,974 |
| Restricted | 2 | 3 | 4,073 | 3,767 | 4,076 | 3,770 |
| Unrestricted | <u>(3,117)</u> | <u>(3,775)</u> | <u>7,354</u> | <u>7,147</u> | <u>4,237</u> | <u>3,372</u> |
| Total Net Position | <u>\$ 6,087</u> | <u>\$ 4,726</u> | <u>\$ 27,757</u> | <u>\$ 27,390</u> | <u>\$ 33,843</u> | <u>\$ 32,116</u> |

2017 Amounts have been restated above for GASB 75

Statement of Activities

The following table reflects the condensed Statement of Activities, which shows the revenues and expenses of the total primary government broken down by governmental activities and business-type activities for the current and preceding years:

Summary of Statement of Activities
for the Fiscal Years Ended September 30, 2018 and September 30, 2017 (in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------|------------------------------------|-----------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, fines, and | | | | | | |
| Charges for services | \$2,555 | \$ 2,481 | \$ 16,047 | \$ 16,554 | \$ 18,602 | \$ 19,035 |
| Operating grants and | | | | | | |
| contributions | 614 | 488 | - | - | 614 | 488 |
| Capital grants and | | | | | | |
| contributions | 1,022 | 123 | 468 | 47 | 1,490 | 170 |
| General revenues | | | | | | |
| Property Taxes | 1,397 | 1,244 | - | - | 1,397 | 1,244 |
| Other Taxes | 1,407 | 1,394 | - | - | 1,407 | 1,394 |
| Intergovernmental | 665 | 634 | - | - | 665 | 634 |
| Other | 101 | 240 | 189 | 85 | 290 | 325 |
| Total revenues | <u>7,762</u> | <u>6,604</u> | <u>16,704</u> | <u>16,686</u> | <u>24,465</u> | <u>23,290</u> |
| Expenses | | | | | | |
| General government | 1,458 | 2,348 | | | 1,458 | 2,348 |
| Public Safety | 2,744 | 2,897 | | | 2,744 | 2,897 |
| Physical environment | 230 | 262 | | | 230 | 262 |
| Public Works | 998 | 762 | 15,031 | 16,100 | 16,029 | 16,862 |
| Culture and recreation | 2,144 | 2,153 | | | 2,144 | 2,153 |
| Economic Environment | 28 | 37 | | | 28 | 37 |
| Human services | 105 | 122 | | | 105 | 122 |
| Disaster expenses | - | 91 | | | - | 91 |
| Total expenses | <u>7,707</u> | <u>8,672</u> | <u>15,031</u> | <u>16,100</u> | <u>22,738</u> | <u>24,772</u> |
| Excess/(Deficiency) | | | | | | |
| before transfers | 55 | (2,068) | 1,673 | 586 | 1,728 | (1,482) |
| Transfers - internal | <u>1,306</u> | <u>1,285</u> | <u>(1,306)</u> | <u>(1,285)</u> | <u>-</u> | <u>-</u> |
| Changes in net position | <u>1,361</u> | <u>(783)</u> | <u>367</u> | <u>(699)</u> | <u>1,728</u> | <u>(1,482)</u> |
| Ending net position | <u>\$6,087</u> | <u>\$ 4,726</u> | <u>\$27,757</u> | <u>\$27,390</u> | <u>\$ 33,844</u> | <u>\$32,116</u> |

For more detailed information, see the Statement of Activities on pages 14-15.

2017 Amounts have been restated for implementation of GASB 75.

Governmental Activities

The increase in net position of governmental activities for the fiscal year ended September 30, 2018, was \$1.36 million which resulted from governmental activities program and general revenues and internal transfers-in which were greater than expenses. Depreciation on governmental activities capital assets was \$556,9097 for the fiscal year ended September 30, 2018.

Business-type Activities

The increase in net position of business-type activities for the fiscal year ended September 30, 2018, was \$367,000 which was a result of business-type activities charges for services, capital contributions, and other income under the total of expenses and internal transfers-out. Depreciation on business-type activities capital assets was \$1.27 million.

THE CITY'S FUNDS

Governmental Type Funds

As of September 30, 2018, the governmental funds (as presented on page 17) reported a fund balance of \$472,593 which is \$464,989 greater than at the beginning of the year (\$7,604 fund balance). The governmental funds experienced a net increase in their combined fund balances of \$464,989 due to revenues and transfers-in, which were over expenditures during the fiscal year ended September 30, 2018, using the modified accrual basis of accounting. The adjustments to reconcile the \$464,989 increase in the fund balance of the governmental funds to the \$1.36 million increase in net position of governmental activities is shown on page 21.

Business-type Funds

As of year-end, the business-type funds (Electric Fund, Water and Sewer Fund, and Solid Waste Fund) reported a combined net position of \$27.8 million which is 1.5% more than at the beginning of the year (restated to \$27.4 million).

The business-type funds decrease in net position resulted primarily from operating income in the amount of \$1,567,259 less interest expense of \$550,566 and less operating transfers-out in the amount of \$1,306,222.

Governmental Funds Budgetary Highlights

Over the course of the year, the City Commission made revisions to the City's budget. Budget amendments were made for unanticipated revenues, such as grants and other contributions, which increased revenues and current expenditures by the same amount.

The Governmental Fund's actual revenues were \$283,210 less than budgeted. The

Governmental Fund's actual expenditures were \$1,233,317 less than budgeted.

The actual revenues and expenses were less than budgeted, primarily because a Police Station construction project did not proceed as quickly as anticipated, however that was partially offset by unexpected revenue and expenditures for Phase II of the FDOT Highway Beautification Project.

The budgetary comparison schedule and notes for the governmental funds is shown on pages 80-83.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$39,993,861 (net of depreciation) invested in a broad range of capital assets, including land and buildings, police, fire, and public works equipment, library, parks, and recreational facilities, solid waste collection equipment, and electric, water, and sewer utility systems. This amount represents a net decrease (including additions, deletions, and current depreciation) of \$743,451. See Note 7 in the notes to the financial statements for detailed changes in capital assets.

| | Capital Assets at Year End (Net of Depreciation) | | | | | |
|---|--|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land and improvements | \$ 4,226,763 | \$ 4,343,109 | \$ 670,142 | \$ 670,142 | \$ 4,896,905 | \$ 5,013,251 |
| Buildings, utility treatment plants and systems | 2,460,999 | 1,622,057 | 28,559,128 | 28,673,417 | 31,020,127 | 30,295,474 |
| Equipment, furniture, and fixtures | 1,073,948 | 1,026,386 | 1,346,901 | 1,124,738 | 2,420,849 | 2,151,124 |
| Roads and streets | 1,655,980 | 1,790,561 | - | - | 1,655,980 | 1,790,561 |
| Totals | <u>\$ 9,417,690</u> | <u>\$ 8,782,113</u> | <u>\$ 30,576,171</u> | <u>\$ 30,468,297</u> | <u>\$ 39,993,861</u> | <u>\$ 39,250,410</u> |

Debt

At September 30, 2018, the City had \$17,762,047 in notes, repayment agreement, and bonds payable to outside creditors and net pension liability outstanding versus \$18,123,944 at September 30, 2017, a decrease of 2%, as shown in the schedule below.

| | Outstanding Debt at Year End | | | | | |
|--|------------------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Notes payable | \$ 216,818 | \$ 284,496 | \$ 1,484,536 | \$ 1,192,136 | \$ 1,701,354 | \$ 1,476,632 |
| FDEO repay agreement | 162,470 | 227,549 | | | 162,470 | 227,549 |
| Revenue bonds payable (secured by water and sewer net revenue) | - | - | 12,564,000 | 12,800,000 | 12,564,000 | 12,800,000 |
| OPEB | 813,459 | 829,899 | 413,879 | 422,243 | 1,227,338 | 1,252,142 |
| Net pension Liability | <u>1,954,200</u> | <u>2,250,563</u> | <u>152,685</u> | <u>117,058</u> | <u>2,106,885</u> | <u>2,367,621</u> |
| Total | <u>\$ 3,146,947</u> | <u>\$ 3,592,507</u> | <u>\$ 14,615,100</u> | <u>\$ 14,531,437</u> | <u>\$ 17,762,047</u> | <u>\$ 18,123,944</u> |

GASB 75 was implemented in 2018, OPEB beginning balance for 2017 was restated.

During the fiscal year ended September 30, 2015, the City signed a repayment agreement with the Florida Department of Economic Opportunity to repay \$324,941 in CDBG grant funds over a five-year period, due to employment goals required by the grant which were not achieved.

Also, during the fiscal year ended September 30, 2018, the City implemented GASB 75 related to accounting and financial reporting for Other Post-Employment Benefits. The implementation of these statements resulted in a restatement of the City's beginning net position, as of September 30, 2017, as well as related deferred outflows of resources and deferred inflows of resources due to recording the City's Net OPEB liability on the statement of net position.

See Note 9 beginning on page 48 for more information about the City's debt, such as interest rates and amortization of debt.

Other obligations of the City include accrued vacation pay (see Note 8) and advances from another City fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City Commission considered many factors while determining the fiscal year 2018 budget, setting the new millage rate, and analyzing the fees which will be charged by the business-type activities. One of those factors was the economy.

Clewiston's local economy consists largely of agribusiness, retail, and service industries. Some of the largest business entities in the Clewiston area include sugar and citrus growers, general merchandise, and grocery retail establishments. The City's unemployment rate in April, 2019, was approximately 3.9% on an annual basis which was lower than previous years. The City of Clewiston's population has increased from 6,085 in April, 1990, to a current population of approximately 7,500 people.

The real estate market and general economy in Hendry County and surrounding areas experienced a considerable slowdown in previous years. While activity has not resumed at the pre-recession pace, it appears the local market and economy is beginning to recover. Some activity is resuming, and several projects have been permitted and constructed, continuing to lower the unemployment rate. The prospects are once again beginning to look more positive.

The City budgeted government wide revenues of \$24.3 million, including grant revenues of \$.3 million, and government-wide expenditures of \$25.4 million, including \$.6 million in capital expenditures, for the fiscal year ended September 30, 2019. If the budgeted revenues and expenditures are realized, the City's financial reserves will decrease by approximately \$1.1 million during fiscal year 2018. The millage rate for the fiscal year ended September 30, 2019 was set at 6.5314 mills. This millage rate is the same as the millage rate used in the previous fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an understanding of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this financial report or need additional information, contact the City Finance Department at the City of Clewiston, 115 West Ventura Avenue, Clewiston, Florida 33440.

City of Clewiston, Florida
Government-wide Statement of Net Position
September 30, 2018

| | Governmental Activities | Business-type Activities | Totals |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash | \$ 2,125 | \$ 600 | \$ 2,725 |
| Investments | 1,823,060 | 3,089,973 | 4,913,033 |
| Receivables, net | | | |
| Accounts | 184,286 | 2,284,551 | 2,468,837 |
| Assessments | 40,237 | 761,970 | 802,207 |
| Taxes | 5,968 | | |
| Interest | | 40,057 | 40,057 |
| Inventory | 117,565 | 529,430 | 646,995 |
| Due from other governments | 826,697 | | 826,697 |
| Internal Balances | (2,028,743) | 2,028,743 | - |
| Note receivable | 325,027 | | 325,027 |
| Prepaid expense | 3,167 | | 3,167 |
| Restricted Assets | | | |
| Investments | | 4,471,536 | 4,471,536 |
| Accounts Receivable - FMFA | | 425,207 | 425,207 |
| Capital Assets | | | |
| Land | 2,457,334 | 670,142 | 3,127,476 |
| Depreciable capital assets, net | 5,957,985 | 28,788,613 | 34,746,598 |
| Construction in progress | 1,002,371 | 1,117,416 | 2,119,787 |
| Total assets | 10,717,079 | 44,208,239 | 54,925,318 |
| Deferred outflows of resources | | | |
| deferred outflows related to pension plans | 1,246,890 | 302,919 | 1,549,809 |
| Liabilities | | | |
| Accounts Payable | 614,652 | 1,042,063 | 1,656,715 |
| Accrued Liabilities | 37,691 | 128,531 | 166,221 |
| Unearned revenue | 84,051 | | 84,051 |
| Payable from restricted assets | | | |
| Accrued Interest | - | 52,059 | 52,059 |
| Deposits | - | 865,287 | 865,287 |
| Current portion of notes payable | 134,913 | 229,878 | 364,791 |
| Current portion of revenue bonds payable | - | 247,000 | 247,000 |
| Noncurrent liabilities | | | |
| Due in more than one year | 3,176,750 | 14,158,100 | 17,334,850 |
| Advance from other fund | 479,204 | (479,204) | - |
| Total liabilities | 4,527,261 | 16,243,714 | 20,770,975 |
| Deferred inflows of resources | | | |
| Related to OPEB | 61,879 | 31,486 | 93,365 |
| Related to Pension Plans | 1,288,307 | 479,030 | 1,767,337 |
| Total Deferred Inflows of reserouces | 1,350,186 | 510,516 | 1,860,702 |
| Net position | | | |
| Invested in capital assets, net of related debt | 9,200,872 | 16,329,495 | 25,530,367 |
| Restricted for | | | |
| Community Development | 2,398 | | 2,398 |
| Constuction and debt retirement | - | 3,648,201 | 3,648,201 |
| Working capital - FMFA | - | 425,207 | 425,207 |
| Unrestricted | (3,116,748) | 7,354,025 | 4,237,277 |
| Total net position | \$ 6,086,522 | \$ 27,756,928 | \$ 33,843,450 |

See accompanying notes to financial statements

CITY OF CLEWISTON, FLORIDA
Government-wide Statement of Net Position
September 30, 2018

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) /Revenue |
|--------------------------------|---------------------------|---|--|--|------------------------------|
| | | Fines, Fees, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities | | | | | |
| General government | \$ 1,457,892 [▼] | \$ 235,423 | | | \$ (1,222,469) |
| Public Safety | | | | | |
| Police | 1,886,707 | 26,929 | - | 821,419 | (1,038,359) |
| Fire | 594,885 | 372,063 | | | (222,822) |
| Protective inspections | 262,448 | 234,621 | | | (27,827) |
| Total Public Safety | 2,744,040 | 633,613 | - | 821,419 | (1,289,008) |
| Physical Environment | 230,025 | 322,248 | - | - | 92,223 |
| Transportation | | | | | |
| Streets and Lighting | 998,394 | 450,452 | 172,796 | 35,000 | (340,146) |
| Culture and recreation | | | | | |
| Library | 487,759 [▼] | 9,574 | 261,262 | | (216,923) |
| Parks and recreation | 1,655,913 | 830,794 | 180,179 | 8,500 | (636,440) |
| Total culture and recreation | 2,143,672 | 840,368 | 441,441 | 8,500 | (853,363) |
| Economic environment | | | | | |
| Housing and urban developme | 6,920 | - | - | 6,500 | (420) |
| Industry development | 20,682 | - | - | | (20,682) |
| Total economic environment | 27,602 | - | - | 6,500 | (21,102) |
| Human services | | | | | |
| Animal Control | 105,462 | 72,402 | | | (33,060) |
| Disaster Expense | | | | | |
| Hurricane Irma | - | | | 150,620 [▼] | 150,620 |
| Total governmental activities | 7,707,087 | 2,554,506 | 614,237 | 1,022,039 | (3,516,305) |
| Business-type activities | | | | | |
| Electric | 9,962,278 | 11,017,043 | | | 1,054,765 |
| Water and sewer | 3,738,002 | 3,673,655 | | 467,511 | 403,164 |
| Solid Waste | 1,330,236 | 1,356,511 | | | 26,275 |
| Total business-type activities | 15,030,516 | 16,047,209 | - | 467,511 | 1,484,204 |
| Total | \$ 22,737,603 | \$ 18,601,715 | \$ 614,237 | \$ 1,489,550 | \$ (2,032,101) |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Government-wide Statement of Net Position
September 30, 2018

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|----------------|
| Net (Expense) revenues from previous page | \$ (3,516,305) | \$ 1,484,204 | \$ (2,032,101) |
| General Revenues | | | |
| Taxes | 2,804,304 | - | 2,804,304 |
| Intergovernmental | 665,205 | - | 665,205 |
| Investment income | 13,931 | 99,606 | 113,537 |
| Miscellaneous | 87,562 | 89,175 | 176,737 |
| Operating Transfers | 1,306,222 | (1,306,222) | - |
| Total general revenues and transfers | 4,877,224 | (1,117,441) | 3,759,783 |
| Changes in net position | 1,360,919 | 366,763 | 1,727,682 |
| Net Position - October 1, 2017 | 4,725,604 | 27,390,165 | 32,115,769 |
| Net Position - September 30, 2018 | \$ 6,086,522 | \$ 27,756,928 | \$ 33,843,450 |

See accompanying notes to financial statements.

