

# CITY *of* LARGO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
September 30, 2018



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED 9/30/2018



### CITY COMMISSION

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Dr. Woody Brown  
Mayor

Michael Smith  
Vice Mayor

John Carroll

Samantha Fenger

Donna Holck

Curtis Holmes

James Robinson

### CITY ADMINISTRATION

---

Henry P. Schubert  
City Manager

Michael Staffopolous  
Assistant City Manager

Alan S. Zimmet  
City Attorney

Diane Bruner, CMC  
City Clerk

Kimball R. Adams, CPA  
Finance Director

Rebecca Spuhler  
Assistant Finance Director







# Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2018

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# INTRODUCTORY SECTION

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PO Box 296  
Largo, FL 33779  
**Largo.com**

March 29, 2019

Letter of Transmittal

Honorable Mayor and City Commissioners, City Manager and Citizens of the City of Largo, Florida

## INTRODUCTION

The Finance Department respectfully transmits the City's FY18 Comprehensive Annual Financial Report (CAFR), which reflects a slightly better financial condition in many funds than at the end of last year.

Preparation of the City's CAFR fulfills the reporting requirements for several stakeholder groups. First and foremost, the CAFR reports the City's financial condition and results of operations to the Mayor and City Commissioners, who are primarily responsible for maintaining the City's financial integrity.

Second, the CAFR provides information required by regulatory agencies, grant providers, the financial industry and creditors, who are interested in whether the City was in compliance with grant restrictions, debt covenants, contractual provisions and statutory requirements. Finally, the CAFR targets the information needs of Largo citizens and businesses, who are the City's most important stakeholders.

Two documents are provided in the CAFR to assist all interested parties with interpreting the City's financial statements and assess the City's financial condition, including:

- **Letter of Transmittal** – This letter introduces the CAFR, presents general information about the City and highlights certain information that is not discussed elsewhere in the CAFR.
- **Management's Discussion and Analysis (MD&A)** – The MD&A is located after the Independent Auditors' Report and provides an overview of financial reporting principles and practices used by the City. The MD&A also provides commentary and analysis of major components of the City's financial condition, financial position at year end and results of operations for the year.

## CITY OF LARGO PROFILE

The City of Largo, Florida is an independent reporting entity, as defined by the Governmental Accounting Standards Board (GASB). Please visit [www.largo.com](http://www.largo.com) for more information about the City and for links to other sites within the Tampa Bay area.

Largo is located in Pinellas County on Florida's central Gulf Coast, which is the most densely populated county in Florida. Largo provides a full range of municipal services, including police and fire protection, wastewater collection and treatment, solid waste collection, community planning, street repair and maintenance, stormwater repair and maintenance, recreation, parks, arts and library services. Pinellas County provides Largo citizens and businesses potable water, solid waste disposal and jail/court services.

Largo was incorporated in 1905 with 291 residents and an area of 1 square mile and has grown to approximately 83,000 residents and 19 square miles and is the third largest city in Pinellas County. The City also serves over 30,000 unincorporated county residents with services, including: fire protection, EMS, wastewater, library, recreation, parks and arts, the cost of which is partially funded by the County.

In 1913, Largo became the first town in Florida and the second town in the nation to adopt the Commission/Manager form of government. Largo's Mayor and six City Commissioners (the City Commission) are elected at large and serve staggered four-year terms. The City Commission establishes policies, hires the City Manager and approves certain appointments. The City Manager implements the City Commission's policies and manages daily operations through an executive management staff.

## INDEPENDENT AUDIT AND AUDIT COMMITTEE

State Statutes and the City Charter require an annual audit to be conducted by independent Certified Public Accountants selected by the City Commission. This requirement was fulfilled and the City's financial statements have received an unmodified opinion from the auditors, Carr Riggs and Ingram, LLC, which is the highest opinion that can be received. The Independent Auditors' Report (opinion) enhances the reliability of the City's financial statements within certain limitations, as outlined in the opinion letter.

The City Commission appoints an Audit Committee that provides a formal mechanism to discuss audit-related matters. The Audit Committee monitors the audit through meetings with the auditors, which enhances the auditors' independence and objectivity. Audit Committee members are, Mayor Woody Brown, Chairperson and City Commissioners Curtis Holmes and James Robinson. The Audit Committee was supported by OPB Manager Meridy Semones and an independent financial expert, John Houser, CPA, of Wells, Houser and Schatzel, PA.

## MANAGEMENT'S FINANCIAL REPORTING RESPONSIBILITY

The City Administration (management) is responsible for the accuracy, completeness and fairness of presentation of all information included in this CAFR. Internal accounting and administrative controls have been implemented to capture and record all financial information so that the City's financial statements can be prepared in accordance with generally accepted accounting principles (GAAP).

The cost of a control should not exceed the benefit to be derived; therefore, the City's internal controls have been developed with the objective to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Management believes the information presented in this CAFR is accurate and complete in all material respects and fairly presents the City's financial position and results of operations for FY18 and as of year-end.

## FINANCIAL MANAGEMENT POLICIES

The City Commission has adopted policies to guide the City's financial activities, which are included in the Statistical Section of the CAFR. Financial policies cover the following areas:

- Operating Budget
- Reserves & Fund Balance
- Accounting, Auditing & Financial Reporting
- Revenues
- Debt
- Long-term Planning & Capital Improvements
- Purchasing
- Investments
- Capital Improvements Element

## BUDGETARY & INTERNAL ACCOUNTING CONTROLS

The City's annual budget is an integral part of the financial accounting system. The City Manager proposes an annual operating budget to the City Commission. The City Commission must adopt an operating budget in accordance with procedures established by the City Charter and the State of Florida.

Primary budget preparation and monitoring responsibility is assigned at the department level. Each department designates program managers who authorize purchases and payments and evaluate budget performance throughout the year. Encumbrances are recorded for all significant purchases at the time a commitment is made. Line item reports are accessible to all managers that include: amounts budgeted, expenditures to date, encumbrances, remaining budget balances and prior year activity for comparison.

The Finance Department monitors financial activity on an ongoing basis. Monthly financial reports are prepared for all departments and periodic reports summarizing a majority of the City's financial activities are prepared for the City Commission. City-wide financial activity is also periodically reviewed at meetings with the City Manager, Assistant City Manager, Office of Performance and Budget Manager, Finance Director, Assistant Finance Director and Treasury Manager.

## LONG-TERM FINANCIAL PLANNING

The City prepares a five-year Long-term Financial Plan (LTFP) and Capital Improvements Program (CIP) for all Funds, which projects the City's major revenues, operating expenditures, fund balance and capital projects over a rolling five-year period. The LTFP/CIP provides information to assess the City's long-term financial condition in comparison to the short-term focus of the annual operating budget and CAFR.

The City Manager proposes an LTFP/CIP to the City Commission annually and the City Commission must adopt a CIP in accordance with requirements of the City Charter and the State of Florida. The LTFP/CIP is an integral part of the City's financial management system, but does not appropriate funds. Projections are updated and the first year's projects are incorporated into the next operating budget.

The City of Largo is projected to remain in good financial condition over the next several years, due to the establishment and implementation of responsible fiscal policies. Actual and projected millage rates and unassigned fund balances in the General Fund are:

	Actual		Projected (FY19 millage rate is actual)				
General Fund	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Millage rate (10 mill maximum)	5.3705	5.7413	5.7413	TBD	TBD	TBD	TBD
Ending unassigned fund balance as a % of the following year's expenditure budget	12.9%	14.3%	14.7%	14.3%	14.9%	15.8%	N/A

The City's current utility rates are competitive with similar and surrounding communities. A stormwater rate study is ongoing and recommendations are expected to be presented to the City Commission in FY19.

Currently projected utility rate and golf fee increases are:

Projected Increases	FY19	FY20	FY21	FY22	FY23
Stormwater (drainage)	-	-	20%	-	15%
Wastewater (sewage)	-	-	25%	-	-
Reclaimed Water (sewage effluent)	-	-	-	-	-
Solid Waste Collection (garbage)	20%	-	-	10%	-
Golf (subject to market constraints)	3%	-	-	3%	-

Conditions that will enable the City to maintain a positive financial condition, include:

- Adequate reserves in most funds
- No general obligation debt
- All revenue-pledged debt is within conservative guidelines
- Sufficient provisions have been made for infrastructure repairs, maintenance and replacement
- A relatively diversified revenue structure provides stability

Conditions that could significantly challenge the City's future financial condition, include:

- Previous years' of expenditure cuts have reduced operating flexibility
- Public safety pension costs are projected to remain relatively high
- Health care costs increases are projected
- Most major revenues are projected to grow slowly
- Existing and proposed property tax exemptions and 'Save Our Homes' portability will limit revenue growth
- The Governor and state legislature have expressed a strong desire for smaller local government and lower local taxes by introducing legislation that erodes the City's Home Rule Authority

### AWARDS FOR FINANCIAL REPORTING & BUDGET PRESENTATION

The City participates in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program, which recognizes conformance with the highest standards for preparation of state and local government financial reports. The City received the Certificate for the FY17 CAFR and believes the FY18 CAFR conforms to all Certificate Program requirements.

To receive a Certificate of Achievement, a government must publish a CAFR that is easily readable, efficiently organized and conforms to rigorous program standards. The CAFR must also promote consistency, full disclosure and uniformity and must meet all GAAP and legal requirements. A certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also participates in the GFOA's Distinguished Budget Presentation Award Program. In order to receive this award, a government must publish a budget that meets Program criteria as a policy document, as an operations guide, and as a communication medium. The City received the award for the FY 2018 Budget and believes the FY 2019 Budget will meet all Award Program requirements.

### ACKNOWLEDGMENTS

The largest contributing factor to Largo's sound financial condition is the steadfast commitment of Largo's elected officials to maintaining the City's financial integrity. The City Commission has established prudent fiscal policies and has worked hard to ensure those policies were implemented. With their continued leadership, the City can look forward to a secure financial future.

Preparation of the CAFR was made possible by the dedicated efforts of everyone in the Finance Department. Appreciation is expressed to Victoria Hill who was responsible for much of the formatting and of the CAFR, which resulted in its professional appearance

Appreciation is expressed to Jared Meyer who prepared all Statistical Schedules and assisted with preparation of the Notes to the Financial Statements. Mr. Meyer also performed numerous quality control reviews, which greatly improved the CAFR's accuracy and completeness. Denise Fournier is commended for coordinating capital assets reconciliations and for providing analytical assistance in several other areas.

Jolanta Data, Brandon Bevan, Brianne Heaton, Lisa Pasch and Diane DeBiase deserve special recognition for conducting the utility funds closing activities and assisting the auditors with testing. Brandon Bevan and Jolanta Data are commended for their efforts in preparing several of the utility funds' financial statements and assisting in preparation of the Notes to the Financial Statements.

Sharon O'Neil and Tara Jankiewicz are commended for their extensive account analysis, preparation of year-end journal entries and for preparing capital assets reports. Appreciation is also expressed to Patricia Stopa, Tabitha Vongsackda, Madeline Sexton and Alyssa Steele who were responsible for coordinating the accurate recording of all cash transactions, year-end accounts payable, encumbrances, payroll accruals and other items.



The Director expresses special appreciation to Assistant Finance Director, Rebecca Spuhler, for coordinating all year-end closing activities, managing the audit process and preparing most of the CAFR. Miss Spuhler's efforts resulted in the efficient and timely completion of all audit related activities, in addition to ensuring that all accounting information was accurately recorded during the year.

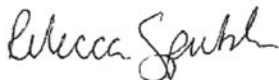
Appreciation is also expressed to IT Director Harold Schomaker who assisted the auditors with their IT systems evaluation, which was an integral part of the annual audit. Kate O'Connell in the Communications and Marketing Division is commended for her professionalism in developing the CAFR's attractive cover design, formatting the CAFR and for contributing the photographs displayed throughout the CAFR.

Other City Departments, although not as extensively involved in year-end audit activities, contributed significantly to the success of the audit process by ensuring the accuracy of accounting information recorded throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Every department's efforts are greatly appreciated.

Last, but not least, appreciation is expressed to the City's auditors, Carr Riggs and Ingram, LLC, for their professionalism in conducting the audit. CRI contributed valuable reporting suggestions that made the CAFR better than it would have been otherwise, in addition to adding credibility to the contents therein.

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Respectfully submitted,  
CITY OF LARGO



Rebecca Spuhler  
Assistant Finance Director



Kimball R. Adams, CPA  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Largo  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Largo  
Florida**

For the Fiscal Year Beginning

**October 1, 2017**

*Christopher P. Morrill*

Executive Director

## LIST OF PRINCIPAL OFFICIALS

September 30, 2018



### CITY COMMISSION

**Dr. Woody Brown, Mayor**  
**Michael A. Smith, Vice Mayor**  
**John Carroll**  
**Samantha Fenger**  
**Donna Holck**  
**Curtis Holmes**  
**James Robinson**

### City Manager

**Henry P. Schubert**

### Assistant City Manager

**Michael Staffopoulos, PE**

### City Clerk

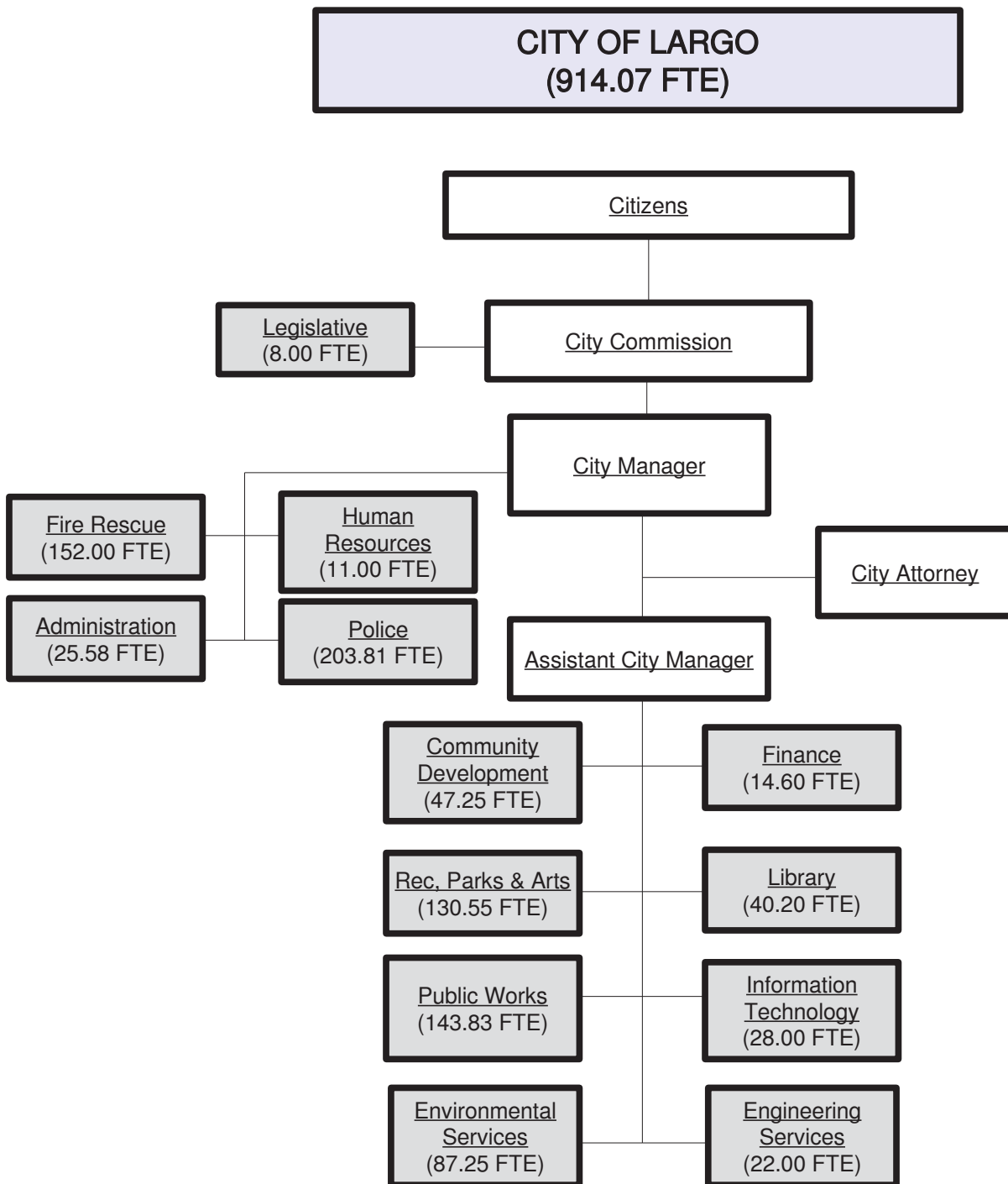
**Diane Bruner, CMC**

### EXECUTIVE MANAGEMENT STAFF

**City Attorney**  
**Community Development Director**  
**Environmental Services Director**  
**Finance Director**  
**Interim Fire Chief**  
**Human Resources Director**  
**Information Technology Director**  
**Library Director**  
**Police Chief**  
**Public Works Director**  
**Recreation, Parks and Arts Director**

Alan S. Zimmet  
Carol Stricklin, AICP  
Irvin Kety  
Kimball R. Adams, CPA  
Joseph Pennino  
Susan Sinz  
Harold Schomaker, CCIO  
Casey McPhee  
Jeff Undestad  
Brian Usher  
Joan Byrne, CPRP





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# FINANCIAL SECTION

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the City Commission, and City Management  
City of Largo, Florida

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 Largo, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Largo Redevelopment Agency as of and for the year ended September 30, 2018.