Balance Sheet
Governmental Funds
September 30, 2018

| | General Fund | Clewiston Redevelopment Agency Fund | Other Governmental Fund | Total Governmental Funds |
|-------------------------------------|-------------------|---|-------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | | |
| Cash | 2,125 | - | - | 2,125 |
| Investments | 1,672,883 | 18,718 | 131,460 | 1,823,060 |
| Receivables | | | | |
| Accounts | 184,286 | - | - | 184,286 |
| Special Assessments | 40,237 | - | - | 40,237 |
| Inventory | 117,565 | - | - | 117,565 |
| Due from Other Funds | 198,005 | - | - | 198,005 |
| Due from other Governments | 826,697 | - | - | 826,697 |
| Note Receivable | 325,027 | - | - | 325,027 |
| Prepaid Expense | 3,167 | - | - | 3,167 |
| | <u>3,369,991</u> | <u>18,718</u> | <u>131,460</u> | <u>3,520,169</u> |
| Total Assets | | | | |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | 548,928 | 15,000 | 50,724 | 614,652 |
| Accrued liabilities | 37,691 | - | - | 37,691 |
| Due to other funds | 2,192,182 | 1,320 | 33,245 | 2,226,747 |
| Unearned revenue | 36,561 | - | 47,491 | 84,051 |
| | <u>2,815,362</u> | <u>16,320</u> | <u>131,460</u> | <u>2,963,141</u> |
| Total Liabilities | | | | |
| Deferred Inflow oF Resources | <u>84,435</u> | <u>0</u> | <u>0</u> | <u>84,435</u> |
| Fund Balances | | | | |
| Nonspendable | 466,723 | | | 466,723 |
| Restricted | | 2,398 | - | 2,398 |
| Unassigned | 3,472 | | | 3,472 |
| | <u>470,195</u> | <u>2,398</u> | <u>-</u> | <u>472,593</u> |
| Total Fund Balances | | | | |
| Total Liabilities and fund balances | <u>3,369,991</u> | <u>18,718</u> | <u>131,460</u> | <u>3,520,169</u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2018

| | |
|---|---------------------|
| Total fund balances, governmental Funds | \$ 472,593 |
| Amounts reported for governmental activities in the Statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 9,417,690 |
| Certain other assets are not available to pay for current-period expenditures | 90,403 |
| Deferred outflows/inflows of resources related to pension plans and OPEBS are applicable to future periods and are not reported in the governmental funds | (103,296) |
| Long-term Liabilities are not due and payable in the current period and, therefore, are not reported in the funds | <u>(3,790,867)</u> |
| Net position of governmental activities | <u>\$ 6,086,522</u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Government-wide Statement of Net Position
September 30, 2018

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) /Revenue |
|--------------------------------|---------------|---|--|-------------------------------------|---------------------------|
| | | Fines, Fees, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities | | | | | |
| General government | \$ 1,457,892▼ | \$ 235,423 | | | \$ (1,222,469) |
| Public Safety | | | | | |
| Police | 1,886,707 | 26,929 | - | 821,419 | (1,038,359) |
| Fire | 594,885 | 372,063 | | | (222,822) |
| Protective inspections | 262,448 | 234,621 | | | (27,827) |
| Total Public Safety | 2,744,040 | 633,613 | - | 821,419 | (1,289,008) |
| Physical Environment | 230,025 | 322,248 | - | - | 92,223 |
| Transportation | | | | | |
| Streets and Lighting | 998,394 | 450,452 | 172,796 | 35,000 | (340,146) |
| Culture and recreation | | | | | |
| Library | 487,759▼ | 9,574 | 261,262 | | (216,923) |
| Parks and recreation | 1,655,913 | 830,794 | 180,179 | 8,500 | (636,440) |
| Total culture and recreation | 2,143,672 | 840,368 | 441,441 | 8,500 | (853,363) |
| Economic environment | | | | | |
| Housing and urban development | 6,920 | - | - | 6,500 | (420) |
| Industry development | 20,682 | - | - | | (20,682) |
| Total economic environment | 27,602 | - | - | 6,500 | (21,102) |
| Human services | | | | | |
| Animal Control | 105,462 | 72,402 | | | (33,060) |
| Disaster Expense | | | | | |
| Hurricane Irma | - | | | 150,620▼ | 150,620 |
| Total governmental activities | 7,707,087 | 2,554,506 | 614,237 | 1,022,039 | (3,516,305) |
| Business-type activities | | | | | |
| Electric | 9,962,278 | 11,017,043 | | | 1,054,765 |
| Water and sewer | 3,738,002 | 3,673,655 | | 467,511 | 403,164 |
| Solid Waste | 1,330,236 | 1,356,511 | | | 26,275 |
| Total business-type activities | 15,030,516 | 16,047,209 | - | 467,511 | 1,484,204 |
| Total | \$ 22,737,603 | \$ 18,601,715 | \$ 614,237 | \$ 1,489,550 | \$ (2,032,101) |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds (continued)
Year Ended September 30, 2018

| | General Fund | Clewiston Redevelopment Agency Fund | Other Government al Fund | Total Government al Funds |
|--|-----------------------|---|--------------------------------|---------------------------------|
| Excess of revenues under expenditures | <u>(840,860)</u> | <u>(373)</u> | <u>(189,032)</u> | <u>(1,030,265)</u> |
| Other financing sources (uses) Operating Transfers-in | <u>1,306,222</u> | <u>-</u> | <u>-</u> | <u>1,306,222</u> |
| Total other financing sources (uses) | <u>1,306,222</u> | <u>-</u> | <u>-</u> | <u>1,306,222</u> |
| Net changes in fund balances | 465,362 | (373) | - | 464,989 |
| Fund balances - October 1, 2017 | <u>4,833</u> | <u>2,771</u> | <u>-</u> | <u>7,604</u> |
| Fund balances - September 30, 2018 | <u><u>470,195</u></u> | <u><u>2,398</u></u> | <u><u>-</u></u> | <u><u>472,593</u></u> |

See accompanying notes to financial statements.

City of Clewiston, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2018

| | |
|--|-------------------------|
| Net change in fund balances - total governmental funds | \$ 464,989 |
| Amounts reported for governmental activities in the Statement of activities are different because: | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 84,435 |
| Governmental funds report capital outlays as expenditures However, in the statement of activities, some of these expenditures are capitalized and depreciated over their estimated useful lives Expenditures for Capital Assets that were capitalized Depreciation Expense | 1,191,675 (556,097) |
| Decrease in compensated absences long-term balances that do not impact current resources | 28,057 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither Transaction , however, has any effect on net position | 135,316 |
| Net change in pension related outflows/inflows of resources and net pension liability | 57,983 |
| Net change in OPEB related outflows/inflows of resources and net OPEB liability | 45,438 |
| Changes in Net Position of Governmental activities | <u><u>1,360,919</u></u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2018

| | Electric Fund | Water/Sewer Fund | Solid Waste Fund | Totals |
|---|------------------|---------------------|---------------------|------------|
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Assets and deferred outflows of resources | | | | |
| Current Assets | | | | |
| Cash | \$ 600 | \$ - | \$ - | \$ 600 |
| Investments | 859,417 | 2,176,749 | 53,808 | 3,089,973 |
| Receivables | | | | |
| Accounts | 1,381,245 | 641,917 | 261,389 | 2,284,551 |
| Assessments | - | 761,970 | - | 761,970 |
| Due from Other Funds | 2,929,323 | - | 372,980 | 3,302,304 |
| Accrued Interest | - | 40,057 | - | 40,057 |
| Inventory, at cost | 380,164 | 149,266 | - | 529,430 |
| Advance to other fund | - | 479,204 | - | 479,204 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Current Assets | 5,550,749 | 4,249,164 | 688,176 | 10,488,089 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Restricted assets | | | | |
| Investments | 1,120,805 | 3,350,731 | - | 4,471,536 |
| Accounts receivable - FMPA | 425,207 | - | - | 425,207 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total restricted assets | 1,546,012 | 3,350,731 | - | 4,896,743 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Capital assets | | | | |
| Land | 27,667 | 642,475 | - | 670,142 |
| Depreciable capital assets, net | 4,688,327 | 23,581,507 | 518,780 | 28,788,613 |
| Construction in progress | - | 1,117,416 | - | 1,117,416 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, net | 4,715,993 | 25,341,398 | 518,780 | 30,576,171 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | 11,812,755 | 32,941,292 | 1,206,956 | 45,961,003 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Deferred outflows of resources | | | | |
| Deferred outflows - pension plans | 185,118 | 75,729 | 42,072 | 302,919 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Net Position (continued)
Proprietary Funds
September 30, 2018

Liabilities and deferred inflows of resources

Current Liabilities

| | | | | |
|---------------------------|----------------|------------------|----------------|------------------|
| Accounts payable | 764,087 | 220,831 | 57,144 | 1,042,063 |
| Accrued liabilities | 84,712 | 29,017 | 14,802 | 128,531 |
| Due to other funds | <u>23,047</u> | <u>1,208,318</u> | <u>42,195</u> | <u>1,273,560</u> |
| Total Current Liabilities | <u>871,845</u> | <u>1,458,166</u> | <u>114,142</u> | <u>2,444,153</u> |

Current Liabilities from restricted assets

| | | | | |
|---------------------------------|----------|----------------|----------|----------------|
| Accrued Interest | 5,178 | 46,881 | - | 52,059 |
| Deposits | 865,287 | - | - | 865,287 |
| Current portion - Notes Payable | 157,111 | 72,767 | - | 229,878 |
| Current portion - Bonds Payable | <u>-</u> | <u>247,000</u> | <u>-</u> | <u>247,000</u> |

| | | | | |
|--|------------------|----------------|----------|------------------|
| Total current liabilities payable from re: | <u>1,027,577</u> | <u>366,648</u> | <u>-</u> | <u>1,394,225</u> |
|--|------------------|----------------|----------|------------------|

| | | | | |
|------------------------|----------------|-------------------|---------------|-------------------|
| Noncurrent Liabilities | <u>268,303</u> | <u>13,797,188</u> | <u>92,609</u> | <u>14,158,100</u> |
|------------------------|----------------|-------------------|---------------|-------------------|

| | | | | |
|-------------------|------------------|-------------------|----------------|-------------------|
| Total Liabilities | <u>2,167,725</u> | <u>15,622,002</u> | <u>206,751</u> | <u>17,996,478</u> |
|-------------------|------------------|-------------------|----------------|-------------------|

Deferred inflows of resources

| | | | | |
|-------------------------------------|----------------|----------------|---------------|----------------|
| OPEB Related | 13,024 | 13,006 | 5,456 | 31,486 |
| Pension Related | <u>292,741</u> | <u>119,757</u> | <u>66,532</u> | <u>479,030</u> |
| Total Deferred Inflows of Resources | <u>305,765</u> | <u>132,763</u> | <u>71,988</u> | <u>510,516</u> |

Net Position

| | | | | |
|---|------------------|-------------------|----------------|-------------------|
| Net Investment in Capital Assets | 4,558,882 | 11,251,831 | 518,780 | 16,329,495 |
| Restricted for Construction and retirement of debt | 344,352 | 3,303,850 | - | 3,648,201 |
| Restricted - FMPA | 425,207 | - | - | 425,207 |
| Unrestricted | <u>4,195,943</u> | <u>2,706,575</u> | <u>451,510</u> | <u>7,354,025</u> |
| Total Net Position | <u>9,524,384</u> | <u>17,262,256</u> | <u>970,290</u> | <u>27,756,930</u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
September 30, 2018

| | Business-type Activities - Enterprise Funds | | | |
|--|---|------------------|------------------|---------------|
| | Electric Fund | Water/Sewer Fund | Solid Waste Fund | Totals |
| Operating revenues | | | | |
| Charges for services | \$ 11,017,043 | \$ 3,673,655 | \$ 1,356,511 | \$ 16,047,209 |
| Operating Expenses | | | | |
| Electricity Purchased | 7,929,500 | | | 7,929,500 |
| Personal Services | 920,866 | 773,804 | 318,902 | 2,013,572 |
| Contractual services | 203,959 | 413,550 | 666,600 | 1,284,109 |
| Supplies | 133,140 | 251,040 | 84,895 | 469,075 |
| Utilities | 44,323 | 470,795 | - | 515,118 |
| Insurance | 48,612 | 35,328 | 79,092 | 163,032 |
| Repairs and maintenance | 213,037 | 406,125 | 107,351 | 726,513 |
| Depreciation | 413,861 | 788,080 | 72,993 | 1,274,934 |
| Miscellaneous | 16,661 | 56,471 | 403 | 73,535 |
| Bad debts | 30,562 | - | - | 30,562 |
| Total operating expenses | 9,954,521 | 3,195,193 | 1,330,236 | 14,479,950 |
| Operating Income | 1,062,522 | 478,462 | 26,275 | 1,567,259 |
| Nonoperating revenues (expenses) | | | | |
| Interest income | 22,037 | 76,255 | 1,314 | 99,606 |
| Miscellaneous | 53,290 | 34,824 | 1,063 | 89,177 |
| Interest and fiscal charges | (7,757) | (542,809) | - | (550,566) |
| Total nonoperating revenues (expenses) | 67,570 | (431,730) | 2,377 | (361,783) |
| Income (loss) before contributions and transfers | 1,130,092 | 46,732 | 28,652 | 1,205,476 |
| Capital contributions | | 467,511 | - | 467,511 |
| Operating transfers-out | (911,986) | (289,428) | (104,808) | (1,306,222) |
| Changes in net positions | 218,106 | 224,815 | (76,156) | 366,765 |
| Net position - October 1, 2017 | 9,306,278 | 17,037,441 | 1,046,446 | 27,390,165 |
| Net Position - Septmeber 30, 2018 | \$ 9,524,384 | \$ 17,262,256 | \$ 970,290 | \$ 27,756,930 |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2018
Business-type Activities - Enterprise Funds

| | Electric Fund | Water/Sewer | Solid Waste | Totals |
|--|---------------|--------------|--------------|---------------|
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 11,054,972 | \$ 3,656,324 | \$ 1,360,541 | \$ 16,071,837 |
| Cash payments for good and services | (8,928,587) | (1,542,999) | (927,018) | (11,398,604) |
| Cash payments to employees for services and related payroll costs | (936,945) | (781,337) | (323,912) | (2,042,194) |
| Net cash provided by operating activities | 1,189,440 | 1,331,988 | 109,612 | 2,631,040 |
| Cash flows from noncapital financing activities: | | | | |
| Miscellaneous receipts | 21,150 | 34,824 | 1,063 | 57,037 |
| Deposits received from customers less deposits returned to customers | 21,733 | - | - | 21,733 |
| Loans and payments from other funds | 243,972 | 2,650 | 30,719 | 277,341 |
| Loans and payments to other funds | 17,383 | (90,392) | (29,879) | (102,888) |
| Repayment of loan by General Fund | - | | | |
| Cash operating transfers-out to other funds | (911,986) | (289,428) | (104,808) | (1,306,222) |
| Interest paid on customer deposits | - | - | | |
| Net cash provided by (used for) noncapital financing activities | (607,749) | (342,346) | (102,905) | (1,052,999) |
| Cash flows from capital and related financing activities: | | | | |
| Sewer assessments received | | 72,919 | | 72,919 |
| Capital contributed by customers, developers and CRA | | 94,291 | | 94,291 |
| Sale of Substation | 326,585 | | | 326,585 |
| SRF Funding for Master Lift Station | | 993,890 | | 993,890 |
| Acquisition and construction of capital assets | (212,615) | (1,237,930) | (226,708) | (1,677,253) |
| Principal paid on notes payable - State RF and bank | (157,111) | (171,159) | | (328,270) |
| Interest Paid on Notes Payable | (7,757) | (14,809) | | (22,566) |
| Principal paid on revenue bonds payable | | (236,000) | | (236,000) |
| Interest paid on revenue bonds payable | | (528,000) | | (528,000) |
| Net cash used for capital and related financing activities | (50,898) | (1,026,798) | (226,708) | (1,304,404) |
| Cash flow from investing activities: | | | | |
| interest received on investments | 22,037 | 74,484 | 1,314 | 97,835 |
| Net cash provided by investing activities | 22,037 | 74,484 | 1,314 | 97,835 |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2018

Business-type Activities - Enterprise Funds

| | Electric Fund | Water/Sewer | Solid Waste | Totals |
|---|---------------|--------------|-------------|--------------|
| Net increase in cash and cash equivalents | 552,830 | 37,328.50 | (218,686) | 371,472.61 |
| Cash and cash equivalents at beginning of year | 1,427,992 | 5,490,152 | 272,493 | 7,190,637 |
| Cash and cash equivalents at end of year | 1,980,822 | 5,527,480 | 53,808 | 7,562,110 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | 1,062,522 | 478,462 | 26,275 | 1,567,259 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 413,861 | 788,080 | 72,993 | 1,274,934 |
| Provision for uncollectible accounts | - | - | - | - |
| Changes in assets and liabilities: | - | - | - | - |
| (Increase) decrease in accounts receivable | 37,929 | (17,331) | 4,030 | 24,628 |
| Increase in inventory | 13,228 | (11,987) | | 1,241 |
| Increase in accounts payable | (312,455) | 82,388 | 11,323 | (218,743) |
| Increase in accrued liabilities | 5,029 | (623) | 130 | 4,536 |
| Increase in Payable Related to SRF Loan | - | 19,878 | - | 19,878 |
| Increase in OPEB Related Liability and related deferred amounts | 9,564 | 9,550 | 4,005 | 23,119 |
| Decrease in pension related liability and outflows/inflows of resources | (40,236) | (16,460) | (9,145) | (65,841) |
| Total adjustments | 126,920 | 853,495 | 83,336 | 1,063,752 |
| Net cash provided by operating activities (see previous page) | 1,189,440 | 1,331,987 | 109,611 | 2,631,039 |
| Reconciliation of cash and cash equivalents to Statement of Net Position | | | | |
| Cash and cash equivalents - unrestricted | 860,017 | 2,176,749 | 53,808 | 3,090,573 |
| Cash and cash equivalents - restricted | 1,120,805 | 3,350,731 | - | 4,471,536 |
| Total cash and cash equivalents | \$ 1,980,822 | \$ 5,527,479 | \$ 53,808 | \$ 7,562,109 |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2018

| | <u>Pension Trust Fund</u> |
|------------------------------------|-------------------------------|
| Assets | |
| Investments | 12,473,283 |
| Receivables, net | <u>181,569</u> |
| Total Assets | <u>12,654,852</u> |
| Net Position | |
| Held in trust for pension benefits | <u>12,654,852</u> |
| Total net position | <u><u>12,654,852</u></u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
September 30, 2018

| | <u>Pension Trust Fund</u> |
|-----------------------------------|---------------------------------|
| Additions | |
| Contributions - employer | \$ 81,053 |
| Net investment earnings | <u>1,175,403</u> |
| Total Additions | <u>1,256,456</u> |
| Deductions | |
| Pension benefits | 530,225 |
| administrative costs | <u>8,995</u> |
| Total deductions | <u>539,220</u> |
| Increase in net position | <u>717,236</u> |
| Net position - October 1, 2017 | <u>11,937,616</u> |
| Net position - September 30, 2018 | <u><u>\$ 12,654,852</u></u> |

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

The accounting methods and procedures adopted by the City of Clewiston, Florida, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City of Clewiston's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Clewiston (the City) is a municipal corporation incorporated by Laws of Florida, 1923, Chapter 9712, which was amended by Laws of Florida, 1925, Chapter 10434. Both of said acts were repealed by Laws of Florida 1925, Chapter 10433, Article IX, Paragraph 11. Said 1925, Chapter 10433, as amended, constitutes the present Charter of the City. The City is governed by an elected five-member board of city commissioners. The Board appoints a City Manager to administer the policies emanating from its statutory powers and authority. The City's major operations include police and fire protection, parks and recreation, library, public works, general administrative services, and community redevelopment. In addition, the City owns and operates electric, water, sewer, and solid waste collection systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement affecting the financial statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's governmental and business-type activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement all of the provisions of the Statement during the fiscal year ended September 30, 2003.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

Government Accounting Standards Board (GASB) No. 14 entitled "The Financial Reporting Entity", as amended by GASB No. 39 and GASB No. 61, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the City has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the City Commission that would be considered component units to be included in the financial statements of the City.

As required by governmental accounting principles generally accepted in the United States of America, the accompanying financial statements present the City and its component unit (entity for which the City is considered to be financially accountable). Blended component units, while legally separate units, are in substance part of the government's operations. Therefore, financial data from this unit is presented with financial data of the City (the primary government). The City had no discretely presented component units. The City has one blended component unit as described below.

Blended Component Unit

The Clewiston Redevelopment Agency (CRA) was established by the City under Ordinance No. 2005-1 pursuant to the "Community Development Act of 1969" and Chapter 163, Part III of the Florida Statutes. The five City Commissioners are the board members of the CRA. The CRA commenced operations during the fiscal year ended September 30, 2008. The financial statements of the CRA are presented as a major governmental fund.

Basic Financial Statements - Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, streets and street lighting, general administrative services, and community redevelopment are classified as governmental activities. The City's electric, water, sewer and solid waste collection services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-wide Statements

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of a specific revenue source which is legally restricted to expenditures for a specific purpose. The Clewiston Redevelopment Agency Fund is a special revenue fund used to account for and report financial resources that are related to the Clewiston Redevelopment Agency. The State Library Grant Fund is shown separately in the column "Other Governmental Fund" in the governmental funds financial statements.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

The Clewiston Redevelopment Agency Fund is a special revenue fund used to account for and report financial resources that are related to the Clewiston Redevelopment Agency.

Proprietary Funds

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flow. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The enterprise funds of the City are the Electric Fund, the Water and Sewer Fund, and the Solid Waste Fund.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The fiduciary fund of the City is the Pension Trust Fund.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The City maintains an investment pool that is available for use by all funds. The investment pool consists of interest-bearing bank accounts and investments in the Florida State Board of Administration (SBA) Florida PRIME, which is an investment pool. Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled investments is allocated monthly to funds based on their average monthly balances.

The City does not have an adopted investment policy since it follows Florida Statute 218.45 for investment decisions. Florida Statutes authorize investments that include money market accounts, savings accounts and certificates of deposit at banks certified as qualified public depositories by the State of Florida, repurchase agreements, Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds. In addition, the pension trust fund is allowed to invest in equity securities, corporate bonds, and mutual funds.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The City follows state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40. No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For all funds, except the pension trust fund which is required to be invested separately, investments consist of noninterest-bearing and interest-bearing bank accounts at financial institutions that qualify as public depositories and Florida PRIME. These funds are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Securities for Public Deposits Act (Florida Statutes 280).

Florida PRIME meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, Florida PRIME has adopted operating procedures consistent with the requirement for a "2a-7 like" pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. Florida PRIME is rated by Standard and Poors and is currently rated AAAm. The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2018, is 35 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2018, is 74 days.

Investments of the pension trust fund consist of mutual funds and corporate stock. All investments, except Florida PRIME and as noted below, are reported at fair market value using quoted market prices. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues of the Electric Fund, Water and Sewer Fund, Solid Waste Fund, and the General Fund's mosquito control services are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Inventories

Inventories in the governmental and business-type activities consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund type inventories are recorded as expenditures when consumed (consumption method). Governmental fund type inventories are also recorded as assets and are offset by a reserve of fund balance indicating that such amounts do not represent "available spendable resources", even though they are a component of net current assets.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40 |
| Electric, water and sewer systems | 30 - 50 |
| Machinery and equipment | 5 - 10 |
| Improvements | 10 - 20 |
| Other infrastructure | 10 - 40 |

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic lights, etc. These infrastructure assets are the largest asset class of the City. Neither historical cost nor related depreciation of capital assets has historically (prior to 2003) been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The City elected to implement all of the provisions of GASB Statement No. 34 in the fiscal year ended September 30, 2003.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditures) until then. The significant components of the deferred outflows of resources shown in the statement of net position for the year ended September 30, 2018, are as follows.

| | |
|--|---------------------|
| Florida Retirement System Pension Plan | \$ 674,306 |
| Florida Retirement System Retiree Health Insurance Subsidy Program | 34,060 |
| Frozen Defined Benefit Retirement Plan | <u>841,443</u> |
| Total deferred outflows of resources related to pension plans | <u>\$ 1,549,809</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

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 represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The significant components of the deferred inflows of resources shown in the statement of net position for the year ended September 30, 2018, are as follows.

| | |
|--|--------------------|
| Florida Retirement System Pension Plan | \$ 361,975 |
| Florida Retirement System Retiree Health Insurance Subsidy Program | 74,721 |
| Frozen Defined Benefit Retirement Plan | 1,330,641 |
| OPEB Plan | <u>93,364</u> |
| Total deferred inflows of resources related to pension plans | <u>\$1,860,701</u> |

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets, total liabilities, and deferred outflows/inflows of resources represents net position. Net position displays three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations. Proprietary fund net position is classified the same as in the government-wide statements.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Commission through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Commission. Assigned fund balance is a limitation imposed by a designee of the City Commission. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported for governmental and business-type activities in the period the inventory items are used, rather than in the period purchased. Governmental fund type inventories are recorded as expenditures when consumed.

Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used by employees in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as internal balances (government-wide statements) or as interfund receivables and payables (fund financial statements), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental activities and business-type activities are netted as transfers - internal in the government-wide financial statements.

Effective October 1, 2011, the City established a new enterprise fund, the Solid Waste Fund, by transferring assets and liabilities from the City's governmental activities (General Fund).

Proprietary Fund

The only nonoperating revenue for the Proprietary Fund was investment earnings and other miscellaneous revenues. All other revenues were considered operating revenues.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalization Policy

The capitalization policy of the City is to capitalize all assets with a cost of \$1,000 or more with an expected life of one year or more.

Use of Estimates

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

Budgets and Budgetary Accounting

The City follows these procedures in establishing the legally adopted budgetary data of the General, Special Revenue, and Clewiston Redevelopment Agency Funds as reflected in the financial statements:

1. During the summer of each year, the Finance Director submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Budgetary control is established at the fund level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance required by City Charter and a Resolution required by the State of Florida.
4. The transfer of budgeted amounts within departments may be requested by department heads and may be made upon approval by the Finance Director and City Manager. The transfer of budgeted amounts between departments requires approval of the City Manager. Budgetary transfers between funds or changes in the total budget of a fund require approval of the City Commission through the passage of a resolution which is required to be posted on the City's website.
5. Budgets for the General, Special Revenue, and Clewiston Redevelopment Agency Funds are adopted on a basis that is substantially consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for all other funds have not been presented in this report.
6. The amended budget amounts as shown in these financial statements are as amended by the required approval process explained above.

Date of Management's Review

Management has evaluated subsequent events through June 25, 2019, the date on which the financial statements were available to be issued.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the City's cash consisted of petty cash totaling \$2,725 for all funds.

Deposits

At September 30, 2018, the carrying amount of the City's interest-bearing checking accounts was \$7,437,852 and the banks' balances were \$7,602,925. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Florida Statutes authorize investments that include money market accounts, savings accounts repurchase agreements, the Florida State Board of Administration (SBA) Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

During the year, investments consisted of interest-bearing bank accounts, Florida PRIME, and an investment in a single employer defined benefit pension plan. At September 30, 2018, the City had the following investments:

| | |
|---|----------------------|
| Interest-bearing bank accounts | \$ 7,437,852 |
| Florida PRIME | 1,946,718 |
| Investment in single employer defined benefit pension plan | <u>12,473,283</u> |
| | <u>\$ 21,857,853</u> |

The City's use of short-term interest-bearing bank accounts in financial institutions that are covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, makes credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk nominal or nonexistent in regard to these accounts.

Investments - Florida PRIME

The City has surplus funds in an external investment pool, Florida PRIME. Florida PRIME is governed Chapters 215 and 218, Florida Statutes, and SBA Rules, Chapter 19-7, Florida Administrative Code. The purpose of Chapter 218, Part IV, Florida Statutes, is to promote, through State assistance, the maximization of net interest earnings on invested surplus funds of units of local government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes. The primary investment objectives, in priority order, are safety, liquidity, and competitive returns with minimization of risks.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments (continued)

Investments - Florida PRIME (continued)

The Board of Trustees of the SBA (Trustees) consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME complies with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida law. The Trustees appoint an Investment Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in applicable Florida law.

As a Florida PRIME participant, the City invests in pools of investments whereby the City owns a share of the respective pool, not the underlying securities. In March 1997, GASB issued Statement 31 titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 defines an external investment pool as an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the 1940 Act)".

In June 2010, GASB issued Statement 59, titled "Financial Instruments Omnibus." GASB 59 clarified the definition of a "2a-7 like" pool as an "external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended". To qualify as a 2a-7 like pool, the pool should satisfy all SEC requirements of Rule 2a-7, including that a group of individuals fulfills the functions of a board of directors. The pool was not required to register with the SEC.

In December 2015, GASB issued Statement 79 titled "Certain External Investment Pools and Pool Participants" in response to the SEC's amendments in 2014 to regulations that apply to money market funds. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria of GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments - Florida PRIME (continued)

Investment Policies

GASB 40 requires the description of investment policies that are related to certain risks. It is our interpretation of GASB 40 that participants in an investment pool should disclose information related to credit risk and interest rate risk. Therefore, the City is disclosing the investment policies that relate to credit risk and interest rate risk. All Florida PRIME's investment policies can be found at www.sbafla.com/prime.

Credit Risk

Florida PRIME is rated by Standard and Poor's Rating Services. The current rate is AAAM.

Interest Rate Risk

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2018, is 35 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2018, is 74 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2017, through September 30, 2018.

Securities Lending Disclosure

Florida PRIME did not participate in a securities lending program in the period October 1, 2017, through September 30, 2018.

Fair Value Hierarchy Disclosure

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost; therefore, the City's account balance is reported at amortized cost.

Disclosures per GASB 79

GASB 79 says that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments - Florida PRIME (continued)

Disclosures per GASB 79 (continued)

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value

Investments - Single Employer Defined Benefit Plan and Fair Value Measurements

The City sponsors a single employer defined benefit pension plan. Securian Retirement Services had responsibility for all administrative, actuarial, and investment management responsibilities of the City's defined benefit pension plan as of September 30, 2018.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments - Single Employer Defined Benefit Plan and Fair Value Measurements (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Securities classified as Level 2 are valued using quoted prices for similar assets in active markets. Securities are classified as Level 3 when relevant Level 1 and Level 2 inputs are unavailable. The City had the following fair value measurements as of September 30, 2018:

| <u>Investments by Fair Value Level</u> | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---|----------------------|---|--|--|
| Fixed Income | | | | |
| PIMCO Investment Grade Corp Bond | \$ 1,561,783 | \$ - | \$ 1,561,783 | \$ - |
| Vanguard Interim Bond Index Adm | 1,478,592 | - | 1,478,592 | - |
| US Stock | | | | |
| T. Rowe Price Large Cap Growth | 2,865,395 | - | 2,865,395 | - |
| Schwab Fundamental US Large Company | 2,266,287 | - | 2,266,287 | - |
| Baron Growth Fund | 964,930 | - | 964,930 | - |
| DFA US Targeted Value I | 691,096 | - | 691,096 | - |
| American Century Mid Cape Value R6 | 1,180,925 | - | 1,180,925 | - |
| International Stock | | | | |
| Dodge & Cox International Stock Fund | 706,173 | - | 706,173 | - |
| T. Rowe Price International Stock Fund | 758,102 | - | 758,102 | - |
| Total Investments Measured at Fair Value | <u>\$ 12,473,283</u> | <u>\$ -</u> | <u>\$12,473,283</u> | <u>\$ -</u> |

The concentration of credit risk and foreign currency risk are addressed by having a diversified group of pooled funds with only 11.7% invested in international equity mutual funds.

More information regarding the defined benefit retirement plan can be found in Note 15 starting on page 66.

NOTE 3 - PROPERTY TAXES

The City is, in general, permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. There are some limitations as to the amount of the annual increase in tax levy; however, these limitations can be overridden by a majority vote of the City Commission. The tax levy rate for general government services for the year ended September 30, 2018, was \$6.5314 per \$1,000, adopted on September 25, 2018.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 3 - PROPERTY TAXES (continued)

Ad valorem taxes are levied on property values as of January 1 with the millage established during September. The taxes are due and payable on November 1 of each year. Liens are placed on property as of January 1. All unpaid taxes become delinquent on April 1 following the year in which they are levied. Discounts are allowed for early payment based on a graduated scale until taxes paid in March are without any discount. On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes.

The City accrues property tax revenue in the fund statements only to the extent that the revenue is measurable and available since the collection of these taxes coincides with the fiscal year in which levied, and the City consistently has no material uncollected property taxes at year end. The billing and collection of all property taxes is done for the City by Hendry County.

NOTE 4 - INTERNAL BALANCES AND TRANSFERS - INTERNAL

Internal balances (receivables and payables) between the governmental activities and business-type activities as of September 30, 2018, were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-------------------------------------|----------------------------------|-------------------------------|
| Governmental Activities | | |
| General Fund | \$ 198,005 | \$ 2,192,182 |
| Clewiston Redevelopment Agency Fund | - | 1,320 |
| State Library Grant Fund | - | 33,245 |
| Business-type Activities | | |
| Electric Fund | 2,929,323 | 23,047 |
| Water and Sewer Fund | - | 1,208,318 |
| Solid Waste Fund | <u>372,980</u> | <u>42,195</u> |
| Total | <u>\$ 3,500,308</u> | <u>\$ 3,500 308</u> |

Interfund receivables and payables within the fiduciary funds were reclassified as receivables and payables to external parties in the Government-wide Statement of Net Position and on the individual fund balance sheets.