### **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.

### **Auditors' 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 auditors' 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 Largo, Florida, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Local Option Sales Tax Fund, SHIP Fund, HOME Fund and CDBG Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements present fairly, in all material respects, the financial position of the Largo Community Redevelopment Agency as of September 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Adoption of New Accounting Pronouncement*

As described in Note V.E. to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which resulted in a cumulative effect of change in accounting principle of (\$10,530,296) to the September 30, 2017 net position for governmental activities, business type activities and enterprise funds. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and the Largo Redevelopment Agency. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 state financial assistance and related notes is 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 Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

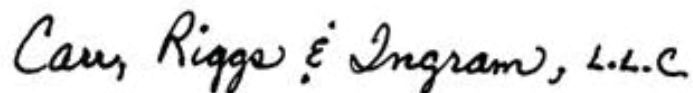


The combining and individual nonmajor fund financial statements schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements, schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive, flowing script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida

March 28, 2019

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# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

### MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) INTRODUCTION

Thank you for your interest in the City of Largo. This MD&A report summarizes key financial information in the City's Comprehensive Annual Financial Report (CAFR). The MD&A is written for the majority of people who just want to know, in simple terms, "How is the City of Largo doing, financially?"

As discussed throughout the MD&A, the City is doing relatively well, financially speaking, compared to all years since the Great Recession. Traffic lights indicate positive items (green), items to watch (yellow) and warnings (red). While there are no red lights this year, there are yellow lights indicating areas where the City's financial condition could be improved.



### FINANCIAL OVERVIEW

#### Fund Balances – The accumulation of financial resources for the future.



The General Fund's unassigned fund balance increased to the highest level in nine years, due mostly to economic improvement, spending restraint and a property tax increase. Fund balance represents a capacity to respond to unexpected events, such as recessions and disasters or to seize opportunities. Other fund balances and net positions were up, as well.

#### Debt – The impacts of borrowing.



The City borrows infrequently, repays debt quickly and only borrows for major non-recurring capital, which is the cornerstone of the City's financial condition. All general government debt is serviced by a local option sales tax. The Wastewater Fund is the only other fund with long-term debt, which is serviced by wastewater fees. Wastewater debt increased, due to continued construction of three major capital projects, but remains reasonable and affordable.



The Police and Fire Pension Plan's unfunded liability decreased to \$41,000,000, due to positive investment results, but continues to create a negative unrestricted net position in Governmental Activities (a deficit) and doubles the City's required contribution. Additional pension contributions will be required for the next 30 years, or until the liability is eliminated.

#### Operating Results – The degree to which revenue and expenditure activity met expectations.



Several major revenues were over-budget as the result of an improving economy. Other revenues grew slowly or not at all, due partly to shifts in taxpayers' behaviors. Most departments were under budget by normal amounts; however, two General Fund departments were over-budget by relatively small amounts.

#### Trends – The degree to which things are changing or are projected to change.



Several major revenues have grown slightly or not at all over the past several years, which is similar to most other local governments in Florida. Projections indicate this trend will likely continue, due to permanent changes in customer/taxpayer behavior. This trend reduces revenue diversification and places more reliance on property taxes.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

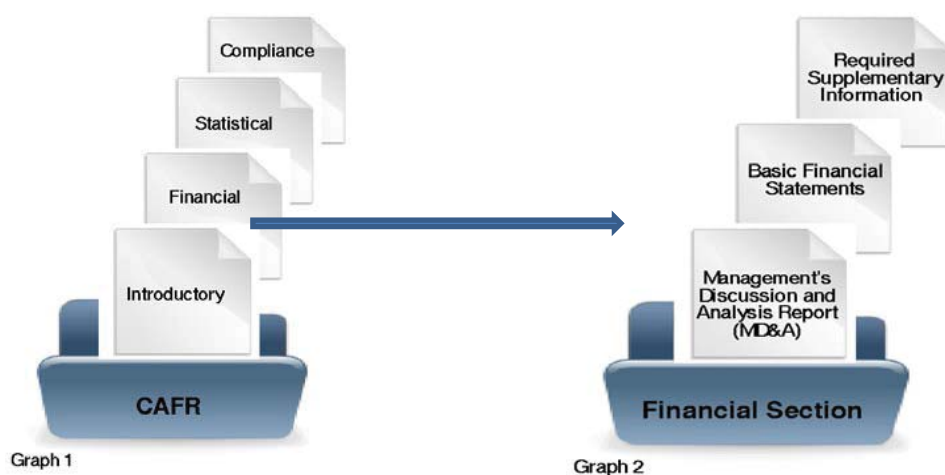
### COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) OVERVIEW

The CAFR was prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as established by the Governmental Accounting Standards Board (GASB).

As shown in Graph #1, the CAFR is organized into four main sections:

- **Introductory:** Includes the Transmittal Letter and other general information about the City.
- **Financial:** Everyone should read the MD&A, which may pique interest to read other areas.
- **Statistical:** Don't let the title scare you; this section contains very interesting information.
- **Compliance:** Includes information on grant, loan and other compliance requirements.

Graph #2 depicts the contents of the CAFR's Financial Section, which includes this MD&A report.



### FINANCIAL HIGHLIGHTS

#### ***Government-wide financial statements (Statement of Net Position and Statement of Activities)***

The government-wide financial statements present highly-aggregated financial information for the City as a whole divided into two activities: *Governmental Activities* and *Business-type Activities*. The government-wide financial statements do not present any information for individual funds.

- Governmental Activities' (GA) program revenue (non-tax revenue) increased to \$32.5 million from \$30.3 million in the prior year, or 7.3%. Reasons for this growth are discussed below.
- GA program revenue paid 37% of GA expenses, which was about the same as last year. This means that 63% of GA expenses were paid with general revenues (primarily taxes), which is normal.



Total Governmental Activities Net Position ("equity") was positive; however, unfunded pension liabilities created a negative Unrestricted Net Position (a deficit), which is discussed in greater detail later.



# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

- Business-type Activities' (BTA) program revenue (mostly charges for services) was essentially unchanged from the prior year, because there were no rate increases or major customer changes.
- BTA's total net position increased \$2 million, which was lower than the prior year's increase of \$5 million, due to the normal expense increases, no rate increases and low revenue growth.



**Question:** Is having a high “Net Position” (“equity”) a good thing?

**Answer:** It depends.

All things equal, having a higher net position is a good thing, as long as a government is accomplishing its objectives and meeting the community's needs. A higher net position means a government owns more of its assets, has a larger cushion for unforeseen events and did a better job of living within its means.

Having “too little” or a negative net position (or any component thereof) means a government has not lived within its means, as reflected by the City's negative unrestricted net position in Governmental Activities created by unfunded pension liabilities. As with any over-spending, having unfunded pension liabilities means that the City has provided services today, but the payment for those services has been passed-on to future taxpayers. This is referred to as intergenerational inequity, or inter-period inequity.

A government can also have “too much” net position, depending on whether its stakeholders value having a high net position more than receiving additional services or paying lower taxes and fees. A higher net position may be perceived as current taxpayers having paid too much relative to the services they received. Of course, in a perfect world, net position would always be zero.



The City reported a responsible net position (equity) relationship for Governmental Activities and Business-type Activities, except for the unfunded pension liability, which is discussed in more detail later.

- Government-wide debt is relatively reasonable. Keys to responsible borrowing include:
  - Long-term debt should not be used to pay for short-term costs
  - Assets financed should last at least as long as any related debt
  - Some debt capacity should be reserved for unexpected needs, and
  - Debt payments should be affordable (easily serviceable), both currently and in the future.



**Question:** Is having low debt a good thing?

**Answer:** Again, it depends.

On the positive side, debt helps allocate the cost of capital assets among everyone who benefits from their use. Also, some capital assets are too expensive to pay for without borrowing and not borrowing may jeopardize public safety and result in higher future costs, as well as unpleasant consequences.

On the negative side, debt creates future debt payments and reduces borrowing capacity, which reduces flexibility for future stakeholders to spend resources as they see fit. For example, borrowing to build a facility assumes that future stakeholders will need or want the facility as much as current stakeholders.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

### **Major Governmental Fund financial statements (Five Major Funds)**

- The General Fund's Unassigned fund balance increased \$1.5 million (15%) from the prior year, primarily because of a property tax increase and proceeds from a one-time legal settlement.
- Local Option Sales Tax Fund tax revenue was \$300,000 higher than the prior year (4%), due to continued improvement in the economy and higher taxable sales.
- Year-end loans receivable in the City's three major housing funds (SHIP, HOME and CDBG) totaled \$11 million, which was approximately the same as at the end of the prior year.

### **FINANCIAL STATEMENTS OVERVIEW (A "Primer" on governmental accounting and reporting.)**

This section is required by GASB standards and is intended to help readers understand governmental financial statements and is like a "primer" on governmental accounting. This section also provides an overview of the City's financial reporting structure, but does not present specific financial discussion or analysis.

**Local Government Financial Statements** - Unlike private sector financial reporting where one set of financial statements is presented, state and local governments (cities, counties, special districts) must present two sets of financial statements, as follows:

- **Government-wide financial statements** ( "big picture" )
  - Similar, but not identical to consolidated financial reporting in the private sector
  - Reports Governmental Activities and Business-type Activities, not individual funds' activity
  - Measures the flow of economic resources (long-term focus) using the full-accrual basis of accounting, similar, but not identical to the private sector
- **Individual fund financial statements** ( "small picture" )
  - Reports Fund activities, which is usually of the most interest to most readers
  - Governmental funds – Measures the flow of current financial resources (short-term focus), e.g., cash inflows and outflows, using the modified-accrual basis of accounting
  - Proprietary and Fiduciary funds – Measures the flow of economic resources (long-term focus) using the full-accrual basis of accounting, similar, but not identical to the private sector and identical to the Government-wide statements

**Fund Accounting** – The City uses fund accounting to enhance accountability over public resources and to demonstrate compliance with legal requirements. Funds are established to maintain greater control and accountability over resources dedicated to specific activities. Each fund maintains a separate, self-balancing set of accounts and is both a fiscal entity and an accounting entity. The City reports all three major fund types, as prescribed by GASB: Governmental, Proprietary and Fiduciary.

- a. Governmental funds.** Includes: General, Special Revenue, Capital Projects, Debt Service and Permanent funds. The City always reports the first two fund types and uses the other three as needed.

Governmental fund financial statements focus on short-term inflows and outflows of financial resources (mostly cash) and on available (spendable) financial resources at year end. This information is useful in evaluating the City's short-term financial position and results of operations.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

- i. **Major Funds.** Financial statement focus is on the City's Major Funds, which include: General, Local Option Sales Tax, SHIP, CDBG and HOME. Major Fund financial statements are located at the front of the CAFR, while non-major funds are aggregated into one column. Detailed information for each non-major fund is provided in the Combining Financial Statements located directly after the Notes.
  - ii. **Budgets.** The City adopts an annual budget for all governmental funds. A budgetary comparison statement for major funds or a budget schedule for non-major funds (located after the Notes) is prepared for all governmental funds to demonstrate budget compliance.
- b. Proprietary funds.** The City reports both types of proprietary funds:
- i. **Enterprise funds.** Enterprise funds report the same information as Business-type Activities in the government-wide financial statements, only in greater detail. The City has three enterprise funds: Wastewater, Solid Waste Collection (both major funds) and the Golf Course.
  - ii. **Internal Service funds.** Internal service funds are used to pay the costs of providing certain services to other City departments. The City uses internal service funds for vehicle repair and maintenance (Fleet Fund) and for risk management operations (Risk Fund).
    - Both internal service funds are combined into a single column and presented with enterprise funds in the proprietary fund financial statements. Individual internal service fund data is provided in the Combining Financial Statements after the Notes.
    - Internal service funds are combined with Governmental Activities in the government-wide financial statements, because they predominately serve Governmental Activities.
- c. Fiduciary funds.** Fiduciary fund financial statements report resources held for the benefit of others, such as pension plan members. Fiduciary fund information is not reported in the government-wide statements, because these resources are not available to fund City services or programs.

As required by GASB, the City presents two sets of financial statements along with supporting information:

- a. Government-wide statements.** Government-wide financial statements (the City as a whole) include two statements and report information by two types of Activities using the accrual basis of accounting.
- i. **Statement of Net Position.** Presents information on all City assets and liabilities with the difference being reported as *net position* ("equity"). Net position can be considered good or bad without further evaluation. For example, when capital assets are depreciated, net position decreases. As long as service objectives are met by using the capital assets, the decrease in net position is not bad, because capital assets are intended to be "used-up" in providing services.
  - ii. **Statement of Activities.** Presents information on the changes in net position during the fiscal year related to revenues and expenses. Revenues and expenses are reported as soon as an underlying event occurs, regardless of when cash is received or paid.
  - iii. **Governmental Activities.** Primarily supported by taxes. The City's Governmental Activities include: general government, public safety (fire-rescue and police), public works, economic development, culture and recreation (library, recreation, parks and arts).
  - iv. **Business-type Activities.** Primarily supported by charges for services (user fees). The City's Business-type Activities include: wastewater services (collection, treatment and disposal), solid waste collection services and an 18-hole executive golf course (par 62).
- b. Individual Fund statements.** Reports financial information on each individual fund.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

**c. Financial Statement Comparison.** Comparing government-wide statements with fund statements helps readers understand the long-term impacts (government-wide statements) of short-term decisions (individual fund statements).

Since the governmental activities statement and individual governmental funds statements are prepared using a different basis of accounting (full-accrual and modified-accrual, respectively), a reconciliation of the reporting differences is provided after each government-wide statement.

**d. Notes to the Financial Statements ("notes").** Provides information that is essential to gaining a full understanding of the government-wide and individual fund financial statements.

**e. Other Required Supplementary Information (RSI).** Includes information on pension funding progress and is located just after the notes. "Other" means other than the MD&A, which also considered RSI.

**f. Combining and Individual Fund Financial Statements and Schedules –** Provided for non-major funds and are located immediately following Other RSI.

### GOVERNMENT-WIDE STATEMENTS (*The City as a whole, "big-picture" focus.*)

This section presents information from the government-wide statements (City as a whole). This section focuses on Governmental Activities and Business-type Activities, not individual funds.

- Governmental Activities includes all governmental fund amounts combined and adjusted from the modified accrual basis of accounting (short-term, financial-flow focus) to the accrual basis of accounting (long-term economic-flow focus).
- Business-type Activities include all enterprise fund amounts combined using the accrual basis of accounting at the fund level and at the government-wide level.

**Summary – Statement of Net Position.** The only significant change was in Business-type Activities' assets and liabilities, due to ongoing construction of three Wastewater Consent Order projects. The increase in BTA total assets (\$10.5 million) was equal to the increase in BTA total liabilities (\$10.5 million), primarily because all three major Wastewater projects were financed.

Capital assets and related debt are discussed in more detail later.

Net position was relatively the same as last year for both Activities. The majority of both Activities' Net Position is invested in capital assets; therefore, the majority of Net Position cannot be spent.



Unrestricted GA Net Position reported a negative balance (deficit) in both years, due to recording of the City's unfunded net pension liability. The net pension liability is discussed later in the MD&A and in the Notes.

The negative unrestricted net position (deficit) in Governmental Activities in both years was created entirely by the unfunded actuarial pension liability in the Police Officers and Firefighters pension plan of \$41 million in FY18 and \$48 million in FY17. The unrestricted deficit increased even though the net pension liability decreased, due to other decreases in the unrestricted net position.

# City of Largo, Florida

## Management's Discussion and Analysis

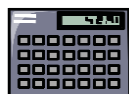
September 30, 2018

Comparative Summary						
Government-wide Statement of Net Position (\$ in thousands)						
	Governmental Activities		Business-type Activities		Total Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>						
Current	\$74,264	\$73,120	\$58,116	\$50,050	\$132,380	\$123,070
Capital (net)	139,617	135,432	154,348	151,895	293,965	287,427
Total assets (a)	\$213,881	\$208,552	\$212,464	\$201,945	\$426,345	\$410,497
<b>Deferred Outflows (b)</b>	17,311	10,557	0	0	17,311	10,557
<b>Liabilities</b>						
Current	\$12,616	\$10,865	\$7,508	\$10,152	\$20,124	\$21,017
Non-current	60,403	56,474	77,136	64,027	137,539	120,501
Total liabilities (c)	73,019	67,339	84,644	74,179	157,663	141,518
<b>Deferred Inflows (d)</b>	6,404	2,810	0	0	6,404	2,810
<b>Net Position:</b>						
Invested in capital assets (net)	134,422	126,873	78,868	88,412	213,290	215,285
Restricted	36,719	40,747	9,378	9,113	46,097	49,860
Unrestricted	(19,373)	(18,660)	39,574	30,241	20,201	11,581
Total net position (a+b-c-d)	<u>\$151,768</u>	<u>\$148,960</u>	<u>\$127,820</u>	<u>\$127,766</u>	<u>\$279,588</u>	<u>\$276,726</u>

**Summary - Statement of Activities.** The following Comparative Summary presents all government-wide revenues, expenses and other sources/uses, which are responsible for the change in Net Position.

**Total Activities** - Total Revenue (program and general) increased 6% from FY17, while Total Expenses increased 6.7%. This created a slightly lower Change in Net Position (\$4.9 million compared to \$5.5 million), which means more resources were used in FY18.

General Revenue (mostly taxes) always pays the majority of GA expenses, which is the opposite of BTA expenses, which are mostly paid by charges for services. These items are discussed in more detail below.



**Fun Fact** - Total Program Revenue (mostly user charges) exceeded Total General Revenue (mostly taxes) in both years. Most people would guess just the opposite.



# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

### Comparative Summary Government-wide Statement of Activities (\$ in thousands)

	Governmental Activities (GA)		Business-type Activities (BTA)		Total Activities	
	2018	2017	2018	2017	2018	2017
Program Revenue:						
Charges for Services	\$28,400	\$26,531	\$34,825	\$34,990	\$63,225	\$61,521
Operating grants/contrib.	2,531	3,008	60	99	2,591	3,107
Capital grants/contrib.	1,521	726	190	387	1,711	1,113
Total Program revenue	\$32,452	\$30,265	\$35,075	\$35,476	\$67,527	\$65,741
Expenses:						
General government	9,353	8,273	-	-	9,353	8,272
Public safety	44,690	41,291	-	-	44,690	41,291
Public works	10,388	10,088	-	-	10,388	10,088
Economic development	7,362	6,855	-	-	7,362	6,855
Culture and recreation	16,548	15,882	-	-	16,548	15,882
Interest and fees	160	232	-	-	160	232
Wastewater	-	-	21,094	21,237	21,094	21,237
Solid waste collection	-	-	12,149	11,597	12,149	11,597
Golf course	-	-	1,065	1,133	1,065	1,133
Total expenses	88,501	82,621	34,308	33,967	122,809	116,587
Net program revenue over (under) expenses	(56,049)	(52,356)	767	1,509	(55,282)	(50,847)
General revenue	61,799	55,636	(46)	719	61,788	56,355
Change in net position	5,738	3,280	721	2,228	6,460	5,508
Net position – Oct. 1*	146,030	145,680	127,099	125,537	273,128	271,217
Net position – Sept. 30	\$151,768	\$148,960	\$127,820	\$127,765	\$279,588	\$276,725

\* Beginning net position was restated this year to reflect GASB reporting changes required to be implemented related to changes in measuring OPEB liabilities.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

### **Governmental Activities (GA)**

**GA Expenses** - As presented in the Summary above, Total GA Expenses grew 7%, or \$5.9 million.

The vast majority of the General Government expense increase (76%) was related to \$825,000 in debris removal services related to Hurricane Irma.

Public Safety expenses increased \$3.9 million partly related to \$276,000 for radio replacements and \$426,000 for software license renewal. Public safety personnel cost increases comprised almost half of the total increase, including \$890,000 in additional pension expense, \$145,000 in additional OPEB expense related to new GASB standards and six new Fire Rescue employees added as part of the public safety staffing plan.

**GA Program Revenue** - GA program revenues paid 37% of FY18 GA expenses (37% in FY17). While certain GA expenses can be paid for with program revenue, most expenses are difficult to recover through program revenue, such as: parks, road maintenance and library services. Most GA services are paid with taxes, because program revenues are impractical or inefficient to assess and collect.

Of \$32 million in FY18 program revenue, 70% came from Fire/EMS fees paid by Pinellas County (\$9.3million), Stormwater fees (\$5.6million), Construction Services fees (\$2.1million) and Recreation fees (\$5.4 million).

**GA Charges for Services** - Charges for services is the largest Program Revenue. As presented in the table below, Total GA Charges for Services increased \$1,869,000, about 7%, compared to a 3% increase in FY17.

Most of the General Government increase is related to a ten percent increase in the administrative service charge to enterprise funds (\$327,000). Administrative services include indirect services such as: Finance (payroll, accounts payable, accounts receivable), Purchasing, Human resources, Information Technology, etc.

The Public Safety increase was mostly due to increased payments from Pinellas County for Fire and EMS services, due to a negotiated change in the funding agreement and an approved budget increase, due to added costs. Police off-duty service charges also increased \$159,000, due to several large new contracts.

Most of the Economic Development increase was due to \$681,000 more revenue from increased residential and commercial development permit and inspection activities, which almost equaled FY16's record amounts.

Culture and Recreation charges increased, due mostly to increased recreation program participation and small across the board rate increases.

### **Governmental Activities (GA)** **Charges for Services (\$ in thousands)**

<b><u>Major Functions</u></b>	<b><u>FY18</u></b>	<b><u>FY17</u></b>	<b><u>Increase (Decrease)</u></b>	
			<b><u>\$</u></b>	<b><u>%</u></b>
General Government	\$3,570	\$3,241	\$ 329	10.2%
Public Safety	10,756	9,975	781	7.8%
Public Works	5,569	5,849	(280)	(4.8%)
Economic Development	3,075	2,390	685	28.7%
Culture and Recreation	5,430	5,076	354	7.0%
Total	<u>\$28,400</u>	<u>\$26,531</u>	<u>\$1,869</u>	<u>7.0%</u>

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

**GA General Revenue** - Total GA General Revenue (mostly taxes) paid approximately 63% of total GA Expense (63% in FY17). GA General Revenue is discussed in more detail in the General Fund section, which is where most of it is recorded. Only property taxes can be increased by the City, because other tax rates are set at their maximum or the City does not control the revenue source.



**Fun Fact** - Of Total FY18 GA revenue, 26% came from property taxes and 30% came from charges for services, which shows property taxes are not the largest GA revenue.

The FY18 property tax millage was increased from 5.37 mills to 5.74 mills, or 7%. Taxable values increased approximately 8%, due mostly to economic improvement (6.2% of the 8%).

Even with economic improvement, FY18 taxable values were lower than in FY08 (the highest level), which shows the significant impact of the Great Recession and slow recovery. The percentage of taxable value to assessed value increased 1% to 68% in FY18. More information on property values is available in Schedule H of the Statistical Section.

Local Option Sales Tax revenue and State Shared revenue (mostly state sales tax) increased, because of continued economic improvement. CST revenue was flat, due mostly to customer behavior, including a shift from cable services toward Internet-based services. Changes in providers also likely contributed to the decline, due to increased competition and bundling of services. A continued decline in CST is projected.

### Major General Revenue

	<u>FY18</u>	<u>FY17</u>	<u>Increase (Decrease)</u>	
Property Tax	\$24.1	\$21.0	\$3.1	14.2%
Utility Tax and Franchise Tax (mostly electric utility)	14.8	14.2	0.6	4.2%
Local Option Sales Tax ("Penny for Pinellas")	8.7	8.3	0.4	4.8%
Communications Services Tax (CST)	2.9	2.9	0.0	0.0%
State Shared Revenue (mostly from the state sales tax)	<u>8.7</u>	<u>8.5</u>	<u>0.2</u>	2.4%
Total	<u>\$59.2</u>	<u>\$54.9</u>	<u>\$4.3</u>	7.8%



Major GA General Revenues increased 7.8% compared to a 4.4% increase last year, due mostly to a property tax increase. Economic improvement also created higher property values and sales taxes.

**GA Expenses** - The following graph presents GA expenses for the past ten years by Function, which is useful in identifying larger trends. A "Function" is a grouping of similar activities, for example, the Public Safety Function includes police and fire rescue activities. Most Functions experienced little or no growth over the past ten years, due budget reductions made during the Great Recession and slow recovery.

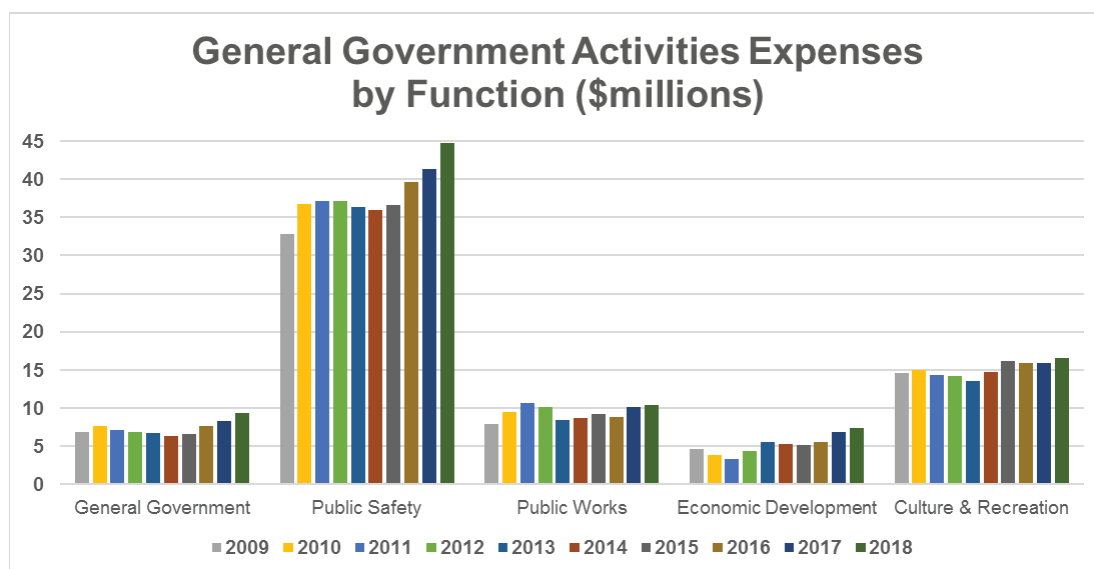
# City of Largo, Florida

## Management's Discussion and Analysis

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Most of the increase in each Function relates to normal salary and benefit increases, due to inflation, as well as one-time wage compression adjustments made over the last few years that were necessary to remain competitive in a tight labor market after several years of salary freezes.

About half of total GA expenses relate to Public Safety services, which is normal for the City. Most of the Public Safety increase is related to an increase in pension costs and new police and fire personnel that were added in accordance with the public safety staffing plan. Economic Development expenses increased, largely due to increased development activities, which required additional planners and building inspectors.



**Governmental Activities (GA) “Net” Expenses** - The GASB requires a presentation of “net expenses” in the government-wide financial statements. Net expenses are total expenses minus related program revenue, which is mostly charges for services. This presentation reveals the amount of expenses that must be paid for with general revenue, which is mostly taxes.

The table below presents GA net expenses. The table shows that 63% of GA expenses were paid for with general revenue, which means 37% were paid for with program revenue, mostly charges for services.

	Governmental Activities (\$ in millions)			
Function	Total Expense	Program Revenue	Net Expense	
General Government	\$9.4	\$3.5	\$5.9	63%
Public Safety	44.7	13.2	31.5	70%
Public Works	10.4	5.5	4.9	47%
Economic Development	7.4	4.5	2.9	39%
Culture & Recreation	16.5	5.6	10.9	66%
Total	<u>\$88.4</u>	<u>\$32.3</u>	<u>\$56.1</u>	63%

# City of Largo, Florida

## Management's Discussion and Analysis

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It would be unusual to pay most GA expenses with program revenue (mostly user charges), because user charges are impractical to charge and collect and most GA services are expected to be paid for through taxes by the public, such as police investigations, fire/rescue, and library services. Some GA expenses can be recovered through user charges, such as recreation programs and building permitting.

The Economic Development Function reported the lowest net expense, which is mostly due to program revenue received from construction permits, construction inspections and housing grants. The Public Works Function reported the second lowest amount of net expenses, due to collection of stormwater fees, which are established in amounts sufficient to pay all stormwater operating expenses and small capital improvements.

The Public Safety Function (police and fire rescue activities) reported the highest net expenses, which is normal. The vast majority of Public Safety Program Revenue (\$9.2million) is related to Fire/EMS revenues received from Pinellas County for fire services provided to unincorporated areas and for county-wide EMS.

**Business-type Activities (BTA)** – Three enterprise funds comprise all BTA: Wastewater (collection, treatment and reclaimed water distribution), Solid Waste collection (garbage, brush, bulk items and recyclables) and a Golf Course.

All BTA expenses are paid for with program revenue in most years. Charges for services were essentially unchanged from the prior year, because there were no rate increases and customer growth was relatively small. BTA expenses only increased 1%, which is discussed further in the enterprise fund analysis.

Key financial metrics for BTA include (additional information is presented in the Proprietary Fund statements):

- Total BTA program revenue was approximately the same as in the prior year, because there were no service charge (rate) increases. BTA rate increases have not been required since 2007, due largely to improved efficiency, low inflation, cost reductions and wage freezes.
- Wastewater and Solid Waste revenues are not growing significantly, because the City is virtually at build-out and re-development growth is insignificant relative to the existing base. Wastewater revenue also declines when properties are annexed, because the 25% surcharge is removed.
- Wastewater operating income was \$400,000 lower than the prior year, due mostly to slightly higher repair and maintenance costs. Additional projects were conducted to repair and “tighten-up” the collection system as part of an ongoing effort to reduce inflow and infiltration.
- Golf course revenue was \$24,000 lower than the prior year (2.5%), \$9,000 of which was due to lower Pro Shop sales. The Golf Course has continued to cover all of its direct operating expenses, except for depreciation and the General Fund administrative charge.

### “GOVERNMENTAL” FUNDS DISCUSSION and ANALYSIS (*Individual funds, “small-picture” focus*)

Governmental Fund reporting focuses on “*major funds*” (larger funds) by measuring the flow of current financial resources, like cash, using the modified accrual basis of accounting. This is different from the “big-picture” focus in Governmental Activities, which measures the flow of economic resources using the full accrual basis of accounting.

The City reported five major funds over the past two fiscal years: General, Local Option Sales Tax, SHIP, HOME, and CDBG. These funds also comprise the majority of total Governmental Activities.