Operating transfers between the governmental activities and the business-type activities on the accrual basis for the fiscal year ended September 30, 2018, were as follows:

| | <u>Transfers-in</u> | <u>Transfers-out</u> |
|--------------------------|---------------------|----------------------|
| Governmental activities | | |
| General Fund | \$ 1,306,222 | \$ - |
| Business-type activities | | |
| Electric Fund | - | 911,986 |
| Water and Sewer Fund | - | 289,428 |
| Solid Waste Fund | <u>-</u> | <u>104,808</u> |
| Total | <u>\$ 1,306,222</u> | <u>\$ 1,306,222</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 5 - ACCOUNTS RECEIVABLE - GOVERNMENTAL ACTIVITIES AND BUSINESS - TYPE ACTIVITIES

Accounts receivable of the governmental activities and business-type activities, other than the accounts receivable from FMPA shown under restricted assets, consisted of the following as of September 30, 2018:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Billed | \$ 149,276 | \$ 1,566,817 |
| Unbilled | <u>46,551</u> | <u>862,207</u> |
| Total | 195,464 | 2,412,200 |
| Less allowance for doubtful accounts | <u>11,359</u> | <u>144,473</u> |
| | <u>\$ 184,105</u> | <u>\$ 2,267,727</u> |

NOTE 6 - RESTRICTED INVESTMENTS AND ACCOUNTS RECEIVABLE - FMPA - BUSINESS TYPE ACTIVITIES

Restricted assets in the business-type activities were comprised of the following as of September 30, 2018:

| | <u>Electric Fund</u> | <u>Water/Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
|---|--------------------------|-----------------------------|-----------------------------|---------------------|
| Funds reserved for new construction and debt retirement | \$ 344,352 | \$ 3,303,850 | \$ - | \$ 3,648,202 |
| Customer deposits and accrued interest on deposits | 865,287 | - | - | 865,287 |
| Funds reserved for FMPA working capital | <u>425,207</u> | <u>-</u> | <u>-</u> | <u>425,207</u> |
| | <u>\$ 1,634,846</u> | <u>\$ 3,303,850</u> | <u>\$ -</u> | <u>\$ 4,938,696</u> |

NOTE 7 - CAPITAL ASSETS

Summary of Capital Assets - Governmental Activities

The following is a summary of capital assets of the governmental activities as of September 30, 2018:

| | |
|-----------------------------------|---------------------|
| Land | \$ 2,457,334 |
| Buildings | 4,383,892 |
| Improvements other than Buildings | 10,822,642 |
| Machinery and equipment | 7,979,437 |
| Construction in progress | <u>1,002,371</u> |
| | 26,645,677 |
| Less accumulated depreciation | <u>17,227,987</u> |
| | <u>\$ 9,417,690</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 7 - CAPITAL ASSETS (continued)

Changes in Capital Assets - Governmental Activities

The following is a summary of changes in capital assets of the governmental activities for the year ended September 30, 2018:

| | Balance October 1, 2017 | Additions | Deletions | Balance September 30, 2018 |
|--------------------------------------|-------------------------------|-------------------|-------------|----------------------------------|
| Land | \$ 2,457,334 | \$ - | \$ - | \$ 2,457,334 |
| Buildings | 4,383,892 | - | - | 4,383,892 |
| Improvements other than buildings | 10,795,644 | 26,998 | - | 10,822,642 |
| Machinery and equipment | 7,681,984 | 297,454 | - | 7,979,437 |
| Construction in progress | <u>135,149</u> | <u>867,222</u> | <u>-</u> | <u>1,002,371</u> |
| | 25,454,003 | 1,191,674 | - | 26,645,677 |
| Less accumulated depreciation | <u>16,671,890</u> | <u>556,097</u> | <u>-</u> | <u>17,227,987</u> |
| | <u>\$ 8,782,113</u> | <u>\$ 635,579</u> | <u>\$ -</u> | <u>\$ 9,417,690</u> |

Summary of Capital Assets - Business-type Activities

The following is a summary of capital assets of the business-type activities for the year ended September 30, 2018:

| | Electric Fund | Water/Sewer Fund | Solid Waste Fund | Total |
|--------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Land | \$ 27,667 | \$ 642,475 | \$ - | \$ 670,142 |
| Buildings | 1,927,384 | 18,499 | 47,454 | 1,993,337 |
| Improvements other than buildings | 9,605,458 | 36,941,735 | - | 46,547,193 |
| Machinery and equipment | 2,163,906 | 1,901,400 | 1,959,253 | 6,024,559 |
| Construction in progress | <u>-</u> | <u>1,117,416</u> | <u>-</u> | <u>1,117,416</u> |
| | 13,724,415 | 40,621,525 | 2,006,707 | 56,352,647 |
| Less accumulated depreciation | <u>9,008,421</u> | <u>15,280,127</u> | <u>1,487,927</u> | <u>25,776,475</u> |
| | <u>\$ 4,715,994</u> | <u>\$ 25,341,398</u> | <u>\$ 518,780</u> | <u>\$ 30,576,172</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 7 - CAPITAL ASSETS (continued)

Changes in Capital Assets - Business-type Activities

The following is a summary of changes in capital assets for each enterprise fund for the year ended September 30, 2018:

| <u>Electric Fund</u> | <u>Balance October 1, 2017</u> | <u>Additions</u> | <u>Deletion</u> | <u>Balance September 30, 2018</u> |
|--------------------------------------|---|-------------------------|-------------------------|--|
| Land | \$ 27,667 | \$ - | \$ - | \$ 27,667 |
| Buildings | 1,927,384 | - | - | 1,927,384 |
| Improvements other than buildings | 11,687,992 | 67,174 | 2,149,708 | 9,605,458 |
| Machinery and equipment | <u>2,018,465</u> | <u>145,441</u> | <u>-</u> | <u>2,163,906</u> |
| | 15,661,508 | 212,615 | 2,149,708 | 13,724,415 |
| Less accumulated depreciation | <u>10,449,824</u> | <u>413,861</u> | <u>(1,855,264)</u> | <u>9,008,421</u> |
| | <u>\$ 5,211,684</u> | <u>\$ (201,246)</u> | <u>\$ (294,444)</u> | <u>\$ 4,715,994</u> |
| | | | | |
| <u>Water and Sewer Fund</u> | <u>Balance October 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 30, 2018</u> |
| Land | \$ 642,475 | \$ - | \$ - | \$ 642,475 |
| Buildings | 18,499 | - | - | 18,499 |
| Improvements other than buildings | 35,792,245 | 1,228,988 | - | 36,941,735 |
| Machinery and equipment | 1,779,975 | 41,927 | - | 1,901,400 |
| Construction in progress | <u>1,150,401</u> | <u>-</u> | <u>32,985</u> | <u>1,117,416</u> |
| | 39,383,595 | 1,270,915 | 32,985 | 40,621,525 |
| Less accumulated depreciation | <u>14,492,047</u> | <u>788,080</u> | <u>-</u> | <u>15,280,127</u> |
| | <u>\$ 24,891,548</u> | <u>\$ 482,315</u> | <u>\$ 32,985</u> | <u>\$ 25,341,398</u> |
| | | | | |
| <u>Solid Waste Fund</u> | <u>Balance October 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 30, 2018</u> |
| Buildings | \$ 47,454 | \$ - | \$ - | \$ 47,454 |
| Machinery and equipment | <u>1,732,545</u> | <u>226,708</u> | <u>-</u> | <u>1,959,253</u> |
| | 1,779,999 | 226,708 | - | 2,006,707 |
| Less accumulated depreciation | <u>1,414,934</u> | <u>72,993</u> | <u>-</u> | <u>1,487,927</u> |
| | <u>\$ 365,065</u> | <u>\$ 153,715</u> | <u>\$ -</u> | <u>\$ 518,780</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

| | |
|---|-------------------------|
| Governmental activities | |
| General government | \$ 28,664 |
| Public safety | 160,882 |
| Physical environment | 22 |
| Transportation | 160,781 |
| Culture and recreation | 174,259 |
| Economic environment | 20,682 |
| Human services | <u>10,806</u> |
| Total depreciation expense - governmental activities | <u>\$ 556,096</u> |
| Business-type activities | |
| Electric | \$ 413,680 |
| Water and Sewer | 788,080 |
| Solid Waste | <u>72,993</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,274,934</u> |

NOTE 8 - EMPLOYEE ANNUAL LEAVE

As explained in Note 1, City employees may accumulate unused vacation pay within certain limits.

Records are maintained for employees showing the number of days leave accrued. The amount of vacation pay accrued in the governmental activities as a current accrued liability for the year ended September 30, 2018, was \$16,268. The amount accrued in the governmental activities as a noncurrent liability was \$164,716. The amount of accrued annual leave in the business-type activities was \$66,541. Currently, employees will lose unused vacation time in excess of 320 hours as of October 1 of each fiscal year.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

| | Balance October 1, 2017 | New Debt Issued | Retirement of Debt | Balance Sept. 30, 2018 | Due Within One Year | Long-term Portion |
|--------------------------|-------------------------------|--------------------|-----------------------|------------------------------|------------------------|----------------------|
| Governmental Activities | | | | | | |
| General Fund | | | | | | |
| Advances from other fund | \$ 481,854 | \$ - | \$ 2,650 | \$ 479,204 | \$ 44,625 | \$ 434,579 |
| Note payable - bank | 284,496 | - | 67,678 | 216,818 | 69,925 | 146,893 |
| FDEO repay. agreement | 227,459 | - | 64,988 | 162,470 | 64,988 | 97,482 |
| Net pension liability | 2,250,563 | - | 296,363 | 1,954,200 | - | 1,954,200 |
| Compensated absences | 192,773 | - | 28,057 | 164,716 | - | 164,716 |
| OPEB liability | 829,899 | - | 16,439 | 813,459 | - | 813,459 |
| Business-type Activities | | | | | | |
| Electric Fund | | | | | | |
| Note payable - bank | 314,222 | - | 157,111 | 157,111 | 157,111 | - |
| Net pension liability | 75,314 | 21,772 | - | 97,086 | - | 97,086 |
| OPEB Liability | 174,677 | - | 3,460 | 171,217 | - | 171,217 |
| Water and Sewer Fund | | | | | | |
| Revenue bonds payable | 12,800,000 | - | 236,000 | 12,564,000 | 247,000 | 12,317,000 |
| Note payable - bank | 119,810 | - | 119,810 | - | -0 | - |
| Notes payable - FDEP SR | 758,104 | 640,548 | 51,349 | 1,347,303 | 73,429 | 1,273,874 |
| Net pension liability | 25,773 | 8,907 | - | 34,680 | - | 34,680 |
| OPEB liability | 174,427 | - | 3,455 | 170,972 | - | 170,972 |
| Solid Waste Fund | | | | | | |
| OPEB Liability | 73,139 | - | 1,449 | 71,690 | - | 71,690 |
| Net pension liability | 15,971 | 4,948 | - | 20,919 | - | 20,919 |
| | <u>\$ 18,798,541</u> | <u>\$ 676,195</u> | <u>\$ 1 048 800</u> | <u>\$ 18,425,845</u> | <u>\$ 657,078</u> | <u>\$ 17,768,587</u> |

Summary of Long-Term Debt

Long-Term debt at September 30, 2018, is comprised of the following:

Government Activities

Advances from Other Funds

Advance payable by the General Fund to the Water and Sewer Fund. Payments were Suspended for the fiscal years 2016, 2017, and 2018, due in three remaining equal Annual installments of \$29,700 and a final payment of \$31,948 in 2022. \$ 121,048

Advance payable by the General Fund to the Water and Sewer Fund, payments were Suspended for fiscal years 2016 and 2017. In 2018 \$2,650 in payments were made. Payments are due in monthly installments equal to the principal collections on the General Fund's note receivable in connection with the industry development project at the City's Commerce Park. \$ 358,156

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Governmental Activities (continued)

Note Payable - Bank

Note payable to a bank, dated December 30, 2015, payable in five annual annual payments of \$77,124, including interest at 3.32%, due January 1 of each year, with the first payment due on January 1, 2017. The final maturity date of the loan is January 1, 2021. Proceeds from the loan were used to purchase vehicles for the police and animal control departments and equipment for the recreation department.

216,818

Florida Department of Economic Opportunity (FDEO)
Repayment Agreement

CDBG grant funds received by the City under the Florida Small Cities Community Development Block Grant program to be repaid to the FDEO due to employment goals which were not met in connection with the City's development of the Park of Commerce. Payable in quarterly installments of \$16,247, beginning June 30, 2016, for five years, with no interest.

162,470

Compensated Absences

As of September 30, 2018, other long-term liabilities consisted of the noncurrent portion of the compensated absences liability of the General Fund.

164,716

Business-type Activities

Electric Fund

Note Payable - Bank

Note payable to a bank, dated August 26, 2009, payable in nine annual level level payments of principal of \$157,111 due October 1 of each year with the first payment due on October 1, 2010. Interest payments shall be paid monthly with the first interest payment due on October 1, 2009 and on the first day of each month thereafter until principal amount of such loan is paid in full. The final maturity date of the loan is October 1, 2018.

(continued on next page)

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Business-type Activities (continued)

Electric Fund (continued)

Note Payable - Bank (continued)

The interest rate on this loan is at a fixed rate of 4.5% over the life of the loan provided that said interest on the note will be tax-exempt to the holder and is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. If for any reason this loan should become a taxable obligation during its term or it should be determined to not be a "qualified tax-exempt obligation" within the meaning of Section 265 (b)(3) of the Internal Revenue Code of 1986, then the rate will adjust to its fully taxable equivalent rate of 6.59%.

This loan is secured by a pledge of the Net Revenues of the City of Clewiston Electric System on a senior lien basis.

157,111

Water and Sewer Fund

Water and Sewer Revenue Bonds - Series 2007A

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046.

6,979,000

Water and Sewer Revenue Bonds - Series 2007B

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046.

5,585,000

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Business-type Activities (continued)

Water and Sewer Fund (continued)

Note Payable – Florida DEP – State Revolving Fund

Note payable to the Florida Department of Environmental Protection - State Revolving Fund with the beginning of the repayment period to be first principal payment due on January 15, 2019. The payments are principal only and are made semiannually in the amount of \$10,676. There are 60 payments. The final maturity date of the loan is July 15, 2048. Proceeds from the loan were used to update the Master Lift Station of the City Sewer System

640,548

Notes Payable - Florida Department of Environmental Protection - State Revolving Fund

Notes payable to Florida Department of Environmental Protection - State Revolving Fund with the beginning of the repayment period to be October 15, 2010. The two notes are payable in forty semi-annual payments in a combined amount of \$30,940, including interest at the rate of 1.42%, beginning April 15, 2011. The maturity date of the loans is October 15, 2030. Loans are secured by net revenues of water and sewer systems. Proceeds from the loans were used to construct improvements to the sewer system.

706,755

Annual Requirements to Amortize Debt Principal and Interest of Governmental Activities

The annual requirements to amortize the debt outstanding of the governmental-type activities as of September 30, 2018, are as follows:

| Year Ending Sept. 30, | Advances Payable - Water & Sewer Fund | | | Note Payable - Bank | | |
|--------------------------|---------------------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| | Interest | Principal | Total | Interest | Principal | Total |
| 2019 | \$ - | \$ 44,626 | \$ 44,626 | \$ 7,199 | \$ 69,925 | \$ 77,124 |
| 2020 | - | 45,235 | 45,235 | 4,877 | 72,247 | 77,124 |
| 2021 | - | 45,868 | 45,868 | 2,478 | 74,646 | 77,124 |
| 2022 | - | 48,775 | 48,775 | - | - | - |
| 2023 | - | 17,512 | 17,512 | - | - | - |
| 2024-2028 | - | 95,237 | 95,237 | - | - | - |
| 2029-2033 | - | 119,907 | 119,907 | - | - | - |
| 2034 | - | 62,044 | 62,044 | - | - | - |
| | <u>\$ -</u> | <u>\$ 479,204</u> | <u>\$ 479,204</u> | <u>\$ 14,554</u> | <u>\$ 216,818</u> | <u>\$ 231,372</u> |

CITY OF CLEWISTON, FLORIDA

Notes to Financial Statements

September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Governmental Activities (continued)

| Year Ending Sept. 30, | FDEO Repayment Agreement | | | Total | | |
|--------------------------|--------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | Interest | Principal | Total | Interest | Principal | Total |
| 2019 | \$ - | \$ 64,988 | \$ 64,988 | \$ 7,199 | \$ 179,539 | \$ 186,738 |
| 2020 | - | 64,988 | 64,988 | 4,877 | 182,470 | 187,347 |
| 2021 | - | 32,495 | 32,495 | 2,478 | 153,009 | 155,487 |
| 2022 | - | - | - | - | 48,775 | 48,755 |
| 2023 | - | - | - | - | 17,512 | 17,512 |
| 2024-2028 | - | - | - | - | 95,237 | 95,237 |
| 2029-2033 | - | - | - | - | 119,907 | 119,907 |
| 2034 | - | - | - | - | 62,044 | 62,044 |
| | <u>\$ -</u> | <u>\$ 162,471</u> | <u>\$ 162,472</u> | <u>\$ 14,554</u> | <u>\$ 858,493</u> | <u>\$ 873,047</u> |

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities

The annual requirements to amortize the debt outstanding of the business-type activities as of September 30, 2018, including interest payments of \$8,248 on the Electric Fund's note payable and interest payments of \$9,474,520 on the Water & Sewer Fund's revenue bonds and notes payable are as follows:

| Year Ending Sept. 30, | Electric Fund - Note Payable - Bank | | | Water & Sewer Fund - Revenue Bonds Payable | | |
|--------------------------|-------------------------------------|-------------------|-------------------|--|----------------------|----------------------|
| | Interest | Principal | Total | Interest | Principal | Total |
| 2019 | \$ 589 | \$ 157,111 | \$ 157,700 | \$ 518,265 | \$ 247,000 | \$ 765,265 |
| 2020 | - | - | - | 508,076 | 256,000 | 764,076 |
| 2021 | - | - | - | 497,516 | 267,000 | 764,516 |
| 2022 | - | - | - | 486,503 | 278,000 | 764,503 |
| 2023 | - | - | - | 475,035 | 290,000 | 765,035 |
| 2024-2028 | - | - | - | 2,185,837 | 1,637,000 | 3,822,837 |
| 2029-2033 | - | - | - | 1,819,166 | 2,003,000 | 3,822,166 |
| 2034-2038 | - | - | - | 1,370,408 | 2,453,000 | 3,823,408 |
| 2039-2043 | - | - | - | 820,875 | 3,004,000 | 3,824,875 |
| 2044-2046 | - | - | - | 178,571 | 2,129,000 | 2,307,571 |
| | <u>\$ 589</u> | <u>\$ 157,111</u> | <u>\$ 157,700</u> | <u>\$ 8,860,253</u> | <u>\$ 12,564,000</u> | <u>\$ 21,424,253</u> |

| Year Ending Sept. 30, | Water & Sewer Fund – Note Pay SRF New | | | Water & Sewer Fund - Notes Payable - FL DEP SRF | | |
|--------------------------|---------------------------------------|-------------------|-------------------|---|-------------------|-------------------|
| | Interest | Principal | Total | Interest | Principal | Total |
| 2019 | \$ - | \$ 21,352 | \$ 21,352 | \$ 9,802 | \$ 52,077 | \$ 61,879 |
| 2020 | - | 21,352 | 21,352 | 9,064 | 52,815 | 61,879 |
| 2021 | - | 21,352 | 21,352 | 8,315 | 53,564 | 61,879 |
| 2022 | - | 21,352 | 21,352 | 7,556 | 54,323 | 61,879 |
| 2023 | - | 21,352 | 21,352 | 6,785 | 55,093 | 61,879 |
| 2024-2028 | - | 106,760 | 106,760 | 21,987 | 287,410 | 309,397 |
| 2029-2033 | - | 106,760 | 106,760 | 3,225 | 161,773 | 164,999 |
| 2034-2038 | - | 106,760 | 106,760 | - | - | - |
| 2039-2043 | - | 106,760 | 106,760 | - | - | - |
| 2044-2046 | - | 106,760 | 106,760 | - | - | - |
| | <u>\$ -</u> | <u>\$ 640,560</u> | <u>\$ 640,560</u> | <u>\$ 66,734</u> | <u>\$ 717,055</u> | <u>\$ 783,789</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities (continued)

| Year Ending Sept. 30, | Interest | Total Long-term Debt Principal | Total |
|--------------------------|---------------------|-----------------------------------|----------------------|
| 2018 | \$ 528,656 | \$ 477,540 | \$ 1,006,196 |
| 2019 | 517,140 | 330,167 | 847,307 |
| 2020 | 505,831 | 341,916 | 847,747 |
| 2021 | 494,059 | 353,675 | 847,734 |
| 2022 | 481,820 | 366,445 | 848,265 |
| 2023-2027 | 2,207,824 | 2,031,170 | 4,238,994 |
| 2028-2032 | 1,822,391 | 2,271,533 | 4,093,924 |
| 2033-2037 | 1,370,408 | 2,559,760 | 3,930,168 |
| 2038-2042 | 820,875 | 3,110,760 | 3,931,635 |
| 2043-2046 | 178,571 | 2,235,760 | 2,414,331 |
| | <u>\$ 8,927,575</u> | <u>14,047,137</u> | <u>\$ 23,006,301</u> |

Water and Sewer Revenue Bond Covenants

The Resolution authorizing the issuance of the Water and Sewer Revenue Bonds requires the City to establish and maintain the following funds and establish adequate utility rates:

1. **Revenue Fund** - to receive all of the gross revenues derived from the operations of the Water and Sewer System. The Fund shall be used to pay the operation and maintenance expenses of the System and make the required monthly transfers to the other specified funds.
2. **Water and Sewer Refunding Revenue Bonds, Sinking Fund** - sums funded monthly sufficient to pay the interest and principal due each September 1.
3. **Reserve Account to the Sinking Fund** - sums funded monthly equal to 1/120 of the maximum annual bond service requirements until the reserve equals or exceeds the maximum annual bond service requirement. The reserve account to the sinking fund was completely funded as of September 30, 2018.
4. **Short Lived Asset Reserve Fund** - to receive a monthly transfer of one-twelfth of the specified amount of \$42,333 until the Short Lived Asset Reserve Fund reaches \$635,000. The funds are to be used for (1) emergency maintenance (2) extensions to the system or, (3) replacement of short lived assets which have a useful life less than the repayment period of the bonds. The short lived asset reserve fund was completely funded as of September 30, 2018.
5. **Redemption Account Fund** - the balance of the gross revenues after payment of operating expenses and required transfers can be deposited into the Redemption Account or the excess funds can be used for any lawful purpose. The funds in the Redemption Account should be used for redeeming bonds for retirement at a price not to exceed par and accrued interest.
6. **Utility Rate Covenant** - The City shall establish utility rates sufficient to produce revenues which are equal to or greater than the operating expenses of the water and sewer systems, less depreciation, plus all bond sinking and reserve requirements.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Pledged Revenues

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2018. The following table reports the revenues pledged for each debt issue; the amounts of such revenues received in the current year; the current year principal and interest paid on the debt; the approximate percentage of each revenue pledged to meet the debt obligation; the maturity date of each debt agreement; and the total pledged for future revenues for each debt issuance, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2018.

| <u>Description of Issue</u> | <u>Pledged Revenue</u> | <u>Revenue Received</u> | <u>Principal and Interest Paid</u> | <u>Estimated Percentage of Revenues Pledged</u> | <u>Outstanding Principal and Interest</u> | <u>Pledged Through</u> |
|--|---|-----------------------------|--|---|---|----------------------------|
| <u>Business-type Activities</u> | | | | | | |
| Note payable - Bank | Net operating revenues of the electric system | \$ 10,969,656 | \$ 164,770 | 1.5% | \$ 157,700 | 2019 |
| Water and Sewer Revenue Bonds - Series 2007A and 2007B | Net operating revenues of the water and sewer systems | \$ 3,673,655 | \$ 764,000 | 20.7% | \$ 21,424,253 | 2046 |
| Notes payable - FDEP - State Revolving Fund | Net operating revenues of the water and sewer systems | \$ 3,673,655 | \$ 61,879 | 1.73% | \$ 783,789 | 2030 |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 10 - NET POSITION AND FUND BALANCES

Restrictions of net position and classifications of fund balances of the City are created to either (1) satisfy legal covenants that require that a portion of the net position/fund balance be segregated, or (2) identify the portion of net position/fund balance that is not appropriable for future expenditures. Specific restrictions of net position and classifications of fund balances are as follows:

Restricted for Community Redevelopment

This restriction was created to segregate a portion of net position for monies designated for future community redevelopment within the Community Redevelopment Agency.

Restricted for Construction and Debt Retirement

This restriction was created to segregate that portion of net position for monies which have been designated for future construction or debt retirement. During the year ended September 30, 1992, the City established an Electric Capital Improvement Fund to, (1) replace equipment damaged by a hurricane or other disaster, (2) maintain rate stabilization or, (3) provide capital improvements to the system, as well as make payments on debt associated with capital improvements to the system. Within the Water and Sewer Fund, all impact fees which have been collected are designated for future construction.

Restricted for Working Capital - FMFA

This restriction was created to segregate a portion of net position for working capital funds which have been sent to FMFA and will be returned to the City at a future undetermined date.

Nonspendable Fund Balance

This classification of fund balance represents the portion of the fund balance that is not available for current expenditures because it is in the form of inventory, a note receivable, and prepaid expense.

Restricted Fund Balance

This portion of the fund balance has been restricted for future community development within the Community Redevelopment Agency.

Held in Trust for Pension Benefits

This restriction of net position was created to designate the use of all resources contributed to or earned by the Pension Trust Fund for pension benefits to employees and their designated beneficiaries.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 11 - SEGMENT INFORMATION

The Following is a list of key segment information for the business-type activities as of and for the year ended September 30, 2018

| | Electric Fund | Water/Sewer Fund | Solid Waste Fund | Total |
|--|------------------|---------------------|---------------------|----------------|
| Assets and deferred outflows of resource | | | | |
| Current assets | \$5,550,749 | \$ 4,249,164 | \$ 688,176 | \$ 10,488,089 |
| Capital assets | 4,715,993 | 25,341,398 | 518,780 | 30,576,171 |
| Other assets | 1,546,012 | 3,350,731 | - | 4,896,743 |
| Deferred outflows of resources | 185,118 | 75,729 | 42,072 | 302,919 |
| Liabilities and deferred inflows of resources | | | | |
| Current liabilities | 1,899,422 | 1,824,814 | 114,142 | 3,838,378 |
| Long-term liabilities | 268,303 | 13,797,188 | 92,609 | 14,158,100 |
| Deferred inflows of resources | 292,741 | 119,757 | 66,532 | 479,030 |
| Net position | | | | |
| Invested in capital assets, net of related debt | 4,558,882 | 11,251,831 | 518,780 | 16,329,493 |
| Restricted | 769,559 | 3,303,850 | - | 4,073,408 |
| Unrestricted | 4,195,943 | 2,706,575 | 451,510 | 7,354,028 |
| Charges for services | 11,017,043 | 3,673,655 | 1,356,511 | 16,047,209 |
| Operating expenses | 9,954,521 | 3,195,193 | 1,330,236 | 14,479,950 |
| Operating income | 1,062,522 | 478,462 | 26,275 | 1,567,259 |
| Non-operating revenues (expenses) | 67,570 | (431,730) | 2,377 | (361,783) |
| Capital contributions | - | 467,511 | - | 467,511 |
| Operating transfers-out | (911,986) | (289,428) | (104,808) | (1,306,222) |
| Changes in net position | 218,106 | 224,815 | (76,156) | 366,765 |
| Beginning net position | 9,306,278 | 17,037,441 | 1,046,446 | 27,390,165 |
| Ending net position | 9,524,384 | 17,262,256 | 970,290 | 27,756,930 |
| Net cash provided by (used for): | | | | |
| Operating activities | 1,189,440 | 1,331,988 | 109,612 | 2,631,040 |
| Noncapital financing activities | (607,749) | (342,346) | (102,905) | (1,052,999) |
| Capital and related financing activities | (50,898) | (1,026,798) | (226,708) | (1,304,404) |
| Investing activities | 22,037 | 74,484 | 1,314 | 97,835 |
| Beginning cash and cash equivalents | 1,427,992 | 5,490,152 | 272,493 | 7,190,637 |
| Ending cash and cash equivalents | 1,980,822 | 5,527,480 | 53,807 | 7,562,109 |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 12 - OPERATING GRANTS, CAPITAL GRANTS, AND OTHER CONTRIBUTIONS

The following is a schedule of operating grants, capital grants, and other contributions received by the City during the fiscal year ended September 30, 2018.

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Federal Awards Programs | | | |
| State Financial Assistance | \$ 1,297,502 | \$ 373,220 | \$ 1,670,722 |
| Contributions from Hendry County | 171,354 | | 171,354 |
| Contributions from citizens customers, and developers | | 94,291 | 94,291 |
| Insurance Proceeds | 150,620 | | 150,620 |
| Contributions from private foundations | 16,800 | | 16,800 |
| | <u>\$ 1,636,276</u> | <u>\$ 467,511</u> | <u>\$ 2,103,787</u> |

See pages 100-105 for more information concerning federal awards programs and state financial assistance. The contributions from Hendry County were used for culture and recreational activities. Current year contributions to the governmental activities from citizens were through a recreational voluntary contribution program, other recreational contributions, and contributions to the public library. Current year contributions to the business-type activities from customers and developers consisted of impact fees paid as required by a City ordinance. The impact fees are reserved for current and future construction. Contributions from private foundations were for cultural and recreational programs.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS

General Information

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (FRS) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy Program (HIS Program). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

Membership in the Florida Retirement System is compulsory for all of the City's certified police officers hired after February 1, 2004. All certified police officers hired prior to February 1, 2004, were allowed to elect to participate in the Florida Retirement System or remain in the existing City pension plan.

The FRS has five classes of membership. The City's certified law enforcement officers belong to one of the five classes, the Special Risk Class.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services from the Web site: www.dms.myflorida.com

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and HIS Program and additions to/deductions from the Pension Plan and HIS Program fiduciary net position have been determined on the same basis as they are reported by the Pension Plan and HIS Program. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Pension Plan (continued)

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Special Risk Class (sworn law enforcement officers, firefighters, and correctional officers) enrolled prior to July 1, 2011, who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3% of their final average compensation based on the five highest years of salary for each year of credited service.

For Special Risk Class members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and the normal retirement age is increased to age 65, or 30 years of service, regardless of age. Also, the final average compensation for Special Risk Class members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 % determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates for Special Risk Class for the periods from October 1, 2017, through June 30, 2018, and from July 1, 2018, through September 30, 2018, were 23.27% and 24.50%, respectively, and DROP participants – 13.26% and 14.03%, respectively. These employer contribution rates include 1.66% HIS Program subsidy for the period October 1, 2017, through September 30, 2018.

The City's contributions, including employee contributions, to the Pension Plan totaled \$182,728 for the fiscal year ended September 30, 2018.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS Pension Plan

At September 30, 2018, the City reported a liability of \$1,445,720 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .004832982%, which was a decrease of .001183114% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$195,189 related to the FRS Pension Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan from the following sources:

| <u>Description</u> | <u>Deferred Outflows of</u> | <u>Deferred Inflows of Resources</u> |
|---|-------------------------------------|--|
| Differences between expected and actual experience | \$123,321 | \$ 4,457 |
| Change of assumptions | 475,658 | - |
| Net difference between projected and actual earnings on Pension Plan investments | - | 112,472 |
| Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions | 38,418 | 245,027 |
| City Pension Plan contributions subsequent to the measurement date | <u>36,909</u> | <u>-</u> |
| Total | <u><u>\$674,306</u></u> | <u><u>\$361,956</u></u> |

The deferred outflows of resources related to the FRS Pension Plan, totaling \$36,909 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Amount</u> |
|---|--------------------------|
| 2019 | \$ 186,759 |
| 2020 | 127,455 |
| 2021 | 17,771 |
| 2022 | 84,868 |
| 2023 | 56,745 |
| Thereafter | <u>8,429</u> |
| | <u><u>\$ 482,301</u></u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Valuation date | July 1, 2018 |
| Measurement date | June 30, 2018 |
| Inflation | 2.60% |
| Salary increase | 3.25%, average, including inflation |
| Investment rate of return | 7.0 %, net of Pension Plan investment expense, including inflation |
| Mortality | Generational RP-2000 with Projection Scale BB Tables |
| Actuarial cost method | Individual Entry Age |

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on FRS Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>(1) Target Allocation</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|--------------------------|--------------------------------------|---|---|-------------------------------|
| Cash | 1.0% | 3.0% | 3.0% | 1.8% |
| Fixed Income | 18.0% | 4.4% | 4.3% | 4.0% |
| Global Equity | 54.0% | 7.6% | 6.3% | 17.0% |
| Real Estate (Property) | 11.0% | 6.6% | 6.0% | 11.3% |
| Private Equity | 10.0% | 10.7% | 7.8% | 26.5% |
| Strategic Investments | 6.0% | 6.0% | 5.7% | 8.6% |
| Total | <u>100.0%</u> | | | |
| Assumed Inflation - Mean | | 2.6% | | 1.9% |

(1) As outlined in the Pension Plan's investment policy

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the FRS Pension Plan Net Position Liability to Changes in the Discount Rate

The following table represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.00%) than the current rate.

| | 1% Decrease (6.0%) | Current Discount Rate (7.0%) | 1% Increase (8.0%) |
|---|-----------------------|------------------------------------|-----------------------|
| City's proportionate share of the net pension liability | \$2,656,749 | \$1,455,719 | \$458,193 |

Pension Plan Fiduciary Net Position

Detailed information regarding the FRS Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2018, the City reported a payable in the amount of \$12,336 for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2018.

Retiree Health Insurance Subsidy Program

Program Description

The HIS Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Retiree Health Insurance Subsidy Program (continued)

Benefits Provided

For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contributions for the period October 1, 2017, through September 30, 2018, was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Program totaled \$12,156 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS HIS Program

At September 30, 2018, the City reported a liability of \$241,309 for its proportionate share of the HIS Program's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .002279917%, which was a decrease of .0003126% from its proportionate share measured as of June 30, 2017.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Retiree Health Insurance Subsidy Program (continued)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$8,052 related to the HIS Program. In addition the City reported deferred outflows of resources and deferred inflows of resources related to the HIS Program from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 3,694 | \$ 410 |
| Change of assumptions | 26,837 | 25,513 |
| Net difference between projected and actual earnings on HIS Program investments | 146 | - |
| Changes in proportion and differences between City HIS Program contributions and proportionate share of contributions | - | 48,798 |
| City HIS Program contributions subsequent to the measurement date | <u>3,383</u> | <u>-</u> |
| Total | <u>\$ 34,060</u> | <u>\$ 74,721</u> |

The deferred outflows of resources related to the HIS Program, totaling \$3,383 resulting from City contributions to the HIS Program subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Program will be recognized in pension expense as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Amount</u> |
|---|-----------------|
| 2019 | \$ 3,320 |
| 2020 | 3,308 |
| 2021 | 2,317 |
| 2022 | 520.45 |
| 2023 | (3,230) |
| Thereafter | <u>(1,481)</u> |
| | <u>\$ 4,753</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Retiree Health Insurance Subsidy Program (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Valuation date | July 1, 2018 |
| Measurement date | June 30, 2018 |
| Inflation | 2.60% |
| Salary increase | 3.25%, average, including inflation |
| Municipal Bond Rate | 3.87% |
| Investment rate of return | N/A |
| Mortality | Generational RP-2000 with Projection Scale BB Tables |
| Actuarial cost method | Individual Entry Age |

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the HIS Program Net Position Liability to Changes in the Discount Rate

The following table represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate.

| | 1% Decrease <u>(2.87%)</u> | Current Discount Rate <u>(3.87%)</u> | 1% Increase <u>(4.87%)</u> |
|--|-------------------------------|--|-------------------------------|
| City's proportionate share of the net pension liability | \$274,836 | \$241,309 | \$213,362 |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)

Retiree Health Insurance Subsidy Program (continued)

HIS Program Fiduciary Net Position

Detailed information regarding the HIS Program's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Program

At September 30, 2018, the City reported a payable in the amount of \$860 for outstanding contributions to the HIS Program required for the fiscal year ended September 30, 2018.

NOTE 15 - FROZEN DEFINED BENEFIT RETIREMENT PLAN

General Information

The City sponsors a single employer defined benefit pension plan. Securian Retirement Services was appointed by the City as plan administrator and was responsible for all administrative, actuarial, and investment management decisions for the City of Clewiston Pension Plan (Plan) during the fiscal year ended September 30, 2018. Future retirees will have their benefits paid directly from the plan assets instead of through purchased annuities.

The City elected to freeze the benefits, except for cost of living increases, under the defined benefit plan effective October 1, 2012. No new members will be added to the plan after September 30, 2012.

The Plan does not issue a separate stand-alone financial report. The financial information is included as a Pension Trust Fund in the City's financial statements on pages 26 and 27. Also, a breakdown of the Plan's investments as of September 30, 2018, is included in Note 2 on page 42.

The actuarial cost method determines what portion of the total cost of a pension plan should be allocated to the current plan year. The method is thus a budgeting tool which helps to ensure that the pension plan will be adequately and systematically funded.

For plan years beginning October 1, prior to plan year October 1, 2012, the aggregate actuarial cost method was used to actuarially determine the contributions to the plan.