# City of Largo, Florida

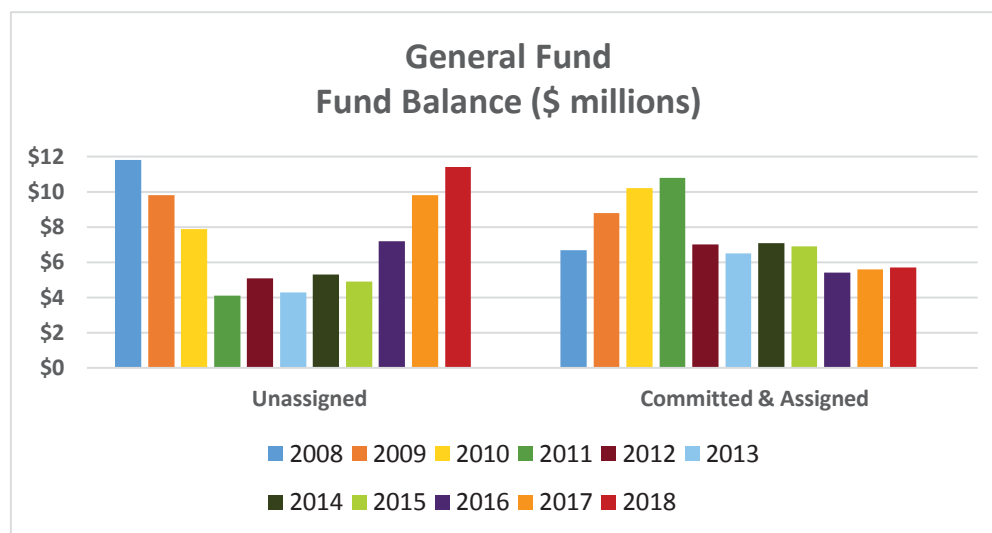
## Management's Discussion and Analysis

September 30, 2018

**General Fund.** The General Fund is the largest fund and also accounts for the majority of Governmental Activities. The next several pages highlight the General Fund's activity.

**Fund Balance.** Fund Balance is an important indicator of a government's financial strength. Fund Balance is "left-over" revenue that has not been spent and is often called a "rainy-day" reserve, because part of it can usually be used to pay unexpected costs or to compensate for unexpected revenue losses.

Fund Balance is reported in categories prescribed by GASB standards. The following graph presents the General Fund's major fund balance categories, including the Great Recession period.



**Unassigned Fund Balance.** This amount is available to compensate for revenue shortfalls, expenditure increases, or to seize unexpected opportunities. As shown in the graph, the Unassigned Fund Balance declined significantly from its highest level ever in FY08, due to the Great Recession and the long recovery.

The FY18 increase of approximately \$1.5 million was due mostly to property tax growth related to continued economic improvement and a millage rate increase, which are discussed in greater detail later. Of the \$2.6 million increase in FY17, \$1 million (38%) related to one-time proceeds from a legal settlement. Most of the FY16 increase was due to revenues increasing slightly and additional budget cuts.



The Unassigned fund balance increase over the past few years is an extremely positive development and is discussed in more detail later.

**Committed & Assigned Fund Balance.** A large part of the Committed & Assigned Fund Balance is set aside to balance the following year's budget, because estimated revenues are usually less than appropriations. This amount is not available for other purposes, unless the subsequent year's budget is reduced.

The amount set aside for future budgets has decreased since FY11, which means there is a smaller difference between the following years' estimated revenues and appropriations. Of the committed and assigned amounts presented, \$1.4 million was committed for the FY19 budget and \$1.7 million was committed for the FY18 budget, which represented 1.8% and 2.2% of the budgets, respectively.



# City of Largo, Florida

## Management's Discussion and Analysis

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The Committed & Assigned Fund Balance decreases resulted partly from significant budget reductions made during the Great Recession and subsequent recovery, which is a silver lining to an otherwise stormy period. Additional property tax revenue was also received, due to economic improvements and millage rate increases, which are discussed later, coupled with continued control of expenditures.

Part of the Committed & Assigned Fund Balance also includes amounts set aside for outstanding purchase orders (PO's), which were \$923,000 at the end of FY18 compared to \$1.6 million at the end of FY17. Outstanding POs reflect a claim against the current year's budget, just as expenditures. If POs are not fulfilled in the amounts set aside, any unfulfilled amounts are returned to fund balance in the subsequent year.

Approximately \$2 million was assigned for unpaid vacation leave for the last two years. Unpaid vacation is recorded as a liability in proprietary funds and at the government-wide level, but not in governmental funds; therefore, the assignment reflects the impact on fund balance if the unpaid leave is paid early in the next year.



The recent amounts Committed for the following year's budget are low compared to earlier years and are also below the average under-budget amount of 5%. This means amounts Committed are unlikely to be spent.

**Fund Balance Policy.** Fund balance is just one tool that can provide fiscal stability until an unanticipated condition improves or action can be taken. FY18's ending fund balance represents an adequate amount to compensate for normal economic downturns or minor disasters; however, no "normal" fund balance will ever be able to compensate for significant economic downturns or major disasters.

Florida Statutes set no minimum Fund Balance, except that total Fund Balance cannot be negative. The City Commission adopted a Fund Balance policy for the General Fund in FY16, which establishes a minimum level and a target level (desired) for "Unrestricted" Fund Balance.

"Unrestricted" Fund Balance is defined by the Government Finance Officers Association (GFOA) as a combination of Committed, Assigned and Unassigned Fund Balances. The GFOA's recommended "minimum" Unrestricted Fund Balance is two months of budgeted expenditures, or 17%. The GFOA does not recommend a target or maximum level, because each government's characteristics are unique.

Common methods of determining a target fund balance are:

- As an absolute dollar amount ("pick a number", like \$1 million)
- As a percentage of the current year's projected or budgeted revenues or expenditures
- As a percentage of the next year's budgeted revenues or expenditures



**Question:** How much of an Unrestricted or Unassigned fund balance should the General Fund maintain?

**Answer:** Determining a "one size" target fund balance amount is difficult, because each government is different.

# City of Largo, Florida

## Management's Discussion and Analysis

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Factors that influenced the development of the General Fund's fund balance policy, included:

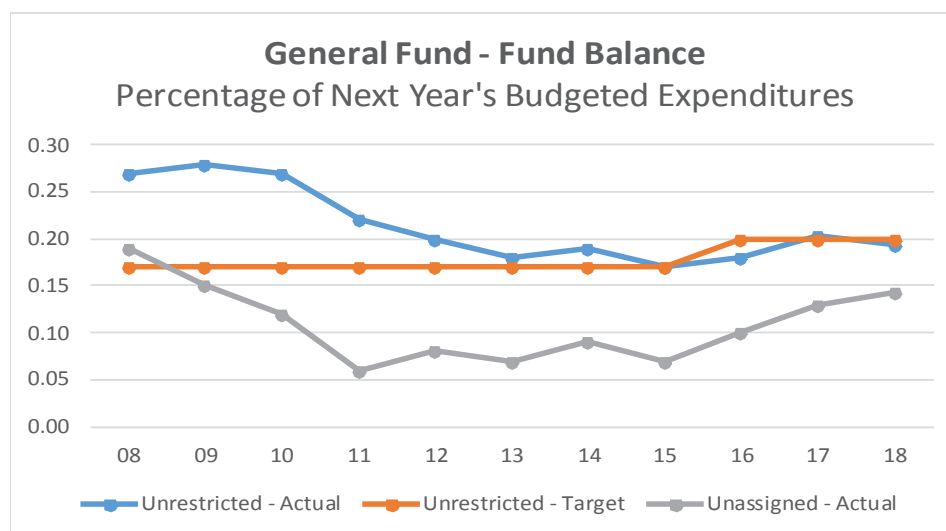
- Revenues are relatively stable, well diversified and could be raised, if needed
- The Property Tax millage rate could be increased, because it is only about half of the legal limit
- Elected officials have demonstrated a willingness to increase revenues, when needed
- Many expenditures are variable or semi-variable and could be reduced, if needed
- Elected officials have demonstrated a willingness to reduce expenditures, when needed
- The General Fund pays no debt service costs and debt could be issued, if needed
- All things considered, the local economy is relatively stable
- The City maintains an average level of risk aversion and maintains adequate insurance

**A Theory of Relativity** - The following graph presents the General Fund's fund balance trends since the start of the Great Recession. A higher percentage indicates more "cushion" to make appropriations, if needed.

While the previous graph showed that FY18 fund balance amounts are close to FY08 in dollar amounts, the following graph shows they are not as close in relative terms, so there is less flexibility to make additional appropriations today than in FY08. Also, most department budgets have become "tighter" since FY08, due to years of budget cuts, which reduces the flexibility to cut expenditures, relatively.



The Unassigned-Actual fund balance is at its highest level in nine years and the Unrestricted-Actual fund balance is near the Target, although lower than last year.



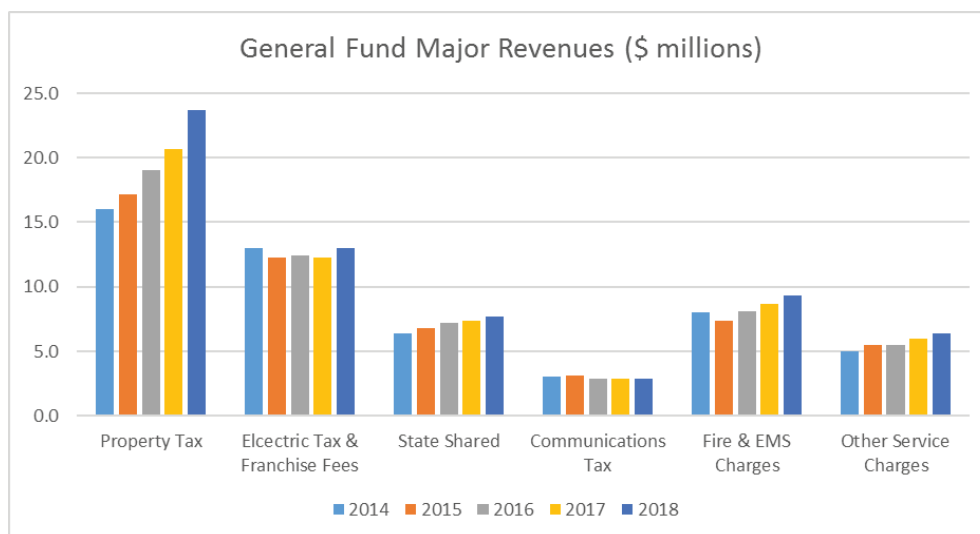
The Unrestricted fund balance is not all available to spend, because of commitments or assignments. The Unassigned fund balance is a better measure of an emergency reserve, because it is all available to spend.

# City of Largo, Florida

## Management's Discussion and Analysis

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**General Fund Revenue.** The following graph presents the General Fund's Major Revenues for the past five years. Major revenues typically comprise 80%-85% of total General Fund revenue.



The above graph's message is, there has been low or no growth in several major revenues, which has made it more difficult to maintain services without property tax increases. Major revenues grew \$5 million to \$63 million, or 9%, mostly due to property tax growth, which is discussed below. Non-major revenues declined \$400,000; therefore, all FY18 General Fund revenue growth was produced by major revenues.



Only Property Tax and Other Service Charges can be increased, subject to legal restrictions. Service Charges are also constrained by market conditions. Most other revenues are uncontrollable, because rates are set at the maximum or determined by agreement or law.

Property tax revenue increased \$3 million or 15%, which was the fifth year of increase; however, FY18 taxable values were still \$360 million lower than in FY08 (8% lower), including all new construction and annexations since FY08, which demonstrates the impact of the Great Recession.

Half of the increase was due to higher taxable values, due to an improved economy, plus new construction and annexations. The other half was due to a millage increase from 5.37 to 5.74 mills. The millage increase was a strategic response to a proposed constitutional amendment, which included an additional homestead exemption and new revenue restrictions. The amendment failed by about two percent (about 152,000 votes).



It can be argued that FY08 taxable values were artificially inflated, but even compared to FY06 (twelve years ago), taxable values have increased less than 2% a year, which includes a significant number of annexations, redevelopment and new construction.

State Shared revenues grew \$300,000 (4%), due to economic improvement, which generated higher sales taxes. The increase was higher than last year's 3% growth, which was also based on the economy.

# City of Largo, Florida

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Fire and EMS Service Charges from the County increased \$600,000 or 7%, due mostly to renegotiation of the contract and an approved budget increase related to new positions authorized in the public safety staffing plan. This revenue paid approximately 50% of the General Fund's Fire Rescue costs in FY18 and has been the third largest revenue for many years.

Electric utility taxes and franchise fees have been essentially flat over the past five years, due to a reduction in the tax base caused by a decline in fuel prices and greater conservation, including more solar usage and normal replacements of less efficient equipment, especially HVAC systems. Other major factors that can significantly affect the tax base include weather variations (milder or harsher winters and summers).

Communications Services Tax (CST) was essentially flat (a decline in relative terms), due partly to intensified competition, lower charges for bundled services, and more customers transitioning to Internet-based services, all of which reduce the tax base. Most Florida governments have experienced similar CST declines. Current projections include no growth; therefore, this revenue will continue to decline relative to the budget.

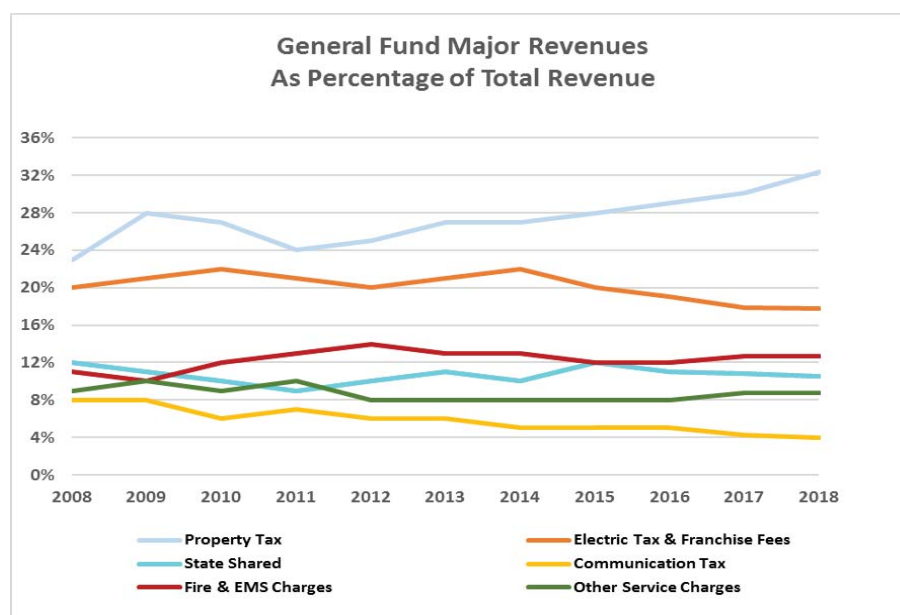


Any revenue with no growth, such as the CST, electric utility taxes and electric franchise fees, is actually declining relative to expenditures, because of inflation and service level increases.

**Revenue Diversification.** The following graph presents the General Fund's Major Revenues as a percentage of total General Fund revenue, which helps to identify trends in reliance. There have been several changes in revenue reliance; however, the General Fund's major revenues remain fairly well diversified.

Property tax revenue reliance increased the most, from 23% of total revenue in FY08 to 32% in FY18, which is a 39% increase. The millage was increased from 3.65 in FY08 to 5.74 in FY18, due to a decline in taxable values, slow or no revenue growth, rising costs and because property tax is the largest controllable revenue.

With a ten mill cap and increased State restrictions, the City has less flexibility to increase the millage rate now than in FY08, both legally and practically. Since most major revenues are not controllable by the City, greater reliance is likely to be placed on property taxes in the future, to the extent possible and practical.



# City of Largo, Florida

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Reliance on Electric Utility Tax and Franchise Fees declined by about 2 percentage points since FY08 and reliance on State Shared Revenue has declined about the same. These revenues are not controllable by the City, because of statutory caps, and are highly dependent on consumer behavior and weather conditions.

Reliance on CST declined the most, which declined from about 8% of total revenue to 4%, or a 50% decrease. Current projections indicate no or low growth in CST over the next five years; therefore, CST revenue will continue to decline relative to the budget.



The main concern with less revenue diversification is that declines are amplified as reliance on a particular revenue grows, much the same as with declines in an undiversified investment portfolio.

Reliance on Fire/EMS service charges has grown by 2 percentage points, due to growth in the Fire/EMS budget and contractual changes. Reliance on other Service Charges has remained near 9%, even though charges have been adjusted based on cost increases, demand, competition and market conditions.



**Fun Fact** – Total FY18 Fire/EMS Service Charges and Other Service Charges tie with Electric Taxes and Franchise fees for the second largest revenue source at 22% each. FY08 total Service Charges were also tied with Electric Taxes and Fees at 20% each.