For the plan years beginning October 1, 2012, and October 1, 2013, the projected unit credit actuarial cost method was used to actuarially determine the contributions to the plan.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

General Information (continued)

For the plan years beginning October 1, 2014 to present, the individual entry age normal cost method was used, as required by GASB 67/68, which spreads the cost of the benefits from hire to expected decrement age. Under the individual entry age normal cost method, the normal cost is the level amount which would exactly fund, for any individual, his projected benefit at retirement, if it were contributed from date of eligibility until retirement. Since benefit accruals are frozen, the normal cost is zero and the accrued liability is equal to the present value of accrued benefits. The unfunded accrued liability is that portion of the accrued liability in excess of plan assets. When the actual experience deviates from the actuarial assumptions, gains or losses are produced. These amounts, along with the unfunded accrued liability, are amortized separately from the annual normal costs. Florida Statutes require that the contribution be no less than the unfunded accrued liability amortized over 30 years. The effect of cost-of-living increases in the IRC Section 415 dollar limitation on benefits and in the IRC Section 401(a)(17) limitation on compensation is treated as part of the actuarial gain (loss).

The actuarial value of assets equals the fair market value as of the valuation date (including any discounted receivable contributions), plus 2/3 of the actual earnings minus expected earnings for the preceding 12 months (plan year), plus 1/3 of the actual earnings minus expected earnings for the 12 months (plan year) preceding that date, as described in the Internal Revenue Notice 2009-22. The actuarial value of assets is adjusted to be within 90-110% of the fair market value on the valuation date.

Benefits, Employee Membership Data, and Covered Payroll

The plan covers all full-time regular employees, except firefighters, police officers, and City Commissioners, who have met the service requirement of one year. The normal retirement benefit is determined as an amount equal to 1.8% of average compensation times years of service. Average compensation is the monthly average of total pay received for five consecutive years out of the ten latest years before retirement date which gives the highest average. The average compensation used for the September 30, 2012, frozen benefit includes the compensation year ending December 31, 2012. The normal retirement date of a participant occurs when he/she has attained age 65 and five years of plan participation. Participants of the plan become fully vested after five years of service. Early retirement benefits are available after an employee has attained age 55 and ten years of service. Benefits available based on early retirement are reduced to reflect the time difference between the early retirement date and the normal retirement date. Employees in the active employment of the City may retire with an unreduced retirement benefit after the attainment of age 62 and completion of ten years of service. Disability and Spouses' Annuity Death Plan benefits are also available under the plan. The pension plan was established in 1968 by resolution of the City Commission. All contributions to the plan are made by the City.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

Benefits, Employee Membership Data, and Covered Payroll (continued)

As of October 1, 2018, (the date of the latest available valuation report) employee membership data used in the calculation of the pension obligation was as follows:

| | |
|--|------------|
| Active members | 40 |
| Retirees and beneficiaries currently receiving benefits | 59 |
| Terminated employees entitled to benefits but not yet receiving them | <u>68</u> |
| Total participants included in the Plan valuation | <u>167</u> |

For the fiscal year ended September 30, 2018, the City's total payroll for all employees was approximately \$4,500,000 and the City's total covered payroll was zero because the plan was frozen as of October 1, 2012. Covered payroll refers to all compensation paid by the City to active employees covered by the pension plan on which contributions to the pension plan are based.

Contributions

The annual required contribution of the City for the year ended September 30, 2018, using the Projected Unit Credit actuarial cost method, was \$81,053. This amount included the normal cost of the plan at the beginning of the year in the amount of \$8,837, amortization amounts of \$66,912, and interest of \$5,303.

The City's actual contribution for the fiscal year ended September 30, 2018, was \$81,053.

The recommended contribution for the plan year beginning October 1, 2018, is \$79,681. Since the plan accruals are frozen, the unit credit funding method was used. If the sum total of amortizations of method changes, assumption changes, plan changes and gains and losses is less than the total unfunded liability amortized over 30 years, then the minimum will be based on the 30 year amortization of the unfunded liability.

The pension plan experienced a decrease in the contribution level from the prior year. Asset return in excess of the assumed 7.00% contributed to the decrease in recommended contribution.

Investments

Investments of the Plan are reported at fair value (see page 42). Net appreciation in fair value of investments include realized and unrealized gains and losses.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined on a monthly basis.

Long-term Expected Rate of Return

Historical rates of return for individual asset classes and future estimated returns, reduced by expected expenses adjustments and adjusted for inflation are used to develop expected rates of return. The expected inflation assumption was developed based on an analysis of historical CPI experience adjusted for future expectations. These rates of return are applied to the Plan's investment policy to determine a rate of expected return. The long-term expected return is then rounded to the nearest quarter percentage point.

| <u>Asset Class</u> | <u>Allocation Policy</u> | <u>Long-term Expected Real Rate of Return</u> | <u>Long-term Expected Nominal Rate of Return</u> |
|--|--------------------------|---|--|
| Domestic Equity | 58% | 5.50% | 8.25% |
| International Equity | 12% | 3.00% | 5.75% |
| Fixed Income | 30% | 2.00% | 4.75% |
| Real Estate and Alternatives | 0% | 6.25% | 9.00% |
| General Account | <u>0%</u> | 1.50% | 4.25% |
| Total (weighted average rounded to 1/4%) | <u>100%</u> | 4.25% | 7.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan contributions will be made equal to the actuarially determined contribution amounts. Based on that assumption, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CLEWISTON, FLORIDA

Notes to Financial Statements

September 30, 2018

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)Net Pension Liability

The components of the net pension liability related to the frozen defined benefit plan of the City as of September 30, 2018, were as follows:

| Description | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
|--|-------------------------|------------------------|-----------------------|
| Balance - September 30, 2017 | \$ 12,147,991 | \$11,837,100 | \$ 310,891 |
| Changes due to: | | | |
| Interest | 831,801 | | 831,801 |
| Differences between expected and actual experience | 514,628 | | 514,628 |
| Change in actuarial assumptions | - | | - |
| Benefit payments and refunds | (530,225) | (530,225) | - |
| Employer contributions | | 81,053 | (81,053) |
| Net investment income | | 1,175,403 | (1,175,403) |
| Administrative expenses | | (8,994) | 8,994 |
| Total Changes | 816,204 | 717,237 | 98,967 |
| Balance - September 30, 2018 | <u>\$ 12,964,195</u> | <u>\$12,554,337</u> | <u>\$ 409,858</u> |

The Plan fiduciary net position was 96.8% of the total pension liability as of September 30, 2018.

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

The following represents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|------------------------------|------------------------|-------------------------------------|------------------------|
| City's net pension liability | \$2,151,444 | \$409,858 | \$(1,015,984) |

At September 30, 2018, the City reported a net pension liability of \$409,858 for the Frozen Defined Benefit Retirement Plan. The liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

For the fiscal year ended September 30, 2018, the City recognized negative pension expense related to the frozen defined benefit plan of \$88,534. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources.

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual liability | \$ 514,628 | \$ 190,246 |
| Changes in assumptions | 31,340 | - |
| Differences between expected and actual earnings on pension plan investments | <u>295,475</u> | <u>1,140,396</u> |
| Total | <u>\$ 841,443</u> | <u>\$ 1,330,642</u> |

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expenses as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Amount</u> |
|---|---------------------|
| 2018 | \$ (42,630) |
| 2019 | 116,275 |
| 2020 | (288,777) |
| 2021 | (201,497) |
| 2022 | (72,570) |
| Thereafter | <u>-</u> |
| | <u>\$ (489,199)</u> |

See page 85 which shows a schedule of changes in net pension liability and related ratios for the Plan, page 86 which shows a schedule of employer contributions to the Plan, and page 87 which shows a schedule of Plan investment returns for the City's frozen defined benefit retirement plan.

The actuarial valuation report is available at the administrative offices of the City.

NOTE 15 - DEFINED BENEFIT PENSION PLANS SUMMARY DATA

The table on the following page provides a summary of significant information related to the City's defined benefit pension plans for the fiscal year ended September 30, 2018. The information for the Florida Retirement System Pension Plan and the Florida Retirement System Retiree Health Insurance Subsidy Program are the City's proportionate share of the listed items.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS SUMMARY DATA (continued)

| Description | Florida Retirement System Pension Plan | Florida Retirement HIS Program | Frozen Defined Benefit Retirement Plan | Total |
|--------------------------------|---|---|--|--------------|
| Total pension liability | \$9,246,335 | \$246,609 | \$12,964,195 | \$22,457,139 |
| Plan fiduciary net position | 7,790,616 | 5,300 | 12,554,337 | 20,350,253 |
| Net pension liability | 1,455,719 | 241,309 | 409,858 | 2,106,886 |
| Deferred outflows of resources | 674,306 | 34,060 | 841,443 | 1,549,809 |
| Deferred inflows of resources | 361,956 | 74,721 | 1,330,642 | 1,767,319 |
| Pension expense | 195,189 | 8,052 | (101,834) | 101,407 |

NOTE 16 - CURRENT DEFINED CONTRIBUTION PLAN FOR EMPLOYEES OTHER THAN CERTIFIED POLICE OFFICERS

Effective October 1, 2012, the City adopted a Supplemental Retirement Income Plan, a defined contribution plan, for all full-time regular employees other than firefighters, police officers, and City Commissioners. The plan is administered by the City of Clewiston in accordance with Internal Revenue Code Section 401(a). The City Commission has the authority to establish and amend benefit provisions.

The City contributes 6% of each employee's qualified salary (excluding fire fighters, police officers, City Commissioners, and all part-time employees) and all amounts are vested immediately. All contributions to the plan are to be made by the City. The City Commission has the authority to establish and amend contribution requirements. All of the required contributions for the fiscal year ended September 30, 2018, were made by the City which totaled \$163,219.

NOTE 17 - DEFERRED COMPENSATION PLAN

Employees of the City may defer a portion of their compensation under the City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until the funds are distributed to them.

The laws governing deferred compensation plans require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Because the assets held under these plans are not the City's property and are not subject to City Commission control, they have been excluded from these financial statements.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description:

The City of Clewiston's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue health insurance coverage as a participant in the City's plan. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust.

Employees Covered by Benefit Terms:

At September 30, 2018, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive Plan Members, or Beneficiaries Currently Receiving Benefits | 28 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | - |
| Active Plan Members | <u>86</u> |
| | <u>114</u> |

Benefits Provided:

A retired employee and his or her spouse and eligible dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable retirement plan. Upon attainment of age 62 with 10 years of service, the City pays 100% of the retiree's monthly premium for the base medical and dental coverage until age 65. The City also subsidizes life insurance coverage equal to two times salary at retirement, with a 50% reduction in coverage at age 70. The retiree is responsible for paying the entire monthly premium for health coverage of any covered spouse or eligible dependents.

TOTAL OPEB LIABILITY

The measurement date is September 30, 2018.

The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2017 through September 30, 2018.

The Sponsor's Total OPEB Liability was measured as of September 30, 2018.

Note - The Sponsor's Total OPEB Liability for the City's ledger adjustment was measured as of September 30, 2017 using a discount rate of 3.64%. The Total OPEB Liability was "rolled-back" from September 30, 2018 at 3.64%, thus producing no experience gain or loss for the period from October 1, 2017 to September 30, 2018.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions:

| | |
|-------------------------|-------|
| Inflation Rate | 2.50% |
| Salary Increase Rate(s) | 2.50% |
| Discount Rate | 4.18% |
| Initial Trend Rate | 8.00% |
| Ultimate Trend Rate | 4.00% |
| Years to Ultimate | 54 |

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 Florida Retirement System (FRS) valuation report.

Mortality - Active Lives:

For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non- special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue- Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality - Inactive Healthy Lives:

For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Discount Rate:

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

CHANGE IN TOTAL OPEB LIABILITY

| Reporting Period Ending September 30, 2017 | Increases and (Decreases) in Total OPEB Liability |
|--|---|
| Changes for the Year: | |
| Service Cost | \$ 1,252,167 |
| Interest | 75,716 |
| Differences between Expected and Actual | 47,588 |
| Experience Changes of assumptions | - |
| Changes of benefit terms | (106,702) |
| Contributions - Employer | - |
| Benefit Payments | - |
| Other Changes | (41,406) |
| Net Changes | - |
| Reporting Period Ending September 30, 2018 | (24,804) |
| | \$ 1,227,363 |

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2017, to 4.18% for the reporting period ended September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage- point lower or one percentage-point higher than the current discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|------------------------------|--------------|-----------------------------|--------------|
| | 3.18% | 4.18% | 5.18% |
| Total OPEB Liability (Asset) | \$ 1,436,646 | \$ 1,227,363 | \$ 1,062,030 |

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|------------------------------|---------------|--------------------------------|---------------|
| | 3.00% - 7.00% | 4.00% - 8.00% | 5.00% - 9.00% |
| Total OPEB Liability (Asset) | \$ 1,190,057 | \$ 1,227,363 | \$ 1,269,825 |

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2018, the Sponsor will recognize OPEB Expense of \$116,466.

On September 30, 2018, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference Between Expected and Actual Experience | \$ - | \$ - |
| Changes of Assumptions | - | 93,364 |
| Total | - <hr/> | 93,364 <hr/> |

Year ended September 30:

| | | |
|------------|----|----------|
| 2019 | \$ | (13,338) |
| 2020 | \$ | (13,338) |
| 2021 | \$ | (13,338) |
| 2022 | \$ | (13,338) |
| 2023 | \$ | (13,338) |
| Thereafter | \$ | (26,674) |

CITY OF CLEWISTON, FLORIDA

Notes to Financial Statements

September 30, 2018

NOTE 19- COMMITMENTS AND CONTINGENCIES

Florida Municipal Power Agency - Power Sales and Project Support Contracts

The City is a member of the Florida Municipal Power Agency (FMPA) with a membership of thirty-one municipal electric systems. The City is a participant in FMPA's St. Lucie and All-Requirements Projects. The FMPA issued revenue bonds to acquire an ownership interest in the St. Lucie Project and the All-Requirements Project. FMPA has pledged its interest under certain Power Sales Contracts and Project Support Contracts entered into with the participants of the project as security for the bonds. Under the Power Sales Contract, the City has agreed to purchase its entitlement share of the generation capability of the St. Lucie and All-Requirements Projects along with the transmission services for any month electric capacity or energy was made available to the City.

The City's entitlement share totals approximately 2.2% of FMPA's entitlement in the St. Lucie Project and 2.1% of FMPA's entitlement in the All-Requirements Project. In the event payments are not required to be made for any month by the City under its Power Sales Contract because electric capacity and energy were not available, the City would be required to make monthly payments under its Project Support Contract equal to the payment which would have been required under the Power Sales Contract.

Payments under the Power Sales Contract are operating expenses of the electric system, but payments under the Project Support Contracts are not and, therefore, are to be made after payment of operating expenses, debt service and any other payments required to be made under debt instruments.

The City previously entered into a Capacity and Energy Sales Contract with certain other participants. Under this contract, the City agreed to sell the capacity and energy from its respective entitlement share of the project to certain purchasing systems. The purchasing systems agreed to purchase such capacity and energy and to provide back-up capacity and energy. The City remains obligated for payments pursuant to its Power Sales and Project Support Contracts. The City's pro rata share of the Agency's operating deficit for the year ended September 30, 2018, was not material in relation to the City's total electrical system expenditures.

Grants and Assistance

Activities of certain funds of the City are financed in whole or in part by various forms of grants and assistance, principally from Hendry County, the State of Florida, and the federal government. There can be no absolute assurance that such assistance will continue in the future at the present levels. Amounts received from grantor agencies are subject to audit or adjustment by grantor agencies. Also, any amounts disallowed could constitute liabilities of the applicable funds.

During the fiscal year ended September 30, 2015, the City was notified by the State of Florida, Department of Economic Opportunity, that the City had not met the employment goals required by the CDBG grant related to the City's development of the park of commerce. Therefore, grant funds previously paid to the City in the amount of \$324,941 are currently being repaid (see Note 9).

Litigation

The City, in accordance with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

CITY OF CLEWISTON, FLORIDA
Notes to Financial Statements
September 30, 2018

NOTE 20 - RELATED PARTY TRANSACTIONS

During the fiscal year ended September 30, 2018, the General Fund charged the Enterprise Funds \$217,433 and the State Library Fund \$17,990 for administrative services. The Electric Fund charged the General Fund \$3,425 for customer billing and collection services related to the General Fund's mosquito services. The Electric Fund charged the Water and Sewer Fund \$37,458 for customer billing related to water and sewer services and the Solid Waste Fund \$13,786 for customer billing related to garbage services.

NOTE 21 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials' liability, workers' compensation, automobile physical damage, general liability, and automobile liability. The cost of the property and casualty insurance and workers' compensation is accounted for in the governmental activities and business-type activities of the City. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property and liability claims, \$150,000 for workers' compensation, and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance. The City financial reporting entity is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

The City is member of Public Risk Management. Public Risk Management's audited financial statements can be found at:

Public Risk Management of Florida
3434 Hancock Bridge Parkway, Suite 203
North Fort Myers, FL 33903

The City provides hospitalization and medical coverage through commercial insurance carriers.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind. Since the amounts of loss cannot be reasonably estimated and the likelihood is undeterminable, no provision for such occurrences is included in these financial statements.

NOTE 22 - OVER EXPENDITURES

At September 30, 2018, the following items within the governmental funds had expenditures exceeding their budgeted amounts:

| <u>Expenditure Type</u> | <u>Over Expenditures</u> |
|------------------------------|--------------------------|
| General Fund | |
| Current | |
| Transportation | |
| FDOT Beautification Phase II | \$79,096 |
| C-21 Bridge Project | \$35,000 |

These over expenditures were off-set

NOTE 23 - SUBSEQUENT EVENTS - WASTEWATER TREATMENT PLANT PROJECTS

Presently, the capacity of the wastewater treatment plant has reached a point where it must be addressed. The City is in the process of resolving the capacity issue by concentrating on system wide inflow and infiltration repairs within the sewer distribution system. This initiative will provide a less costly resolution and could postpone the necessity of expanding the actual wastewater treatment plant facility should anticipated growth not occur. The inflow and infiltration project is estimated to cost \$3.4 million and will be completed in three phases. The first phase consists of sealing manholes, clean- outs and conducting testing for inflows and outflows within the system at an estimated cost of \$535,000. The City has requested and been approved for funding from the FL DEP SRF Loan Program for phase one of the project and is in the process of working with the FL DEP to complete this process.