**General Fund Expenditures and Encumbrances.** The following table compares the General Fund's total expenditures and year-end encumbrances to the final budget.

Year-end encumbrances reduce the fund balance carried-forward; therefore encumbrances are combined with expenditures to determine each departments' budget variance. Amounts re-budgeted to the following year are also listed in a separate column, because they will eventually be expended in the following year.

Most departments typically under-spend their budgets by 5%, due to savings from normal personnel turn-over. The total under-budget variance of 6.3%, including the amounts re-budgeted in the next year, was mostly due to personnel turn-over and is slightly larger than the prior year's under-budget variance of 5.1%.



The Police Department was over-budget \$186,000 (0.8%), due mostly to extra off-duty assignments related to new contracts. Costs were paid for with service charges; however, a budget amendment should have been requested when the new contracts were approved.



The Engineering Department budget was under-expended by \$2,000; however, an encumbrance near year-end pushed the department over-budget by \$5,000 (0.6%). This was the Department's first year of being separated from the Community Development Department and future budgets will be more accurate.

Under-budget variances of greater than 10% are discussed below.

- Recreation, Parks & Arts: About 25% of the variance (\$530,000) was related to re-budgeted amounts for Trail Rehabilitation projects and an FDOT grant for median beautification. The Performing Arts Center reported operating cost saving of approximately \$100,000, which was realized in numerous categories. Most programs underspent their budgets by more than 5% in varying areas.

# City of Largo, Florida

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- Library: most of the variance is related to personnel savings of \$321,000, due to turn-over and to \$200,000 that was budgeted for the bookmobile, which was paid by Library Foundation, instead.
- Information Technology: About half of the variance (\$300,000) was due to re-budgeting the phone system replacement project. Another \$250,000 was due to personnel turnover savings of \$150,000 and \$100,000 in software service agreement savings.
- Community Development: About half of the variance was related to extraordinary personnel vacancies (\$135,000), due largely to difficulty in filling key positions.
- General Operating: Almost 75% the under-budget amount (\$297,000) was caused by under-spending for debris removal and monitoring costs related to Hurricane Irma.

### General Fund - FY 2018 Expenditures & Encumbrances Compared to Final Budget (\$ in thousands)

Department	Expend.	Encumb.	Total Expended & Encumbered	Final Budget	\$ Variance Under (Over)	% Variance Under (Over)	Expenditures Re-budgeted in FY 2019
Police	\$23,235	\$ 5	\$23,240	\$23,054	(186)	(0.8)%	
Fire Rescue	18,371	72	18,443	19,935	1,492	7.5%	\$ 25
Rec., Parks & Arts	10,846	370	11,216	13,223	2,007	15.2%	\$530
Public Works	4,151	237	4,388	4,828	440	9.1%	
Library	3,663	42	3,705	4,304	599	13.9%	
Information Tech.	3,065	69	3,134	3,808	674	17.7%	\$300
Community Develop.	2,009	27	2,036	2,289	253	11.1%	
Administration	2,617	75	2,692	2,726	34	1.2%	
General Operating	1,230	18	1,248	1,644	396	24.1%	
Finance	852	-	852	899	47	5.2%	
Engineering	790	7	797	792	(5)	(0.6)%	
Human Resources	569	-	569	599	30	5.0%	
Legislative	<u>351</u>	<u>1</u>	<u>352</u>	<u>375</u>	<u>23</u>	6.1%	
Total	<u>\$71,749</u>	<u>\$ 923</u>	<u>\$72,672</u>	<u>\$78,476</u>	<u>5,804</u>	7.4%	
						6.3%	Less the rebudgeted Amounts Above



# City of Largo, Florida

## Management's Discussion and Analysis

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**Local Option Sales Tax Fund.** A one-cent Local Option Sales Tax (LOST) was approved for a ten year period beginning February 1990 and extended for three ten-year periods through voter referendum. LOST revenue can only be used to: finance, design and construct or improve infrastructure (roads, bridges, buildings, etc.); acquire land; and purchase public safety vehicles with a life expectancy of at least five years.

The following graph presents LOST revenue for the past thirteen years, including the highest year ever recorded in FY06. Revenue declined significantly from FY06 to FY 11, due to the Great Recession and slow recovery, but has been gradually increasing as the economy has improved.

FY18 revenue was \$180,000 above budget (2.4%) and above prior year revenue by \$300,000 (4%), which was the seventh year of increases, due to economic improvement. FY18 revenue of \$7.6 million was just above the highest amount ever received of \$7.4 million in FY06, which shows the lack of growth.

Initial revenue projections of the City's share of "Penny Three" were \$90 million, but new estimates are closer to \$75 million, due mostly to the effects of the Great Recession and partly to increased Internet sales, many of which have not been taxed. The schedule below summarizes major expenditures in FY18.

Fund balance decreased by \$1.8 million to \$6.2 million, due to normal variability and is projected to be totally expended over the last three years of Penny Three. The LOST Fund is a good example where fund balance could be zero, because the fund pays no operating costs and expenditures are relatively easy to project, including debt service. A fund balance is usually maintained to cover minor cost fluctuations.



### **LOST Fund – FY18 Expenditure Summary**

Debt Service – Community Center & Highland Recreation	\$ 3,541,000
Public safety vehicles	2,929,000
Roadway and stormwater improvements	1,739,000
Police data 911 systems	373,000
Municipal complex generators	1,727,000
Playground equipment	127,000
Fire Station #43 construction	104,000
Other projects	<u>95,000</u>
Total expenditures	<u><b>\$10,635,000</b></u>

# City of Largo, Florida

## Management's Discussion and Analysis

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**Housing Assistance Funds.** The City administers five housing Funds, three of which are Major Funds (SHIP, HOME and CDBG). The City prides itself on leveraging housing resources by partnering with Pinellas County, non-profits and developers. Housing assistance is primarily provided in the Target Area.

Housing assistance, includes: Eviction Protection, Rental Deposits, Rehabilitation, Down Payment Assistance, Housing Counseling, Legal Assistance, Homeless Services, Chore Services for Seniors, Public Facilities Improvements, AHD for First-Time Homeowners and other assistance programs.

Information is summarized below to highlight the City's total efforts. Additional information is available at:

[https://www.largo.com/services/residents/housing\\_assistance/subrecipient\\_applications.php#outer-520](https://www.largo.com/services/residents/housing_assistance/subrecipient_applications.php#outer-520)

	<b><u>Housing Assistance Funds (\$ in thousands)</u></b>						
	<b><u>SHIP</u></b>	<b><u>HOME</u></b>	<b><u>CDBG</u></b>	<b><u>NSP2</u></b>	<b><u>PCH</u></b>	<b><u>Total 2018</u></b>	<b><u>Total 2017</u></b>
<b>Revenue &amp; transfers</b>	\$669	\$446	\$730	\$0	\$7	\$1,852	\$2,094
<b>Expenditures &amp; transfers</b>	<u>829</u>	<u>446</u>	<u>730</u>	<u>0</u>	<u>0</u>	<u>2,005</u>	<u>1,906</u>
<b>Net revenue (expenditures)</b>	(160)	0	0	0	7	(153)	188
<b>Beginning fund balance</b>	<u>743</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>747</u>	<u>559</u>
<b>Ending fund balance</b>	<u>\$583</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11</u>	<u>\$594</u>	<u>\$747</u>
<b>Loans outstanding @ 9/30</b>	<u>\$5,551</u>	<u>\$3,383</u>	<u>\$2,138</u>	<u>\$116</u>	<u>\$721</u>	<u>\$11,909</u>	<u>\$12,434</u>

The SHIP Fund's major revenue was from the state documentary stamp tax until the State Legislature redirected revenues during the recession and recovery. The Legislature has restored some funding, so about half of SHIP revenue now comes from doc stamps and half comes from loan repayments.

CDBG Fund revenue is primarily from the Federal Government (HUD) and partially from loan repayments.

The HOME Fund receives revenue from Pinellas County and loan repayments.

NSP2 and PCH funds have no revenues projected, except principal and interest from loan repayments.

A fund balance is usually not reported in HOME, CDBG, PCH or NSP2, because revenue is received on a reimbursement basis. Loan repayments create fund balance if they are not expended before year end.

### **ENTERPRISE FUNDS** (*Individual funds, "small-picture" focus*)

The City operates three Enterprise Funds. Enterprise funds use the same basis of accounting as Business-type Activities at the Government-wide level (full accrual), which is similar to private sector accounting. These three funds comprise all Business-type Activities reported at the Government-wide level.



User charges in all three funds remain competitive with other providers in the area and throughout the state, while service levels are among the highest. A large number of annexations are always related to a desire to receive the City's exceptional solid waste services.

# City of Largo, Florida

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The following table summarizes key Enterprise Fund activity.

	Enterprise Funds (\$ millions)					
	Wastewater		Solid Waste		Golf Course	
	2018	2017	2018	2017	2018	2017
Operating Revenue	\$22.9	\$22.9	\$11.0	\$11.2	\$0.9	\$1.0
Operating Expenses	\$20.9	\$20.4	\$12.3	\$11.7	\$1.1	\$1.1
Operating Income (Loss)	\$2.0	\$2.5	(\$1.3)	(\$0.5)	(\$0.2)	(\$0.1)
Change in Net Position	\$1.7	\$2.6	(\$1.1)	(\$0.3)	(\$0.1)	(\$0.1)
Ending Net Position	\$113.0	\$111.3 <sup>1</sup>	\$12.1	\$13.2 <sup>1</sup>	\$2.1	\$2.2 <sup>1</sup>
Ending Unrestricted Net Position	<u>\$32.7</u>	<u>\$22.6<sup>1</sup></u>	<u>\$6.1</u>	<u>\$6.5<sup>1</sup></u>	<u>\$0.2</u>	<u>\$0.2<sup>1</sup></u>

1: FY17 ending and unrestricted net position were restated in FY18, due to a retroactive GASB change in OPEB reporting standards.

**Wastewater Fund.** The rate structure was changed in FY 18, but no new revenue was generated. The 3,000 gallon minimum for residential customers was reduced to zero and the 8,000 gallon maximum was increased to 10,000 to create greater equity and to bring the rate structure in line with surrounding utilities.

A 25% rate increase is projected in FY21, which will be the first increase since FY07. Rates have remained steady, due to: three years of salary freezes; a delay in constructing several large projects, which resulted debt service savings; and collection system improvements, which have reduced flows and treatment costs.

The increase in unrestricted net position is mostly related to draws on the State Loan for capital expenditures made during the prior year and paid with unrestricted net position. The State Loan is reimbursement-based.

**Solid Waste Fund.** A 20% rate increase was implemented on 10/1/18 (FY19), which was the first increase since FY07. A 10% rate increase is projected in FY22. Rates have remained low, due to: three years of salary freezes; an increase in recycling rate related to a shift to single-stream collection, which reduced costs; improved route management; and no tipping fee increases, which comprise about 30% of operating costs.



Recently announced tipping fee increases and new recycled materials disposal charges will accelerate the next rate increase. Disposal costs could increase \$500,000-\$750,000, or 5% of total operating expenses.

**Golf Course.** The negative change in net position (net loss) of \$121,000 was higher than prior year (\$84,000), due partly to a \$24,000 revenue decrease (2%), which reflects continued nation-wide weakness in demand for golfing services. Expenses also increased \$17,000 (1.6%), due to inflation. The administrative charge for indirect services such as HR and IT is still being waived to assist the course in covering its direct expenses.

Even with the recurring negative change in net position, the Golf Course has consistently reported a positive cash flow, which means all cash expenses have been covered over the past several years. Rates, promotions and other marketing efforts are continuously reviewed and adjusted, based on market conditions.



The positive cash flow only allows funding of minor capital assets. The last major capital improvement of \$2 million was funded by Local Option Sales Tax.

# City of Largo, Florida

## Management's Discussion and Analysis

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### CAPITAL ASSETS AND LONG-TERM DEBT

The City's investment in capital assets is summarized below for the past two fiscal years. Governmental Activities include all general government capital assets and Business-type Activities include all enterprise fund capital assets. No significant changes are reported in either of the Activities.

Capital assets are depreciated using the straight-line method over assets' estimated useful lives. Total assets were less than 50% depreciated at the end of FY18 (39% GA and 45% BTA). Provisions have been made to replace major capital assets in the City's Capital Improvements Program and Long-term Financial Plan, which are on the City's web site. Additional capital asset information is in Note IV.C.

<b>Capital Assets</b>	<b>Government-wide Activities (\$ millions)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Land	\$26	\$25	\$3	\$3	\$29	\$28
Construction in progress	17	8	107	100	124	108
Buildings and improvements	77	77	7	7	84	84
Improvements other than buildings	64	64	141	150	205	214
Machinery and equipment	40	41	20	23	60	64
Intangible	1	1	-	-	1	1
Total capital assets	225	216	279	283	504	499
Less accumulated depreciation	(87)	(81)	(125)	(131)	(212)	(212)
Net capital assets	\$138	\$135	\$154	\$152	\$292	\$287

The cornerstone of the City's financial condition is its conservative debt policy. Details on all long-term debt is included in Note IV.F. The following table presents all long-term debt, including non-capital related debt.

<b>Long-term Debt</b>	<b>Activities (\$ millions)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Community Center	\$1.8	\$3.0	\$ -	\$ -	\$1.8	\$3.0
Highland Recreation Complex	3.4	5.6	-	-	3.4	5.6
Wastewater Improvements	-	-	76.0	63.4	76.0	63.4
Net Pension Liability	41.4	37.6	-	-	41.4	37.6
Compensated Absences (vacation)	2.5	2.6	0.5	0.5	3.0	3.1
Other Post-employment Benefit (health)	9.4	5.7	2.1	1.3	11.5	7.0
Other	1.9	2.0	-	-	1.9	2.0
Total Long-term Debt	\$60.4	\$56.5	\$78.6	\$65.2	\$139.0	\$121.7

# City of Largo, Florida

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The City uses a "pay-as-you-go" policy for most capital purchases, including most infrastructure. Borrowing is only used for large, non-recurring capital items after considering the ability to repay and public needs.

The City has no general obligation debt outstanding and all governmental debt is secured by Local Option Sales Tax revenue. Governmental debt was issued in FY11 for construction of the Community Center and in FY12 for construction of the Highland Recreation Center.

Business-type Activities debt was issued in FY16-FY18 for construction of three major wastewater projects required by a state consent order. The Wastewater Fund is the only enterprise fund with long-term debt.



**Fun Fact** - Final payments on the Community Center and Highland Recreation Center loans will be made in 2019. Both loans will be repaid in less than ten years.

The City has received wastewater loans from the Florida Department of Environmental Protection (DEP) to of up to \$84 million for construction of three "Consent Order" projects that will expand and improve the wastewater collection system, disinfection system and plant head-works. Additional authorization has also been received of approximately \$60 million for the "middle plant" project. Loan draws are taken after construction payments are made, which reduces borrowing costs compared to traditional bonds.



**Fun Fact** - The average interest rate on the DEP loans is less than 1%, which will produce at least \$15 million in net savings over conventional borrowing.

Another indicator of the City's conservative debt policy debt is the amount of debt outstanding compared to the cost of the related capital assets. Business-type Activities (wastewater) debt increased, because of construction of the three Consent Order projects. These three projects' estimated final cost of approximately \$80 million will effectively double the wastewater system's net capital assets.

The table below depicts the percentage of City's capital assets that are financed.

	<b>Capital Assets (\$ millions)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net capital assets	\$138	\$135	\$154	\$152	\$292	\$287
Less related debt	(5)	(8)	(76)	(64)	(81)	(72)
Equity in net capital assets	\$133	\$127	\$ 78	\$88	\$211	\$215
Portion financed (%)	4%	6%	49%	42%	28%	25%



Only 4% of governmental capital assets are financed. The portion of capital assets financed in Business-type Activities (wastewater) increased, because of the three Consent Order projects, but the portion financed is still relatively low.

# City of Largo, Florida

## Management's Discussion and Analysis

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Long-term liabilities are recorded for unused compensated absences (vacation leave), which will result in additional payments if unused vacation is paid at separation. The City does not pay retiree health insurance costs; however, retirees can remain on the City's health plan by paying the same premiums charged to employees, which results in an "implicit" subsidy liability. The implicit subsidy liability is recorded as an Other Post-employment Benefit (OPEB) liability.

**Pension liabilities.** Eleven years after the Great Recession, many local governments' pension plans are still worse off than they were before the recession, including Largo's plan. A year before the recession began, the median pension plan funded ratio was 92% for state plans and 97% for local plans, according to Wilshire Funding Studies. Average ratios fell to 68% for states and 72% for local governments by 2016. A low ratio indicates a pension plan is financially weaker and that more money will be required to meet future obligations.

The City's pension costs were approximately 6% of the General Fund Budget in FY18 and FY17. The following table presents information for the City's Police and Fire Pension Plan.

Actuarial Report Date October 1	Funded Ratio	Surplus (Deficit) \$ millions	City's Annual Required Contribution	
			\$ millions	% of pay
1999 <sup>(1)</sup>	122.7%	\$10.3	\$0	0%
2011 <sup>(2)</sup>	59.4%	(\$52.7)	\$5.1	36.7%
Last Six Years				
2012	67.3%	(\$43.8)	\$4.3	31.6%
2013	74.4%	(\$35.0)	\$3.7	28.7%
2014	77.5%	(\$31.8)	\$3.5	26.5%
2015	73.6%	(\$38.6)	\$4.2	29.8%
2016	70.6%	(\$47.7)	\$5.1	32.3%
2017	75.4%	(\$41.4)	\$4.8	29.4%

(1) Highest Funded Ratio and Lowest Required Contribution since 1992

(2) Lowest Funded Ratio and Highest Required Contribution since 1992

The funded ratio trend has been mostly downward for many years, primarily because investment earnings have been below the assumed rate. Changes to actuarial assumptions have also decreased the funded ratio, primarily related to reducing the investment return from 8.33% to 6.75% and increasing life expectancies.



The pension benefit reductions made in FY13 will likely be reinstated, based on current negotiations, which will increase the net pension liability and the City's required contribution, all other factors held constant.

The long-term goal of any pension plan is to reach a 100% funded ratio, which is when plan assets equal plan liabilities. The most important factor about a funded ratio is the trend, because it shows whether progress is being made toward fully funding the Plan.

Two new GASB standards required unfunded pension liabilities (net liabilities) or surpluses (over-funding) to be recorded in the financial statements, required additional note disclosures and required adoption of one standard actuarial method. Previously, net pension liabilities and surpluses were only disclosed in the notes. The new GASB standards are intended to more prominently report pension liabilities.



# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

The new GASB standards didn't significantly change how the pension liability was calculated, because the plan's actuary was already using the required valuation method. Recording the Pension Plan's net pension liability in the City's government-wide financial statements has created a negative Governmental Activities unrestricted net position since FY15. A summary of the pension liability follows.

### Governmental Activities (GA) Pension Plan Liability Information – Prior Three Years and the Most Recent Year Available

Actuarial Valuation Date	Total Pension Assets	Total Pension Liability	Unfunded Actuarial Pension Liability
10/01/17	\$127 million	\$168 million	\$41 million
10/01/16	\$114 million	\$162 million	\$48 million
10/01/15	\$107 million	\$146 million	\$39 million
10/01/14	\$109 million	\$142 million	\$31 million

Since the annual Actuarial Valuation Report is often issued after the CAFR is completed, the City has elected to use the immediately prior Actuarial Valuation Report to record the net pension liability. The most recent \$41 million net pension liability was created mostly by extraordinary investment losses and relatively lower investment gains over the past decade, which have been experienced by most pension plans.



**Fun Fact** - Police officers and firefighters are the only City employees who participate in a defined benefit pension plan.

As of the last actuarial valuation, the City's required pension contribution decreased 2.9% of pay (\$300,000), due mostly to positive investment returns. The funded ratio also increased to 75% (25% under-funded) from 71%, which means the pension plan had accumulated about 75 cents in assets for every \$1 of liabilities.

The net pension liability changes mostly because of investment performance and actuarial experience rather than by payments made in and out of the plan. The net pension liability's liquidation may or may not require the use of future assets, based on investment returns, which is different than a normal liability.



The City is reporting a weaker financial condition because of the \$41 million pension liability. If the liability was \$0, the City's pension contribution would decline by half to 15%, which would save \$2.4 million a year over the next 30 years (\$72 million total savings).

Additional pension plan information is in Note V.C and in the Required Supplementary Information located after the Notes. Actuarial reports are at: [https://www.largo.com/document\\_center/#outer-202sub-325](https://www.largo.com/document_center/#outer-202sub-325)

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

### ECONOMIC CONDITIONS, NEXT YEAR'S BUDGET AND NEXT YEAR'S RATES (FEES)

**Economic Conditions.** Most global, national, state and local economies continued to improve over the past year and the City is cautiously optimistic about future economic conditions. Current projections indicate a 20% chance for a nation-wide recession in 2019 and a 33% chance in 2020.

Several factors point to a positive short-term economic outlook for the City, including annexations, redevelopment and low debt. The City's infrastructure is in good condition and provisions have been made to replace aging infrastructure, equipment and facilities. Florida tourism remained near record levels, construction starts increased, home values rose, sales taxes grew and unemployment dropped.

**Question:** *Are current economic improvements sustainable?*



**Answer:** Having five positive fiscal years in a row has provided welcomed relief from years of budget cuts and service reductions. However, economic improvements are partially the result of artificial stimuli, both fiscal and monetary. What happens in Washington over the next few years is also difficult to project.

The Federal Reserve (Fed) began increasing interest rates, then abruptly stopped, due to a negative market reaction. Interest rates remain near historically low levels, which reduces the purchasing power of fixed-income investors like retirees, who comprise a large percentage of City residents. Lower interest rates have also increased pension contributions, because 30% of Plan investments are fixed income securities.

The long-awaited wind-down of the Fed's investment portfolio that was built-up through quantitative easing was also halted, which leaves approximately \$4,000,000,000,000 on the Fed's balance sheet. This is equal to 30% of all consumer debt of 13.5 trillion at the end of 2018, which demonstrates its significance.

What is likely the "best" thing for the economy in the long-run is a return to "normal" rates that encourage saving and keep inflation in check. After nine years of "recovery", it is likely that the US is closer to the next recession than the last one, especially since the recovery's length just set a new all-time record.

The housing market is strong, but personal income growth has been weak, labor participation remains below average and many new jobs are lower paying. Auto sales have cooled significantly and the negative effects of looser credit is emerging in the form of increasing loan defaults.

Unemployment figures are still somewhat misleading, because many people stopped looking for work, others are employed in marginal jobs and many of those who took "early retirement" would have preferred to keep working. So, where are the good jobs, where is the growth in wages and can everyone afford to stay retired?

All of the above factors were considered in preparing the City's FY19 budget.

**Next Year's Budget and Rates.** The FY19 property tax rate was maintained at 5.7413 mills, which was above the "rolled-back" rate; therefore, it generated a 6.28% "tax increase", according to state law. The new rate, plus growth in taxable values of 7.5%, are projected to generate an additional \$3.2 million above FY18.

The property tax rate was proposed by the City Commission after many discussions about the need to increase the General Fund's fund balance, projected declines in several other major revenues and the need to prepare for potential future State legislation that could create additional tax restrictions.

FY19 will be the sixth year of property value growth following five years of declines. The FY19 millage rate remains beneath the statutory cap of 10 mills, as well as remaining relatively competitive.

Most major revenues are not projected to exhibit significant growth for the foreseeable future. Stormwater and Wastewater fees were not increased in FY19; however, a 20% solid waste increase was effective 10/1/18.

# City of Largo, Florida

## Management's Discussion and Analysis

September 30, 2018

**Long-term Projections.** Most of the City's tax rates are set at maximum levels, except property taxes, so growth is entirely dependent on the tax base. The Local Option Sales tax was renewed through referendum for a ten-year period beginning on January 1, 2020 ("Penny Four"), which will significantly shape future capital spending. The City is projected to receive \$100 million over the next ten-year period.

The Legislature, Governor and many voters continue to express a strong desire for lower taxes and more revenue restrictions, even though Florida has one of the lowest tax burdens of all 50 states. Additional tax exemptions were passed in 2012, which will affect future revenues, including:

- Doubling of the homestead exemption to \$50,000 (except for public schools)
- Imposing a valuation increase cap of 10% on non-homestead properties
- Making the Save Our Homes exemption portable (which will create huge taxpayer inequity), and
- Providing a new \$25,000 exemption for tangible personal property.
- Note: A proposal for an additional \$25,000 homestead exemption (except for public schools) failed by less than 2% in November 2018 and could be reintroduced, given the small margin of rejection.

The significant budget reductions made during the Great Recession and the many slow years of recovery mean it is unlikely that additional budget reductions can be made, if needed, without reducing services. Services are continually reviewed to determine if programs can be provided more efficiently or should be eliminated. The City will also be challenged to control salary and benefit increases in an ever-tightening labor market.

On a positive note, fund balances have grown and are projected to remain adequate for the next few years.

The City has adequately maintained or replaced its facilities and infrastructure and the City's workforce is well trained and productive, albeit smaller. The City remains in good financial condition and is expected to continue providing highly-valued, high-quality services to the Largo community and surrounding area as it works diligently toward achieving its vision to become, *The Community of Choice in Tampa Bay, Naturally*.

### ADDITIONAL INFORMATION

Additional information is available on the City's website, at: [www.largo.com](http://www.largo.com), including Annual Budget, Long-term Financial Plan & Capital Improvements Program and prior CAFR's. Telephone inquiries may be directed to the Finance Director at (727) 587-6747. Written requests for information may be addressed to the Finance Director, PO Box 296, Largo, FL 33779-0296 or may be emailed to: [fidirector@largo.com](mailto:fidirector@largo.com)

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# BASIC FINANCIAL STATEMENTS

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**CITY OF LARGO, FLORIDA**  
**Statement of Net Position**  
**September 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 53,744,678	\$ 43,696,473	\$ 97,441,151
Receivables:			
Taxes	1,803,157	-	1,803,157
Interest	474,714	508,807	983,521
Accounts, net	2,601,053	5,643,406	8,244,459
Intergovernmental	2,051,525	60,124	2,111,649
Prepaid items and inventories	647,714	898,217	1,545,931
Restricted cash and investments	-	7,308,390	7,308,390
Other assets	1,029,060	-	1,029,060
Notes and loans receivable	11,911,770	-	11,911,770
Capital assets, net:			
Land	25,534,910	2,824,038	28,358,948
Building and improvements	83,059,448	35,747,035	118,806,483
Machinery and equipment	13,634,723	8,469,036	22,103,759
Intangible Assets	667,298	29,003	696,301
Construction in progress	16,720,675	107,279,255	123,999,930
<b>Total assets</b>	<b>213,880,725</b>	<b>212,463,784</b>	<b>426,344,509</b>
<b>Deferred outflows of resources</b>			
Pension contributions paid in advance	6,261,450	-	6,261,450
Deferred outflows - pension plan	11,049,477	-	11,049,477
<b>Total deferred outflows of resources</b>	<b>17,310,927</b>	<b>-</b>	<b>17,310,927</b>
<b>Liabilities</b>			
Accounts and accrued interest payable	3,579,341	5,673,350	9,252,691
Accrued payroll and vacation	1,481,096	237,139	1,718,235
Due to other governments	77,231	-	77,231
Unearned revenue and deposits	7,478,571	137,969	7,616,540
Noncurrent liabilities:			
Due within one year	5,952,848	4,812,349	10,765,197
Due in more than one year	3,602,260	71,660,895	75,263,155
Net pension liability	41,421,088	-	41,421,088
Total OPEB liability	9,427,052	2,122,281	11,549,333
<b>Total liabilities</b>	<b>73,019,487</b>	<b>84,643,983</b>	<b>157,663,470</b>
<b>Deferred inflows of resources</b>			
Business tax collected in advance	348,267	-	348,267
Deferred inflows - pension plan	6,055,798	-	6,055,798
<b>Total deferred inflows of resources</b>	<b>6,404,065</b>	<b>-</b>	<b>6,404,065</b>
<b>Net position</b>			
Net investment in capital assets	134,422,027	78,868,646	213,290,673
Restricted for:			
Wastewater purposes	-	9,377,654	9,377,654
Capital funded by local sales tax	6,199,856	-	6,199,856
Economic development	14,768,078	-	14,768,078
Public Works	11,370,815	-	11,370,815
Recreation, parks, arts, public safety	4,379,851	-	4,379,851
Unrestricted	(19,372,527)	39,573,501	20,200,974
<b>Total net position</b>	<b>\$ 151,768,100</b>	<b>\$ 127,819,801</b>	<b>\$ 279,587,901</b>

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

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**CITY OF LARGO, FLORIDA**  
**Statement of Activities**  
**Year Ended September 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 9,352,362	\$ 3,570,272	\$ -	\$ -	\$ (5,782,090)	\$ -	\$ (5,782,090)
Public safety	44,690,202	10,756,405	1,529,879	942,932	(31,460,986)	-	(31,460,986)
Public works	10,387,996	5,569,170	-	677	(4,818,149)	-	(4,818,149)
Economic development	7,362,167	3,074,419	856,530	508,047	(2,923,171)	-	(2,923,171)
Culture and recreation	16,548,144	5,429,982	144,264	68,963	(10,904,935)	-	(10,904,935)
Interest and fees	160,035	-	-	-	(160,035)	-	(160,035)
Total governmental activities	88,500,906	28,400,248	2,530,673	1,520,619	(56,049,366)	-	(56,049,366)
Business-type activities							
Wastewater	21,094,181	22,920,173	-	189,908	-	2,015,900	2,015,900
Solid Waste	12,149,076	10,959,891	60,127	-	-	(1,129,058)	(1,129,058)
Golf Course	1,064,684	944,910	-	-	-	(119,774)	(119,774)
Total Business-type activities	34,307,941	34,824,974	60,127	189,908	-	767,068	767,068
Total primary government	\$ 122,808,847	\$ 63,225,222	\$ 2,590,800	\$ 1,710,527	(56,049,366)	767,068	(55,282,298)
<b>General revenues:</b>							
Property tax					24,138,968	-	24,138,968
Utility tax					8,675,752	-	8,675,752
Sales and gas tax					8,715,386	-	8,715,386
Communication services tax					2,886,316	-	2,886,316
Franchise taxes					6,117,446	-	6,117,446
State shared revenue					8,735,564	-	8,735,564
Investment earnings					567,887	585,066	1,152,953
Miscellaneous					1,950,327	536,830	2,487,157
Special Item: Loss on change to capitalization threshold					-	(1,167,687)	(1,167,687)
<b>Total general revenues</b>					61,787,646	(45,791)	61,741,855
<b>Change in net position</b>					5,738,280	721,277	6,459,557
<b>Net position - beginning as restated</b>					146,029,820	127,098,524	273,128,344
<b>Net position - ending</b>					\$ 151,768,100	\$ 127,819,801	\$ 279,587,901

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

**CITY OF LARGO, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>SHIP</u>
<b>Assets</b>			
Cash and investments	\$ 17,161,202	\$ 5,011,219	\$ 580,579
Accrued interest	141,851	44,453	5,022
Receivables:			
Taxes	1,803,157	-	-
Accounts, billed	-	-	1,470
Accounts, unbilled	-	-	-
Special assessments	-	-	-
Due from other governments	542,683	1,121,251	-
Grants	-	-	-
Other	1,395,408	-	-
Due from other funds	95,158	343,000	-
Property held for resale	-	-	-
Other assets	151,015	-	-
Notes and loans receivable	2,208	-	5,551,122
Total assets	<u>\$ 21,292,682</u>	<u>\$ 6,519,923</u>	<u>\$ 6,138,193</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 750,489	\$ 287,352	\$ 1,704
Accrued payroll	1,363,324	-	2,597
Due to other governments	3,649	-	512
Due to other funds	-	-	-
Deposits	20,858	-	-
Unearned revenue	459,243	32,715	-
Total liabilities	<u>2,597,563</u>	<u>320,067</u>	<u>4,813</u>
Deferred inflows			
Business tax collected in advance	348,267	-	-
Unavailable revenue	1,246,266	-	5,551,122
Total deferred inflows	<u>1,594,533</u>	<u>-</u>	<u>5,551,122</u>
Fund balances:			
Nonspendable	72,789	-	-
Restricted	-	6,199,856	582,258
Assigned	5,743,695	-	-
Unassigned	11,284,102	-	-
Total fund balances	<u>17,100,586</u>	<u>6,199,856</u>	<u>582,258</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 21,292,682</u>	<u>\$ 6,519,923</u>	<u>\$ 6,138,193</u>