Management has evaluated subsequent events through June 25, 2019, the date which the financial statements were available for issue.

NOTE 24 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of applying this state is required to be report as a restatement of beginning net position.

A reconciliation of the prior period ending net position to the current period beginning net position is as follows:

| | Balance 09/30/17, as previously reported | GASB 75 Adjustment | Balance 9/30/17 as restated |
|---------------------------|---|-----------------------|-----------------------------------|
| <u>Primary Government</u> | | | |
| Governmental Activities | \$ 5,555,503 | (\$ 829,899) | \$4,725,604 |
| Business-Type Activities | 27,812,408 | (422,243) | 27,390,165 |
| <u>Major Funds</u> | | | |
| Electric | 9,481,955 | (174,677) | 9,307,078 |
| Water & Sewer | 17,211,868 | (174,427) | 17,194,441 |
| Solid Waste | 1,119,585 | (73,199) | 1,046,396 |

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Governmental Funds
Year Ended September 30, 2018

| | General Fund | | | |
|---|--------------------|--------------------|------------------|--|
| | Original Budget | Amended Budget | Actual | Variance - Favorable (Unfavorable) |
| Revenues | | | | |
| Taxes | 3,208,002 | 3,208,002 | 3,190,024 | 17,978 |
| Licenses and permits | 95,316 | 95,316 | 200,122 | (104,806) |
| Intergovernmental revenue | 2,930,690 | 2,930,690 | 2,369,820 | 560,870 |
| Charges for services | 1,336,471 | 1,336,471 | 1,354,442 | (17,971) |
| Fines and forfeitures | 35,400 | 35,400 | 51,999 | (16,599) |
| Miscellaneous revenues | 114,225 | 114,225 | 321,860 | (207,635) |
| Total revenues | <u>7,720,104</u> | <u>7,720,104</u> | <u>7,488,267</u> | <u>231,837</u> |
| Expenditures | | | | |
| General government | 1,785,167 | 1,785,167 | 1,520,859 | 264,308 |
| Public Safety | 4,193,598 | 4,193,598 | 3,555,528 | 638,070 |
| Transportation | 737,189 | 737,189 | 883,113 | (145,924) |
| Culture and Recreation | 2,109,031 | 2,109,031 | 1,885,692 | 223,339 |
| Physical environment | 337,613 | 337,613 | 237,911 | 99,702 |
| Economic environment | - | - | 6,500 | (6,500) |
| Human services | 128,132 | 128,132 | 94,764 | 33,368 |
| Debt service | | | | |
| Principal Retirement | 207,035 | 207,035 | 135,316 | 71,719 |
| Interest Expense | 10,946 | 10,946 | 9,445 | 1,501 |
| Total Expenditures | <u>9,508,711</u> | <u>9,508,711</u> | <u>8,329,127</u> | <u>1,179,584</u> |
| Excess of revenues under expenditure | <u>(1,788,607)</u> | <u>(1,788,607)</u> | <u>(840,860)</u> | <u>(947,747)</u> |
| Other financing sources (uses) | | | | |
| Operating Transfers-in | 1,306,222 | 1,306,222 | 1,306,222 | - |
| Loan Proceeds | 150,000 | 150,000 | - | 150,000 |
| Total other financing sources (uses) | <u>1,456,222</u> | <u>1,456,222</u> | <u>1,306,222</u> | <u>150,000</u> |
| Excess of revenues and other financing sources over (under) expenditures | <u>(332,385)</u> | <u>(332,385)</u> | <u>465,362</u> | <u>797,747</u> |
| Fund balances - 10/1/2017 | | | <u>4,833</u> | |
| Fund balances - 9/30/2018 | | | <u>470,195</u> | |

See accompanying notes to budgetary comparison schedule.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Governmental Funds (continued)
Year Ended September 30, 2018

| | Other Governmental Funds | | | Variance - |
|---|--------------------------|-------------------|---------|----------------------------|
| | Original Budget | Amended Budget | Actual | Favorable (Unfavorable) |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental revenue | 235,559 | 235,559 | 188,359 | 47,200 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Miscellaneous revenues | 200 | 200 | 673 | (473) |
| Total revenues | 235,759 | 235,759 | 189,032 | 46,727 |
| Expenditures | | | | |
| General government | - | - | - | - |
| Public Safety | - | - | - | - |
| Transportation | - | - | - | - |
| Total culture and recreation | 235,759 | 235,759 | 189,032 | 46,727 |
| Physical environment | - | - | - | - |
| Economic environment | - | - | - | - |
| Human services | - | - | - | - |
| Debt service | | | | |
| Principal Retirement | - | - | - | - |
| Interest Expense | - | - | - | - |
| Total Debt Service | - | - | - | - |
| Total Expenditures | 235,759 | 235,759 | 189,032 | 46,727 |
| Excess of revenues under expenditures | - | - | - | - |
| Other financing sources (uses) | | | | |
| Operating Transfers-in | - | - | - | - |
| Loan Proceeds | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Excess of revenues and other financing sources over (under) expenditures and other uses | \$ - | \$ - | - | \$ - |
| Fund balances - 10/1/2017 | | | - | |
| Fund balances - 9/30/2018 | | | \$ - | |

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Governmental Funds (continued)
Year Ended September 30, 2018

| | Total Government Funds | | | Variance - |
|---|------------------------|---------------------|-------------------|-------------------------|
| | Original Budget | Amended Budget | Actual | Favorable (Unfavorable) |
| Revenues | | | | |
| Taxes | \$ 3,208,002 | \$ 3,208,002 | \$ 3,190,024 | \$ (17,978) |
| Licenses and permits | 95,316 | 95,316 | 200,122 | 104,806 |
| Intergovernmental revenue | 3,170,923 | 3,170,923 | 2,558,179 | (612,744) |
| Charges for services | 1,336,471 | 1,336,471 | 1,354,442 | 17,971 |
| Fines and forfeitures | 35,400 | 35,400 | 51,999 | 16,599 |
| Miscellaneous revenues | 114,445 | 114,445 | 322,580 | 208,135 |
| Total revenues | <u>7,960,557</u> | <u>7,960,557</u> | <u>7,677,347</u> | <u>(283,210)</u> |
| Expenditures | | | | |
| General government | 1,785,167 | 1,785,167 | 1,520,859 | 264,308 |
| Public Safety | 4,193,598 | 4,193,598 | 3,555,528 | 638,070 |
| Transportation | 737,189 | 737,189 | 883,113 | (145,924) |
| Total culture and recreation | 2,344,790 | 2,344,790 | 2,074,724 | 270,066 |
| Physical environment | 337,613 | 337,613 | 237,911 | 99,702 |
| Economic environment | 7,426 | 7,426 | 6,920 | 506 |
| Human services | 128,132 | 128,132 | 94,764 | 33,368 |
| Debt service | | | | |
| Principal Retirement | 207,035 | 207,035 | 135,316 | 71,719 |
| Interest Expense | 10,946 | 10,946 | 9,445 | 1,501 |
| Total Debt Service | <u>217,981</u> | <u>217,981</u> | <u>144,761</u> | <u>73,220</u> |
| Total Expenditures | <u>9,751,896</u> | <u>9,751,896</u> | <u>8,518,579</u> | <u>1,233,317</u> |
| Excess of revenues under expenditures | <u>(1,791,339)</u> | <u>(1,791,339)</u> | <u>(841,233)</u> | <u>950,106</u> |
| Other financing sources (uses) | | | | |
| Operating Transfers-in | 1,306,222 | 1,306,222 | 1,306,222 | - |
| Loan Proceeds | 150,000 | 150,000 | - | (150,000) |
| Total other financing sources (uses) | <u>1,456,222</u> | <u>1,456,222</u> | <u>1,306,222</u> | <u>(150,000)</u> |
| Excess of revenues and other financing sources over (under) expenditures and other uses | <u>\$ (335,117)</u> | <u>\$ (335,117)</u> | <u>464,989</u> | <u>\$ 800,106</u> |
| Fund balances - 10/1/2017 | | | <u>7,604</u> | |
| Fund balances - 9/30/2018 | | | <u>\$ 472,593</u> | |

See accompanying notes to budgetary comparison schedule.

Notes to Budgetary Comparison Schedule - Governmental Funds
September 30, 2018

NOTE A - BUDGETARY ACCOUNTING

The City annually adopts an operating budget for all funds. The procedures for establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

1. During the summer of each year, the Finance Director submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City advises the County Property Appraiser of the proposed millage rate and the date, time, and place of the public hearing for budget acceptance.
4. The budget is legally enacted through passage of an ordinance required by City Charter and a resolution required by the State of Florida.
5. The transfer of budget amounts within departments may be requested by department heads and may be made upon approval by the Finance Director and City Manager. The transfer of budgeted amounts between departments requires approval of the City Manager. Budgetary transfers between funds or changes in the total budget of a fund require approval of the City Commission through the passage of a resolution which is required to be posted on the City's website.
6. The amended budget amounts shown in these financial statements are as amended by the required approval process explained above.
7. Formal budgetary integration is employed within the accounting system as a management control device.
8. Budgets for the General and Special Revenue Funds and the Clewiston Redevelopment Agency are adopted on a basis that is substantially consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for all other funds have not been presented in this report.
9. The preceding schedule is presented at the functional level and not the departmental level.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2018, the following item within the Governmental Funds had expenditures exceeding its budgeted amount:

| <u>Expenditure Type</u> | <u>Over Expenditure</u> |
|------------------------------|-------------------------|
| General Fund | |
| Current | |
| Transportation | |
| FDOT Beautification Phase II | \$79,096 |
| C-21 Bridge Project | \$35,000 |

City of Clewiston, Florida
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years **(1)**

| Fiscal Year Ended September 30, | City's Proportion of the Net Pension | City's Proportionate Share of the Net Pension Liability | City's Covered- employee Payroll | City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll | Plan Fiduciary Net Position as a Percent of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.01% | \$355,452 | \$815,567 | 43.58% | 96.09% |
| 2015 | 0.01% | \$753,103 | \$903,630 | 83.34% | 92.00% |
| 2016 | 0.01% | \$1,600,919 | \$844,735 | 189.52% | 84.88% |
| 2017 | 0.01% | \$1,779,521 | \$812,857 | 218.92% | 83.89% |
| 2018 | 0.00% | \$1,455,720 | \$732,313 | 198.78% | 84.25% |

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 7.10% in 2017 to 7.0% in 2018.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years **(1)**

| <u>Fiscal Year Ended September 30.</u> | <u>Contractually Required Contribution</u> | | <u>Contribution Excess (Deficiency)</u> | <u>City's Covered employee Payroll</u> | <u>City's Contributions as a Percent of Covered- employee Payroll</u> |
|--|--|------------|---|--|---|
| 2014 | \$ 167,764 | \$ 167,764 | \$ - | \$ 815,567 | 20.57% |
| 2015 | \$ 192,022 | \$ 192,022 | \$ - | \$ 903,630 | 21.25% |
| 2016 | \$ 171,537 | \$ 171,537 | \$ - | \$ 844,735 | 20.31% |
| 2017 | \$ 171,481 | \$ 171,481 | \$ - | \$ 812,857 | 21.10% |
| 2018 | \$ 160,758 | \$ 160,758 | \$ - | \$ 732,313 | 21.9% |

(1) This schedule is to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years **(1)**

| <u>Fiscal Year Ended September 30,</u> | <u>City's Proportion of the Net Pension Liability</u> | <u>City's Proportionate Share of the Net Pension Liability</u> | <u>City's Covered- employee Payroll</u> | <u>City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percent of the Total Pension Liability</u> |
|--|---|--|---|--|--|
| 2014 | 0.002889907% | \$ 270,213 | \$ 815,567 | 33.13% | .99% |
| 2015 | 0.002872070% | \$ 292,906 | \$ 903,630 | 32.41% | .50% |
| 2016 | 0.002719782% | \$ 316,979 | \$ 844,735 | 37.52% | .97% |
| 2017 | 0.002592564% | \$ 277,209 | \$ 812,857 | 34.10% | 1.64% |
| 2018 | .002279917% | \$ 241,308 | \$732,313 | 32.95% | 2.1% |

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate increased from 3.58% in 2017 to 3.87% in 2018.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years **(1)**

| <u>Fiscal Year Ended September 30,</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Excess (Deficiency)</u> | <u>City's Covered- employee Payroll</u> | <u>City's Contributions as a Percent of Covered- employee Payroll</u> |
|--|--|---|---|---|---|
| 2014 | \$ 9,902 | \$ 9,902 | \$ - | \$ 815,567 | 1.21% |
| 2015 | \$ 12,283 | \$ 12,283 | \$ - | 903,630 | 1.36% |
| 2016 | \$ 14,023 | \$ 14,023 | \$ - | 844,735 | 1.66% |
| 2017 | \$ 13,493 | \$ 13,493 | \$ - | 812,857 | 1.66% |
| 2018 | \$ 12,156 | \$ 12,156 | \$ - | 732,314 | 1.66% |

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Changes in City's Net Pension Liability and Related Ratios
Frozen Defined Benefit Retirement Plan
Years Ended September 30,

| | 2015 | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|--------------|
| Total pension liability | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - |
| Interest | 772,612 | 786,296 | 822,797 | 831,801 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | -81,151 | -295,687 | -183,367 | 514,628 |
| Changes of assumptions and method | 373,079 | 94,020 | - | - |
| Benefit payments, including refunds of member contributions | -438,937 | -467,103 | -491,350 | -530,225 |
| Net change in total pension liability | 625,603 | 117,526 | 148,080 | 816,204 |
| Total pension liability - beginning of year at 7% (6.75% 2016) | 11,256,782 | 11,882,385 | 11,999,911 | 12,147,991 |
| Total pension liability - end of year at 7% (a) | \$11,882,385 | \$11,999,911 | \$12,147,991 | \$12,964,195 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$126,960 | \$122,907 | \$106,286 | \$81,053 |
| Contributions - employee | - | - | - | - |
| Net investment income | -19,352 | 1,105,728 | 1,389,749 | 1,175,403 |
| Benefit payments, including refunds of member contributions | -438,937 | -467,103 | -491,350 | -530,225 |
| Administrative expense | -8,373 | -17,020 | -8,812 | -8,994 |
| Net change in plan fiduciary net position | -339,702 | 744,512 | 995,873 | 717,237 |
| Plan fiduciary net position - beginning | 10,436,417 | 10,096,715 | 10,841,227 | 11,837,100 |
| Plan fiduciary net position - ending (b) | \$10,096,715 | \$10,841,227 | \$11,837,100 | \$12,554,337 |
| Net pension liability (asset) - ending (a) - (b) | \$1,785,670 | \$1,158,684 | \$310,891 | \$409,858 |
| Plan fiduciary net position as a percentage of the total pension liability | 84.97% | 90.34% | 97.44% | 96.84 |
| Covered employee payroll | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Net pension liability (asset) as a percentage of covered employee payroll | N/A | N/A | N/A | N/A |

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years which information is available.

CITY OF CLEWISTON, FLORIDA
Required Supplementary
Information
Schedule of Employer
Contributions
Frozen Defined Benefit Retirement Plan
Fiscal Year Ended September 30, 2018

| <u>Fiscal Year Ended September 30,</u> | <u>(1) Actuarily Determined Contributio n</u> | <u>(2) Contributions Recognized by the Plan</u> | <u>(3) Differenc e Between (1) and (2)</u> | <u>Covered Payroll</u> | <u>Contributions Recognized by the Plan as a Percent of Covered Payroll</u> |
|--|---|---|--|----------------------------|---|
| 2007 | \$ 290,988 | \$ 290,988 | \$ - | \$ 2,392,475 | 12.16% |
| 2008 | \$ 297,996 | \$ 297,996 | \$ - | \$ 2,538,659 | 11.74% |
| 2009 | \$ 404,902 | \$ 404,902 | \$ - | \$ 2,627,530 | 15.41% |
| 2010 | \$ 525,216 | \$ 525,216 | \$ - | \$ 2,539,065 | 20.69% |
| 2011 | \$ 491,049 | \$ 491,049 | \$ - | \$ 2,736,523 | 17.94% |
| 2012 | \$ 802,061 | \$ - | \$ 802,061 | \$ 2,766,512 | 29.00% |
| 2013 | \$ 238,320 | \$ 238,320 | \$ - | \$ - | - |
| 2014 | \$ 129,827 | \$ 360,000 | \$ (230,173) | \$ - | - |
| 2015 | \$ 75,515 | \$ 126,690 | \$ (51,175) | \$ - | - |
| 2016 | \$ 122,907 | \$ 122,907 | \$ - | \$ - | - |
| 2017 | \$ 106,286 | \$ 106,286 | \$ - | \$ - | - |
| 2018 | \$ 81,053 | \$ 81,053 | \$ - | \$ - | - |

See accompanying notes to Required Supplementary Information - Frozen Defined Benefit Retirement Plan.

CITY OF CLEWISTON, FLORIDA
Required Supplementary Information
Schedule of Investment Returns
Frozen Defined Benefit Retirement Plan
Fiscal Year Ended September 30, 2018 **(1)**

| Fiscal Year Ended <u>September 30,</u> | Money Weighted Rate of Investment <u>Return</u> |
|--|--|
| 2010 | 10.67% |
| 2011 | -.37% |
| 2012 | 19.62% |
| 2013 | 15.40% |
| 2014 | 11.93% |
| 2015 | -.19% |
| 2016 | 11.16% |
| 2017 | 13.17% |
| 2018 | 10.20% |

(1) This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

CITY OF CLEWISTON, FLORIDA
Notes to Required Supplementary Information
Frozen Defined Benefit Retirement Plan
Fiscal Year Ended September 30, 2018

NOTE A - INFORMATION USED TO DETERMINE THE NET PENSION LIABILITY

| | |
|----------------------------|--|
| Employer's reporting date: | September 30, 2018 |
| Measurement date: | September 30, 2018 |
| Actuarial valuation date: | October 1, 2018 |
| Actuarial cost method: | Individual entry age normal cost method |
| Amortization method: | Level dollar, open |
| Asset valuation method: | The actuarial value of assets equals the fair market value as of the valuation date (including any discounted receivable contributions), plus 2/3 of the actual earnings minus expected earnings for the preceding 12 months (plan year), plus 1/3 of the actual earnings minus expected earnings for the 12 months (plan year) preceding that date, as described in the Internal Revenue Notice 2009-22. The actuarial value of assets is adjusted to be within 90-110% of the fair market value on the valuation date. |

**Actuarial Assumptions for
Basic Valuation**

October 1, 2018 and October 1, 2017

Interest

| | |
|---------------------------------------|-------------------------------------|
| Pre-retirement and post-retirement | 7% per annum compounded annually |
|---------------------------------------|-------------------------------------|

Mortality rates

| | |
|---------------------------------------|--|
| Pre-retirement and post-retirement | IRS Prescribed Mortality RP2000 - Generational White Collar Annuitant using Scale BB for females RP2000 - Generational Blended 50% White Collar and 50% Blue Collar Annuitant using Scale BB for males |
|---------------------------------------|--|

| | |
|-------------------------|---|
| Termination rates | 2003 Society of Actuaries Small Plan Age Table multiplied by .70 |
| Disability rates | 1987 Commissioner's Group Disability Table |
| Salary projections | None - as the Plan has been frozen |
| Retirement age | Active: Earlier of age 62 with 10 years of service or age 65 with 5 years of participation Inactive: Normal retirement date |
| Percent married | 75%, husbands are 3 years older than wives |
| Expenses | Estimated annual expenses |
| Cost-of-living increase | 3% per annum |

CITY OF CLEWISTON, FLORIDA
Notes to Required Supplementary Information
Schedule of Total OPEB Liability
Fiscal Year Ended September 30, 2018

| | |
|---|---------------------|
| Reporting Period Ending | 09/30/2018 |
| Measurement Date | <u>09/30/2018</u> |
| Total OPEB Liability | |
| Service Cost | \$ 75,716 |
| Interest | 47,588 |
| Changes of Benefit Terms | - |
| Differences Between Expected and Actual Experience | - |
| Changes of Assumptions | (106,702) |
| Benefit Payments | <u>(41,406)</u> |
| Net Change in Total OPEB Liability | (24,804) |
| Total OPEB Liability - Beginning | <u>1,252,167</u> |
| Total OPEB Liability - Ending | <u>\$ 1,227,363</u> |
| Covered Employee Payroll | 3,722,522 |
| City's Total OPEB Liability as a percentage of Covered Employee Payroll | 32.97% |

*Covered Employee Payroll was projected one year forward from the valuation date for the reporting Period ending September 30, 2018

NOTE: The City implemented GASB Statement 75 in 2018; information is presented for those years In which information is available.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|---------|-------|
| FY 2018 | 4.18% |
| FY 2017 | 3.64% |

CITY of CLEWISTON, FLORIDA
Schedule of Revenues and Expenses
Business-Type Activities - Water and Sewer Fund
Water and Sewer Systems
Year Ended September 30, 2018

| | Water System | Sewer System | Totals |
|---|-----------------|-----------------|--------------|
| Operating revenues | | | |
| Charges for services | \$ 2,295,876 | \$ 1,377,780 | \$ 3,673,656 |
| Operating Expenses | | | |
| Personal Services | 373,812 | 399,992 | 773,804 |
| Contractual services | 155,822 | 257,728 | 413,550 |
| Supplies | 171,017 | 80,025 | 251,042 |
| Utilities | 313,184 | 157,609 | 470,793 |
| Insurance | 21,780 | 13,548 | 35,328 |
| Repairs and maintenance | 179,341 | 226,784 | 406,125 |
| Depreciation | 488,610 | 299,470 | 788,080 |
| Miscellaneous | 50,552 | 5,919 | 56,471 |
| Total operating expenses | 1,754,117 | 1,441,076 | 3,195,193 |
| Operating Income | 541,759 | (63,296) | 478,463 |
| Nonoperating revenues (expenses) | | | |
| Interest income | 47,656 | 28,599 | 76,255 |
| Miscellaneous | 21,763 | 13,061 | 34,824 |
| Interest and fiscal charges | (528,000) | (14,809) | (542,809) |
| Total nonoperating revenues (expenses) | (458,580) | 26,850 | (431,730) |
| Income (loss) before contributions and transfers | 83,178 | (36,445) | 46,733 |
| Capital contributions | 58,928 | 408,583 | 467,511 |
| Operating transfers-out | (180,880) | (108,548) | (289,428) |
| Changes in net positions | \$ (38,774) | \$ 263,590 | \$ 224,816 |

CITY OF CLEWISTON, FLORIDA
Schedule to Determine Compliance with
Interlocal Fire Protection Agreement
For the Fiscal Year Ended
September 30, 2018

Departmental Expenditures
of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds

| | |
|---|----------------|
| Expenditures - current | |
| Public Safety | |
| Fire | \$ 694,132 |
| Less First Responder costs to be paid by Hendry County | (45,758) |
| Less Capital Outlays | (176,108) |
| Total Fire Department expenditures as adjusted | <u>472,266</u> |
| Hendry County's reimbursement percentage of Fire Department expenditures per agreement | 67% |
| Portion of Fire Department expenditures to be paid by Hendry County | 316,418 |
| First Responder costs to be paid by Hendry County | 45,758 |
| Year 1 of 5 Allocation of FY18 Capital Expenditures | <u>9,887</u> |
| Total Fire and First Responder expenditures to be reimbursed by Hendry County | 372,063 |
| Total previously received from Hendry County for Fire Services | <u>183,242</u> |
| Amount due from Hendry County for the fiscal year ended September 30, 2018 | <u>188,821</u> |

CITY OF CLEWISTON, FLORIDA
Schedule to Determine Compliance with
Interlocal Animal Control Agreement
For the Fiscal Year Ended
September 30, 2018

Departmental Expenditures

of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds

Expenditures - current

Human Services

Animal Control \$ 94,764

Hendry County's reimbursement percentage of Animal
Control expenditures per agreement

67%

Portion of Animal Control expenditures to be paid
by Hendry County

63,492

Total previously received from Hendry County for
Animal control services

38,539

Amount due from Hendry County for the
fiscal year ended September 30, 2018

24,953



Andrew Jones, CPA

Owner

405 Live Oak Lane
Labelle, FL 33935
239-671-2027

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

Honorable Mayor and City Commissioners
City of Clewiston, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida, as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Clewiston, Florida's basic financial statements and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clewiston, State Florida'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 of Clewiston, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clewiston, Florida'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control (2009-01),

described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clewiston, Florida'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*.

City of Clewiston, Florida's Response to Findings

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

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.

Andrew Jones, CPA

Labelle, Florida
June 25, 2019



Andrew Jones, CPA

Owner

405 Live Oak Lane

Labelle, FL 33935

239-671-2027

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

Honorable Mayor and City Commissioners
City of Clewiston, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Clewiston, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services's State Projects Compliance Supplement*, that could have a direct and material effect on each of the City of Clewiston, Florida major federal programs and state projects for the year ended September 30, 2018. City of Clewiston, Florida's major federal programs and state 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 federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Clewiston, Florida's major federal programs and state 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; 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, *Rules of the Auditor General* 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 or state project occurred. An audit includes examining, on a test basis, evidence about the City of Clewiston, Florida'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 project. However, our audit does not provide a legal determination of the City of Clewiston, Florida's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Clewiston, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the City of Clewiston, Florida, 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 of Clewiston, Florida'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 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 project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of Auditor General*, 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 of Clewiston, Florida's internal control over compliance.

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

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

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

Andrew Jones, CPA

Labelle, Florida
June 25, 2019

CITY OF CLEWISTON, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2018

| Federal Agency / State Pass Through Entity / Federal Program | CFDA Number | Grant Contract Number | Program or Award Amount | Expenditures | Transfers to Sub - recipients |
|---|------------------------|--------------------------------------|--|--------------------------|--|
| Environmental Protection Agency | | | | | |
| Pass through Florida Department of Environmental Protection | | | | | |
| (B) Wastewater Treatment and Stormwater Management TF | 66.458 | WW260410 | \$ 993,890 | \$ 993,890 | - |
| Total Expenditures of Federal Awards | | | \$ 993,890 | <u>\$ 993,890</u> | |

CITY OF CLEWISTON, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2018

| State Agency / State Program | CSFA Number | Grant Contract Number | Program or Award Amount | Expenditures | Transfers to Sub - recipients |
|--|------------------------|--------------------------------------|--|---------------------------|--|
| Florida Department of Environmental Protection | | | | | |
| Florida Recreation Development Assistance Program | 37.017 | A7085 | \$ 50,000 | \$ 8,500 | - |
| Passed Through to South Florida Water Management District | | | | | |
| Water Management Districts - Land Acquisition and Improvement | 37.022 | 4600003609 | <u>\$ 350,000</u> | <u>\$ 35,000</u> | - |
| Total Florida Department of Environmental Protection | | | | <u>\$ 43,500</u> | - |
| Florida Department of Law Enforcement | | | | | |
| City of Clewiston - Police Station Renovation/Construction | 71.017 | G1619 | \$1,395,832 | \$ 813,444 | - |
| Florida Department of State | | | | | |
| (G) Division of Library and Information Services | | | | | |
| State Aid to Libraries Grant | 45.030 | 17-ST-18 | \$ 176,785 | \$ 55,951 | - |
| state Aid to Libraries Grant | 45.030 | 18-ST-19 | \$ 179,895 | <u>\$ 133,081</u> | <u>78,802</u> |
| Total Florida Department of State | | | | \$ 189,032 | 78,802 |
| Florida Department of Transportation | | | | | |
| Florida Highway Beautification Grant Program Keep Florida Beautiful | 55.003 | G0978 | \$ 101,700 | \$ 101,699 | - |
| Florida Highway Beautification Grant Program Keep Florida Beautiful | 55.003 | G0T62 | \$ 82,066 | <u>\$ 71,096</u> | - |
| Total Florida Department of Transportation | | | | <u>\$ 172,795</u> | - |
| Florida Department of Economic Opportunity | | | | | |
| Housing and Community Development | 40.038 | P0289 | \$ 10,000 | \$ 6,500 | - |
| Total Expenditures of State Financial Assistance | | | | <u>\$1,225,271</u> | <u>78,802</u> |

CITY OF CLEWISTON, FLORIDA
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
For the Year Ended September 30, 2018

NOTE A - REPORTING ENTITY

For reporting entity purposes, the Schedule of Federal Awards and State Financial Assistance includes all the activities of the City of Clewiston's primary government and its blended component unit. The City had no discretely presented component units. Federal award programs and state financial assistance projects recorded in the City's governmental activities are noted by (G). There were no federal award programs or state financial assistance projects recorded in the business-types activities during the fiscal year ended September 30, 2018.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

NOTE C - STATE REVOLVING FUND LOANS

The City had the following State Revolving Fund loan balances outstanding at September 30, 2018. There were current year additions to the loan balances that were included in the Federal expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance for the fiscal year ended September 30, 2018. The total new loan award was \$993,890, which includes \$373,220 in principal forgiveness and \$19,878 in Loan Service Fees for a total remaining loan balance of \$640,458.

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant Number</u> | <u>Total Outstanding as of September 30, 2018</u> |
|----------------------|----------------------------|---------------------|---|
| State Revolving Fund | 66.458 | WW260400 | \$471,260 |
| State Revolving Fund | 66.458 | WW260401 | \$235,496 |
| State Revolving Fund | 66.458 | WW260410 | \$640,458 |

NOTE D - SUBRECIPIENTS

The City provided state financial assistance to subrecipients as follows:

| <u>Program Title</u> | <u>State CSFA Number</u> | <u>Amount Transferred to Subrecipient</u> |
|------------------------------|--------------------------|---|
| State Aid to Libraries Grant | 45.030 | |
| Harlem Public Library | | \$ 34,199 |
| Barron Public Library | | <u>44,504</u> |
| | | <u>\$ 78,702</u> |

City of Clewiston, Florida

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|---|------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material Weakness(es) identified? | Yes |
| Significant deficiency(ies) identified not considered to be | |
| Material weaknesses? | No |

Federal Awards

| | |
|---|----|
| Internal control over financial reporting: | |
| Material Weakness(es) identified? | No |
| Significant deficiency(ies) identified not considered to be | |
| Material weaknesses? | No |

| | |
|---|------------|
| Type of auditor’s report issued on compliance for major federal Programs? | Unmodified |
|---|------------|

| | |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | No |
|---|----|

| | |
|--|--|
| Identification of major federal programs: <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| | U.S. Environmental Protection Agency |
| | Pass through to: Florida Department of Environmental Protection |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |

Dollar threshold used to distinguish Type-A and Type-B Programs: \$750,000

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

City of Clewiston, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018 (continued)

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

State Financial Assistance Awards

Internal control over financial reporting:

Material Weakness(es) identified? No

Significant deficiency(ies) identified not considered to be
Material weaknesses? No

Type of auditor's report issued on compliance for major state
projects? Unmodified

Any audit findings disclosed that are required to be reposted
In accordance with section Chapter 10.550, Rules of the
Florida Auditor General? No

| | |
|--|--|
| Identification of major federal programs: <u>CSFA Number</u> | <u>Name of State Project</u> |
| | Florida Department of Law Enforcement |
| 71.017 | Police Station Renovation/ Construction |

Dollar threshold used to distinguish Type-A and Type-B Programs: \$300,000

Auditee qualified as low-risk auditee? No

City of Clewiston, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018 (continued)

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2009-1 – Internal Control Over Financial Reporting

Condition: The City should have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements

Criteria: Statement on Auditing Standards require the auditor to determine if the City is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Cause: The City does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements.

Effect: A material misstatement in the financial statements of the City may not be prevented, detected, and corrected by the City.

Recommendation: The City should develop a strategy to address the material weakness in internal control over financial reporting.

Views of Responsible Officials and Planned Corrective Actions: We have made significant progress in preparing the end of year adjustments needed for the auditable financial statements. Over the next year we hope to be able to create reports in our software that will create the auditable financial statements.

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

None



Andrew Jones, CPA

Owner

405 Live Oak Lane
Labelle, FL 33935
239-671-2027

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and City Commissioners
City of Clewiston, Florida

We have examined the compliance of the City of Clewiston, Florida, with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City of Clewiston, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, in all material respects. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City of Clewiston, Florida, complied, in all material respects, with the requirements of Section 218.415, Florida Statutes for the fiscal year ended September 30, 2018.

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

Andrew Jones, CPA

Labelle, Florida
June 25, 2019



Andrew Jones, CPA

Owner

405 Live Oak Lane
Labelle, FL 33935
239-207-2027

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and City Commissioners
City of Clewiston, Florida

Report on the Financial Statements

We have audited in the financial statements of the City of Clewiston, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 25, 2019.

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 the *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 25, 2019, should be considered in conjunction with the 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, except as noted below under the heading Prior Year Findings and Recommendations.

PRIOR AUDIT FINDINGS

See finding 2009-1 which is described in the Schedule of Findings and Responses on page 105

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 of 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. The name and legal authority for the City of Clewiston, Florida, is disclosed in the notes to the financial statements. There were no component units related to the City of Clewiston, Florida.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Clewiston, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Clewiston, Florida, 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 for the City of Clewiston, Florida. It is management's responsibility to monitor the City of Clewiston, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendation to improve financial management.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

A handwritten signature in black ink that reads "Andrew Jones, CPA". The signature is written in a cursive, flowing style.

Andrew Jones, CPA

Labelle, Florida

June 25, 2019

CITY OF CLEWISTON

115 WEST VENTURA AVENUE
CLEWISTON, FL 33440

TELEPHONE 983-1484
AREA CODE 863

FAX 983-4055
AREA CODE 863

June 24, 2019

Ms. Sherrill F. Norman, CPA
Auditor General, State of Florida
111 West Madison Street
Claude Denson Pepper Building
Tallahassee, Florida 32399-1450

Reference: City of Clewiston's response to auditors' findings in the Schedule of Findings and Responses for the Fiscal Year 2017 - 2018.

Dear Ms. Norman:

The Rules of the Auditor General require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited by the auditor in the annual financial report.

AUDITORS' FINDINGS REPORTED IN THE SCHECULE OF FINDINGS AND RESPONSES

Prior Year Comment Which Continues to Apply

Finding 2009-1 – Internal Control over Financial Reporting

We are a small entity with limited resources. We have reviewed the requirements regarding the Statements on Auditing Standards as they relate to financial reporting.

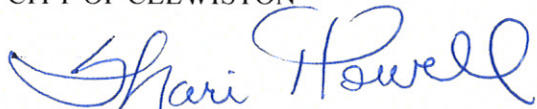
To this regard, we are committed to focusing on implementing improvements and assessing the cost of meeting these standards going into the future.

Current Year Comments and Recommendations

None

Sincerely,

CITY OF CLEWISTON



Shari Howell
Finance Director