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

<u>HOME</u>	<u>CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 94,244	\$ 24,605,638	\$ 47,452,882
-	-	228,161	419,487
-	-	-	1,803,157
336	1,293	539,873	542,972
-	-	478,305	478,305
-	-	14,604	14,604
-	-	190,298	1,854,232
157,183	-	-	157,183
-	-	7,798	1,403,206
-	-	189,000	627,158
-	-	829,060	829,060
-	-	-	151,015
3,382,789	2,138,308	837,343	11,911,770
<u>\$ 3,540,308</u>	<u>\$ 2,233,845</u>	<u>\$ 27,920,080</u>	<u>\$ 67,645,031</u>
\$ 55,745	\$ 22,630	\$ 2,089,769	\$ 3,207,689
733	5,720	76,723	1,449,097
5,883	67,187	-	77,231
95,158	-	532,000	627,158
-	-	668	21,526
3,382,789	2,138,308	865,350	6,878,405
<u>3,540,308</u>	<u>2,233,845</u>	<u>3,564,510</u>	<u>12,261,106</u>
-	-	-	348,267
-	-	518,304	7,315,692
-	-	518,304	7,663,959
-	-	-	72,789
-	-	23,709,268	30,491,382
-	-	127,998	5,871,693
-	-	-	11,284,102
-	-	23,837,266	47,719,966
<u>\$ 3,540,308</u>	<u>\$ 2,233,845</u>	<u>\$ 27,920,080</u>	<u>\$ 67,645,031</u>

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

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

Ending fund balance - governmental funds	\$ 47,719,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	139,411,687
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds.	39,456
Internal service funds are used by management to charge the costs of fleet activity and risk costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	4,249,176
Deferred outflows of resources from pension expenses subsequent to measurement date of net pension liability.	6,261,450
Net deferred outflows of resources resulting from net pension liability	4,993,679
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,228,321)
Long-term liabilities, including compensated absences, other post employment benefits (OPEB) and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	(53,024,677)
Special assessment liens receivable are not financial resources in the current period and therefore are reported as deferred revenues in the funds.	29,992
Unavailable revenue is not a financial resource in the current period and therefore is not reported as such in the funds.	7,315,692
Net position of governmental activities	<u>\$ 151,768,100</u>

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

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2018**

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>SHIP</u>
<b>Revenues</b>			
Taxes	\$ 35,912,254	\$ 7,633,749	\$ -
Licenses and permits	6,135,917	-	-
Intergovernmental	10,464,318	942,932	350,329
Charges for services	15,672,627	-	-
Fines	347,909	-	-
Interfund charges	3,647,200	-	-
Contributions and donations	67,562	-	-
Investment earnings	198,377	51,561	15,220
Other	899,497	171,416	303,328
Total revenues	<u>73,345,661</u>	<u>8,799,658</u>	<u>668,877</u>
<b>Expenditures</b>			
Current:			
General government	8,380,263	-	-
Public safety	41,605,817	-	-
Public works	4,120,219	-	-
Economic development	2,739,670	-	829,310
Culture and recreation	13,643,304	-	-
Capital outlay	1,170,856	7,094,137	-
Debt service:			
Principal	-	3,365,011	-
Interest	-	176,408	-
Total expenditures	<u>71,660,129</u>	<u>10,635,556</u>	<u>829,310</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,685,532</u>	<u>(1,835,898)</u>	<u>(160,433)</u>
<b>Other Financing Sources/(Uses)</b>			
Transfers in	11,400	-	-
Transfers out	(90,000)	-	-
Net other financing sources (uses)	<u>(78,600)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	1,606,932	(1,835,898)	(160,433)
<b>Fund balance - beginning</b>	<u>15,493,654</u>	<u>8,035,754</u>	<u>742,691</u>
<b>Fund balance - ending</b>	<u><u>\$ 17,100,586</u></u>	<u><u>\$ 6,199,856</u></u>	<u><u>\$ 582,258</u></u>

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

<u>HOME</u>	<u>CDBG</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 995,741	\$ 44,541,744
-	-	2,146,252	8,282,169
446,441	143,940	1,557,287	13,905,247
-	-	5,588,437	21,261,064
-	-	-	347,909
-	-	-	3,647,200
-	-	214,016	281,578
-	8,705	233,766	507,629
-	577,261	118,096	2,069,598
<u>446,441</u>	<u>729,906</u>	<u>10,853,595</u>	<u>94,844,138</u>
-	-	-	8,380,263
-	-	107,554	41,713,371
-	-	3,997,413	8,117,632
446,441	729,906	2,235,306	6,980,633
-	-	186,378	13,829,682
-	-	5,565,478	13,830,471
-	-	-	3,365,011
-	-	-	176,408
<u>446,441</u>	<u>729,906</u>	<u>12,092,129</u>	<u>96,393,471</u>
-	-	(1,238,534)	(1,549,333)
-	-	90,000	101,400
-	-	(11,400)	(101,400)
-	-	78,600	-
-	-	(1,159,934)	(1,549,333)
-	-	24,997,200	49,269,299
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,837,266</u>	<u>\$ 47,719,966</u>



**CITY OF LARGO, 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**

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

Net change in fund balances - total governmental funds	\$ (1,549,333)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense exceeds depreciation expense.	4,836,268
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(615,688)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The net effect of revenue accruals may increase or decrease net position.	415,898
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction is reported on the government-wide financial statements.	3,365,011
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as changes in accrued interest, changes in accrued vacation, other post-employment benefits and changes in net pension liability and any related deferred inflows/outflows.	(1,208,507)
Internal service funds are used by management to charge the costs of fleet management and risk activities to individual funds. The net revenues or loss of certain activities of the internal service funds are reported with governmental activities.	<u>494,631</u>
Change in net position of governmental activities (statement of activities)	<u><u>\$ 5,738,280</u></u>

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 36,338,600	\$ 36,338,600	\$ 35,912,254	\$ (426,346)
Licenses and permits	5,860,100	5,860,100	6,135,917	275,817
Intergovernmental	11,102,200	11,102,200	10,464,318	(637,882)
Charges for services	14,986,600	15,058,600	15,672,627	614,027
Fines	370,000	370,000	347,909	(22,091)
Interfund charges	3,675,600	3,675,600	3,647,200	(28,400)
Contributions and donations	353,800	353,800	67,562	(286,238)
Investment earnings	155,000	155,000	198,377	43,377
Other	1,209,100	1,209,100	899,497	(309,603)
Total revenues	<u>74,051,000</u>	<u>74,123,000</u>	<u>73,345,661</u>	<u>(777,339)</u>
<b>EXPENDITURES</b>				
General government	8,098,100	9,301,523	8,380,263	921,260
Public safety	42,671,300	42,896,540	41,605,817	1,290,723
Public works	4,469,300	4,585,189	4,120,219	464,970
Economic development	2,929,300	3,020,662	2,739,670	280,992
Culture and recreation	15,458,600	16,154,135	13,643,304	2,510,831
Capital outlay	2,010,500	2,429,857	1,170,856	1,259,001
Total expenditures	<u>75,637,100</u>	<u>78,387,906</u>	<u>71,660,129</u>	<u>6,727,777</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,586,100)</u>	<u>(4,264,906)</u>	<u>1,685,532</u>	<u>5,950,438</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,400	11,400	11,400	-
Transfers out	(90,000)	(90,000)	(90,000)	-
Total other financing uses	<u>(78,600)</u>	<u>(78,600)</u>	<u>(78,600)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (1,664,700)</u>	<u>\$ (4,343,506)</u>	<u>1,606,932</u>	<u>\$ 5,950,438</u>
<b>Fund Balance - beginning</b>			<u>15,493,654</u>	
<b>Fund Balance - ending</b>			<u>\$ 17,100,586</u>	

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

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**Local Option Sales Tax Fund**  
**Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 7,450,000	\$ 7,450,000	\$ 7,633,749	\$ 183,749
Intergovernmental	1,299,600	1,299,600	942,932	(356,668)
Investment earnings	30,000	30,000	51,561	21,561
Other	100,000	100,000	171,416	71,416
Total revenues	<u>8,879,600</u>	<u>8,879,600</u>	<u>8,799,658</u>	<u>(79,942)</u>
<b>EXPENDITURES</b>				
Capital outlay	5,457,600	10,781,362	7,094,137	3,687,225
Debt service:				
Principal	3,366,800	3,366,800	3,365,011	1,789
Interest	169,700	169,700	176,408	(6,708)
Total expenditures	<u>8,994,100</u>	<u>14,317,862</u>	<u>10,635,556</u>	<u>3,682,306</u>
<b>Net change in fund balance</b>	<u>\$ (114,500)</u>	<u>\$ (5,438,262)</u>	<u>(1,835,898)</u>	<u>\$ 3,602,364</u>
<b>Fund Balance - beginning</b>			<u>8,035,754</u>	
<b>Fund Balance - ending</b>			<u>\$ 6,199,856</u>	

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

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**SHIP Fund**  
**Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 399,000	\$ 749,100	\$ 350,329	\$ (398,771)
Investment earnings	10,000	10,000	15,220	5,220
Other	290,000	290,000	303,328	13,328
Total revenues	<u>699,000</u>	<u>1,049,100</u>	<u>668,877</u>	<u>(380,223)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	699,000	1,285,649	829,310	456,339
Total expenditures	<u>699,000</u>	<u>1,285,649</u>	<u>829,310</u>	<u>456,339</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (236,549)</u>	<u>(160,433)</u>	<u>\$ 76,116</u>
<b>Fund Balance - beginning</b>			<u>742,691</u>	
<b>Fund Balance - ending</b>			<u>\$ 582,258</u>	

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

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**HOME Fund**  
**Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 320,000	\$ 602,700	\$ 446,441	\$ (156,259)
Total revenues	<u>320,000</u>	<u>602,700</u>	<u>446,441</u>	<u>(156,259)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	320,000	638,412	446,441	191,971
Total expenditures	<u>320,000</u>	<u>638,412</u>	<u>446,441</u>	<u>191,971</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (35,712)</u>	-	<u>\$ 35,712</u>
<b>Fund Balance - beginning</b>			-	
<b>Fund Balance - ending</b>			<u>\$ -</u>	

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

**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**CDBG Fund**  
**Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental	\$ 853,000	\$ 853,000	\$ 143,940	\$ (709,060)
Investment earnings	5,000	5,000	8,705	3,705
Other	83,000	83,000	577,261	494,261
Total revenues	<u>941,000</u>	<u>941,000</u>	<u>729,906</u>	<u>(211,094)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	941,000	1,156,294	729,906	426,388
Total expenditures	<u>941,000</u>	<u>1,156,294</u>	<u>729,906</u>	<u>426,388</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (215,294)</u>	-	<u>\$ 215,294</u>
<b>Fund Balance - beginning</b>			-	
<b>Fund Balance - ending</b>			<u>\$ -</u>	

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

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

	<b>Business-type Activities-Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater Utility</b>	<b>Solid Waste Utility</b>	<b>Nonmajor Golf Course</b>	<b>Total</b>	
<b>Assets</b>					
Current assets					
Cash and investments	\$ 36,936,294	\$ 5,702,442	\$ 551,396	\$ 43,190,132	\$ 6,798,136
Restricted-Cash and investments	7,308,390	-	-	7,308,390	-
Accrued interest receivable	392,413	49,321	4,917	446,651	55,227
Restricted-Accrued interest receivable	62,156	-	-	62,156	-
Accounts receivable, billed, net	1,738,956	1,074,394	-	2,813,350	-
Accounts receivable, unbilled, net	2,090,874	707,472	-	2,798,346	-
Other receivables	27,384	64,450	-	91,834	161,966
Inventories, at cost	895,356	-	2,861	898,217	60,543
Other assets	-	-	-	-	636,156
Total current assets	49,451,823	7,598,079	559,174	57,609,076	7,712,028
Noncurrent assets					
<b>Capital assets:</b>					
Land and improvements	1,573,206	375,000	875,832	2,824,038	-
Buildings and improvements	5,680,386	402,726	1,198,534	7,281,646	-
Improvements other than buildings	139,561,291	60,057	2,019,839	141,641,187	78,291
Machinery and equipment	8,185,847	11,401,196	444,796	20,031,839	470,278
Intangible assets	23,260	11,199	-	34,459	13,784
Less accumulated depreciation	(115,840,147)	(6,220,410)	(2,683,500)	(124,744,057)	(356,986)
Construction in progress	107,275,571	3,684	-	107,279,255	-
Capital assets, net	146,459,414	6,033,452	1,855,501	154,348,367	205,367
Total noncurrent assets	146,459,414	6,033,452	1,855,501	154,348,367	205,367
Total assets	195,911,237	13,631,531	2,414,675	211,957,443	7,917,395
<b>Deferred outflows</b>					
Total deferred outflows	-	-	-	-	-
<b>Liabilities</b>					
Current liabilities					
Accounts payable	5,161,916	480,034	28,312	5,670,262	366,376
Accrued payroll and vacation	367,551	208,658	22,620	598,829	80,585
Estimated claims payable, current portion	-	-	-	-	358,000
Long-term debt, current portion	4,450,659	-	-	4,450,659	-
Other	35,314	-	105,743	141,057	-
Total current liabilities	10,015,440	688,692	156,675	10,860,807	804,961
Noncurrent liabilities					
Unearned revenue	-	-	-	-	608,627
Estimated claims payable	-	-	-	-	1,492,000
Compensated absences	50,446	55,202	27,737	133,385	-
Total OPEB Liability	1,270,718	740,210	111,353	2,122,281	256,290
Long-term debt	71,527,510	-	-	71,527,510	-
Total noncurrent liabilities	72,848,674	795,412	139,090	73,783,176	2,356,917
Total liabilities	82,864,114	1,484,104	295,765	84,643,983	3,161,878
<b>Deferred inflows</b>					
Total deferred inflows	-	-	-	-	-
<b>Net Position</b>					
Net investment in capital assets	70,979,693	6,033,452	1,855,501	78,868,646	205,367
Restricted	9,377,654	-	-	9,377,654	-
Unrestricted	32,689,776	6,113,975	263,409	39,067,160	4,550,150
Total net position	\$ 113,047,123	\$ 12,147,427	\$ 2,118,910	127,313,460	\$ 4,755,517
Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds.				506,341	
<b>NET POSITION</b>				\$ 127,819,801	
<b>BUSINESS-TYPE ACTIVITIES</b>					

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



**CITY OF LARGO, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2018**

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Wastewater Utility	Solid Waste Utility	Nonmajor Golf Course	Total	
<b>Operating revenues</b>					
Charges for services	\$ 21,314,461	\$ 10,802,045	\$ 900,369	\$ 33,016,875	\$ 15,116,805
Charges for effluent water	1,485,669	-	-	1,485,669	-
Sales of reclaimed materials	111,043	143,119	-	254,162	-
Pro shop sales	-	-	34,041	34,041	-
Other	-	60,127	-	60,127	-
Total operating revenues	22,911,173	11,005,291	934,410	34,850,874	15,116,805
<b>Operating expenses</b>					
Personnel services	6,624,514	3,629,099	457,758	10,711,371	1,333,005
Cost of goods sold	-	-	8,891	8,891	875,442
Contractual services	654,389	3,235,938	13,380	3,903,707	482,157
Supplies	1,756,878	627,645	135,368	2,519,891	80,404
Repairs and maintenance	1,700,848	60,285	117,095	1,878,228	68,527
Utilities	2,072,189	63,996	75,348	2,211,533	9,445
Professional services	552,982	19,849	749	573,580	204,519
Fuel	100,062	525,693	7,150	632,905	6,417
Charges by the Fleet Services Fund	127,291	1,167,637	6,500	1,301,428	18,400
Charges by the General Fund	2,061,535	985,065	-	3,046,600	150,200
Charges by the Risk Management Fund	310,200	133,500	25,300	469,000	22,700
Depreciation and amortization	4,619,541	1,720,694	154,824	6,495,059	29,892
Claims	-	-	-	-	1,695,990
Insurance	-	-	-	-	9,408,025
Other	293,566	131,153	75,367	500,086	84,985
Total operating expenses	20,873,995	12,300,554	1,077,730	34,252,279	14,470,108
<b>Operating income or (loss)</b>	2,037,178	(1,295,263)	(143,320)	598,595	646,697
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	527,548	51,323	6,195	585,066	59,474
Gain or loss on disposal of capital assets	(1,354,512)	182,204	4,621	(1,167,687)	(24,248)
Debt service costs	(242,741)	-	-	(242,741)	-
Other	548,667	11,269	11,121	571,057	(213)
Net non-operating revenues (expenses)	(521,038)	244,796	21,937	(254,305)	35,013
<b>Income or (loss) before transfers and contributions</b>	1,516,140	(1,050,467)	(121,383)	344,290	681,710
<b>Transfers and contributions</b>					
Capital contributions - impact fees	189,908	-	-	189,908	-
Total transfers and contributions	189,908	-	-	189,908	-
<b>Change in net position</b>	1,706,048	(1,050,467)	(121,383)	534,198	681,710
<b>Total net position - beginning, as restated</b>	111,341,075	13,197,894	2,240,293	126,779,262	4,073,807
<b>Total net position - ending</b>	\$ 113,047,123	\$ 12,147,427	\$ 2,118,910	\$ 127,313,460	\$ 4,755,517
Change in Net Position of Proprietary Funds				\$ 534,198	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				187,079	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>				<u>\$ 721,277</u>	

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

**CITY OF LARGO, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2018**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater Utility</b>	<b>Solid Waste Utility</b>	<b>Nonmajor Golf Course</b>	<b>Total</b>	
<b>Operating activities</b>					
Cash received from customers	\$ 23,982,464	\$ 11,339,992	\$ 1,028,117	\$ 36,350,573	\$ 15,068,224
Cash received from internal departments	-	-	-	-	1,551,900
Cash paid to employees	(6,493,439)	(3,553,184)	(439,393)	(10,486,016)	(867,271)
Cash paid to vendors	(9,921,108)	(6,979,611)	(498,022)	(17,398,741)	(14,782,751)
Cash paid for internal services	(2,371,735)	(1,118,565)	(25,300)	(3,515,600)	(196,400)
<b>Net cash provided by (used in) operating activities</b>	<b>5,196,182</b>	<b>(311,368)</b>	<b>65,402</b>	<b>4,950,216</b>	<b>773,702</b>
<b>Capital and related financing activities</b>					
Contributed capital and grants	189,908	-	-	189,908	-
Loan proceeds	12,881,807	-	-	12,881,807	-
Sale of capital assets	62,199	1,314,038	4,621	1,380,858	(213)
Acquisition of capital assets	(9,329,388)	(2,141,558)	(10,920)	(11,481,866)	(17,266)
Debt issuance costs	(242,741)	-	-	(242,741)	-
Principal repayment on long-term debt	(387,906)	-	-	(387,906)	-
Interest payments on long-term debt	(14,378)	-	-	(14,378)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>3,159,501</b>	<b>(827,520)</b>	<b>(6,299)</b>	<b>2,325,682</b>	<b>(17,479)</b>
<b>Investing activities</b>					
Investment earnings	510,136	63,054	5,833	579,023	52,895
<b>Net cash provided by investing activities</b>	<b>510,136</b>	<b>63,054</b>	<b>5,833</b>	<b>579,023</b>	<b>52,895</b>
<b>Net increase (decrease) in cash and investments</b>	<b>8,865,819</b>	<b>(1,075,834)</b>	<b>64,936</b>	<b>7,854,921</b>	<b>809,118</b>
<b>Cash and investments</b>					
<b>Beginning of year</b>	<b>35,378,865</b>	<b>6,778,276</b>	<b>486,458</b>	<b>42,643,599</b>	<b>5,989,018</b>
<b>End of year</b>	<b>\$ 44,244,684</b>	<b>\$ 5,702,442</b>	<b>\$ 551,394</b>	<b>\$ 50,498,520</b>	<b>\$ 6,798,136</b>
<b>Reconciliation of operating income (loss) to net cash provided by/(used in) operating activities</b>					
Operating income (loss)	\$ 2,037,178	\$ (1,295,263)	\$ (143,320)	\$ 598,595	\$ 646,697
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Other revenue/(expenses)	548,667	11,269	11,121	571,057	-
Depreciation and amortization	4,619,511	1,720,694	154,824	6,495,029	29,892
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable	139,471	93,384	-	232,855	110,220
Inventories	(250,335)	-	(602)	(250,937)	58,069
Prepaid expenses and other assets	-	-	-	-	(15,930)
Accounts payable	(2,028,863)	(917,367)	12,713	(2,933,517)	49,886
Accrued payroll and vacation	131,074	75,915	18,365	225,354	24,806
Deposits	(521)	-	-	(521)	-
Unearned revenue	-	-	12,301	12,301	50,062
Estimated claims payable	-	-	-	-	(180,000)
Total adjustments	3,159,004	983,895	208,722	4,351,621	127,005
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 5,196,182</b>	<b>\$ (311,368)</b>	<b>\$ 65,402</b>	<b>\$ 4,950,216</b>	<b>\$ 773,702</b>

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

**CITY OF LARGO, FLORIDA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2018**

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	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and investments	\$ 20,967,638
Accrued receivable	1,263
Accrued interest receivable	5,044
Due from other funds	26,149
Investments, at fair value:	
Loans receivable	1,534,042
U.S. Treasury & U.S. Agency securities	15,038,270
Corporate bonds	11,475,971
Mutual funds	75,277,279
Common stock	71,965,146
Total assets	<u>196,290,802</u>
<b>Liabilities</b>	
Accounts payable	5,460
Due to employee investment accounts	9,817,165
Due to other funds	26,149
Unearned revenue	3,886
Total liabilities	<u>9,852,660</u>
<b>Net position</b>	
Restricted for:	
Pension benefits	186,438,142
Total net position	<u><u>\$ 186,438,142</u></u>

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

**CITY OF LARGO, FLORIDA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2018**

	<u><b>Pension Trust Funds</b></u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 6,230,793
Plan members	2,505,818
State	1,266,754
Forfeitures	86,708
Service buy back	113,633
Rollover contributions	53,601
Interest on loan paybacks	42,700
Total contributions	<u>10,300,007</u>
Investment earnings:	
Net increase (decrease) in investment value	14,615,565
Interest and dividends	2,773,878
	<u>17,389,443</u>
Less investment costs	<u>(601,304)</u>
Net investment earnings	<u>16,788,139</u>
Net additions	<u>27,088,146</u>
<b>Deductions:</b>	
Benefits	11,200,323
Refund of contributions	134,814
Administrative	229,731
Forfeitures	52,297
Insurance	66,667
Total deductions	<u>11,683,832</u>
<b>Change in net position</b>	15,404,314
<b>Total net position - beginning</b>	<u>171,033,828</u>
<b>Total net position - ending</b>	<u><u>\$ 186,438,142</u></u>

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

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# NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO FINANCIAL STATEMENTS

September 30, 2018



### NOTES TO FINANCIAL STATEMENTS

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# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The City of Largo (the "City") is a political subdivision of the State of Florida, located in Pinellas County on Florida's Suncoast, within the Tampa Bay metropolitan area. The City was incorporated in 1905 and is approximately 18.6 square miles in area. The City is a full-service municipality that offers a variety of high-quality services to City residents and certain unincorporated county residents. Services offered include: general government, public safety, recreation, parks, library, cultural arts and public works. The City also operates a wastewater utility, solid waste utility and golf course and maintains various trust funds in a fiduciary capacity.

The reporting entity is considered the primary government and any component units for which the primary government is financially accountable. In defining the City's reporting entity, management considered all potential component units and determined that one component unit should be included in the reporting entity for FY 2018.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit may be another organization for which the nature, and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles (GAAP) applicable to governmental entities. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In conformity with applicable Governmental Accounting Standards Board (GASB) requirements, the financial statements of the Largo Community Redevelopment Agency (CRA) are included as a blended component unit. This component unit has the same governing body as the City. A blended component unit, although a legally separate entity is, in substance, part of the primary government's operations; therefore, financial information from this component unit is combined with information of the primary government. The component unit is included in the reporting entity, because of the significance of operational and financial relationships with the City.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The CRA was established by Ordinance 1997-34, pursuant to Chapter 163, Part III, Florida Statutes. The purpose of this agency is to organize and direct redevelopment activities of the West Bay Drive downtown area and Clearwater/Largo area of the City of Largo. The seven member City of Largo City Commission acts as the CRA governing board, and as such, establishes the CRA operating plan, operating budget, operating policies and conducts all official business of the CRA. The financial activities of the CRA are reported in a special revenue fund, titled the Downtown Tax Increment Financing Fund, which is included in this CAFR.

### **B. Generally Accepted Accounting Principles**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

The City uses fund accounting to report its financial position and results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate compliance with financially related legal requirements and to aid in financial management by segregating transactions related to certain activities.

Proprietary funds (enterprise and internal service) distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The wastewater fund also recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not classified as operating are reported as non-operating.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. Unrestricted amounts include committed, assigned and unassigned amounts which are available and can be used for the intended purpose.

### **C. Government-wide and individual fund financial statements**

#### **1. Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the City. Most interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely principally on user fees for support.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given City function, 2) operating grants and contributions that pay for operating activities and 3) capital grants and contributions that pay for the acquisition, construction or refurbishment of capital assets. Internally dedicated revenues, taxes and other revenues which are not classified as program revenues are reported as general revenues.

### 2. Fund financial statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds; however, fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, while all nonmajor funds are combined into one aggregate column.

### 3. Reconciliation of Government-wide and governmental fund statements

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided which briefly explains the adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

## D. Measurement focus, basis of accounting and financial statement presentation

### 1. Government-wide, proprietary fund and fiduciary fund financial statements

The government-wide financial statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the separate proprietary fund financial statements and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

The effects of interfund activity have generally been eliminated from the government-wide financial statements except for interfund charges. Elimination of interfund charges would distort the direct costs and program revenues reported for the various functions.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 2. Governmental fund financial statements

Separate governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (within 60 days of the end of the fiscal period). Grant revenues and donations are recognized in the fiscal year in which all eligibility criteria have been satisfied. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures are recorded when payment is due.

Franchise taxes (fees), licenses, most intergovernmental revenues and interest income are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received, including property taxes (see note I. E. 14).

### 3. Major funds and fund types

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund and accounts for all general government resources, except those required to be accounted for in another fund.

The *Local Option Sales Tax fund* is a special revenue fund used to account for a county-wide tax, also known as "The Penny for Pinellas" which is legally restricted for major capital improvements and public safety vehicles.

The *State Housing Initiative Partnership (SHIP) fund* is a special revenue fund used to account for tax revenue received from real estate sales, which is expended on low income housing.

The *Home Investment Partnership (HOME) fund* is a special revenue fund used to account for revenue allocated to the City under the Home Investment Partnership Act program, which is expended on low income housing.

The *Community Development Block Grant Program (CDBG) fund* is a special revenue fund used to account for revenue allocated to the City under the Community Development Block Grant program which is expended on low income housing and redevelopment capital improvements.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The City reports the following major enterprise funds:

The *Wastewater Utility fund* accounts for the operations of the wastewater treatment plant, wastewater collection system and the reclaimed water distribution system.

The *Solid Waste Collection Utility fund* accounts for the solid waste collections operation, including residential, commercial, roll-off and recycling collections. The City does not operate a solid waste disposal facility.

The City also reports the following fund types:

Two *internal service funds* account for risk management and fleet repair services provided to other City departments on a cost reimbursement basis.

Four *pension trust funds* account for retirement income and disability income systems for public safety employees, general employees, and executive management employees. These funds accumulate resources to pay for pension benefit payments and disability benefit payments to qualified employees.

### **E. Assets, liabilities, and net position (fund equity)**

#### **1. Deposits and investments**

The City utilizes a consolidated bank account (pooled cash and investments), wherein cash and investments of most funds are commingled, excluding certain investments held in a fiduciary capacity or those investments belonging to a specific fund, due to legal or other restrictions. Formal accounting records detail the daily equity of all funds. Interest earned on pooled investments is allocated to funds based on the average equity in pooled balances. All investments are reported at fair value. Each fund's individual equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. This methodology is also used in the statement of cash flows for the proprietary funds.

Florida Statute 218.261 authorizes the City to invest in negotiable direct obligations of, or guaranteed by, the US Government; interest-bearing time or savings deposits in federal or state chartered banks or savings and loan associations provided that any such deposits are secured by collateral as may be prescribed by law; obligations of certain federal agencies and instrumentalities; and repurchase agreements.

The City maintains a buy and hold investment strategy, the objectives of which are safety of principal, liquidity and investment earnings, in that order of priority. The City utilizes a laddered maturity policy, whereby investment purchases are made throughout the year to avoid any form of

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

market timing, and to provide a relatively consistent maturity of investments throughout the year. This policy is intended to enhance liquidity and mitigate volatility in valuation fluctuations. The policy limits interest rate risk by limiting the final maturity for any individual investment to no more than 60 months and by limiting the weighted average maturity for the portfolio to 24 months or less.

The general employees' pension trust fund and the executive employees' pension trust fund investments are divided among mutual funds, money market funds, and fixed income investments. All investments are directed solely by plan members.

The police officers' and firefighters' pension trust fund Board of Trustees has broad investment authority, but is prohibited from investing in private placements, fixed income or interest rate futures, and arbitrage or any other specialized investments. Investment managers have been retained to invest fund assets according to the fund's investment guidelines. A trustee has been retained to purchase, hold and sell all investments, at the direction of the investment managers. A performance manager has been retained to review, analyze and report on each investment manager's performance.

### 2. Accounts receivable

All receivables are shown net of an allowance for uncollectibles, which is generally insignificant. Un-billed charges for services are accrued in the Wastewater, Solid Waste, and Stormwater Funds by prorating subsequent bills.

### 3. Due to/due from other funds

During the course of operations, transactions occur between individual funds for services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position or balance sheet.

### 4. Inventories and prepaid items

Inventories are stated at cost, which approximates market, using the first-in/first-out (FIFO) method. As inventory items are consumed, expenditures are reported in governmental funds and expenses are reported in proprietary funds.

Certain advance payments to vendors (e.g., insurance premiums) reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and individual fund financial statements.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 5. Restricted assets

The Wastewater Utility Fund is required by certain ordinances and resolutions to maintain restricted reserves for debt service, maintenance and repairs, and capital outlays of the system. These reserves can only be used for the purposes specified in the ordinances City of Largo, Chapter 22, Section 22 and resolutions. Amounts equal to the restricted assets, less the liabilities payable from such assets, are reflected in the equity section of the fund's statement of net position as restricted for these purposes.

### 6. Capital assets

Capital assets, which include land, property, plant, equipment, intangible and infrastructure assets (e.g., roads, sidewalks, and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$10,000, except for land. All capital assets must have an estimated useful life greater than one year.

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets, donated works of art or similar items and capital assets received in a service concession arrangement are reported at acquisition value at the date of donation. Costs that add to the value of an asset or materially extend an asset's originally estimated useful life are capitalized as improvement (betterments). Normal maintenance and repair costs that do not add to the value of an asset or materially extend an asset's originally estimated useful life are expended or expensed in the current period.

Major outlays for constructed capital assets and improvements are capitalized as incurred. Interest incurred during the construction phase of capital assets related to business-type activities is included as part of the capitalized value of the assets constructed. Construction period interest of \$516,373 was recorded during the current fiscal year.

Capital assets (except land) are depreciated or amortized using the straight-line method over the following estimated useful lives:

<b>Capital Asset Class</b>	<b>Estimated Useful Lives (years)</b>
Infrastructure	20 - 50
Buildings and building improvements	10 - 40
Improvements other than buildings	15 - 30
Machinery and heavy equipment	10 - 30
Vehicles	5 - 9
Intangible assets	5 - 10
Office and computer equipment	3 - 5



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 7. Unearned revenue

Unearned revenue is recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not yet meet the criteria for revenue recognition, such as business taxes collected in advance, are recorded as unearned revenue in the government-wide and the fund statements.

### 8. Compensated absences liability

City employees may accumulate earned, but unpaid, vacation and sick leave benefits. No liability is reported for accumulated sick leave, because the City does not pay any amounts when employees separate from service, except in cases of an employees' death. All accumulated vacation leave is accrued when earned in government-wide, proprietary, and fiduciary fund financial statements. An assignment of fund balance is recorded in governmental fund financial statements for the long-term portion of compensated absences.

### 9. Long-term obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are reported as deferred charges and amortized over the life of the related debt using the effective interest method. Bonds payable are reported net of bond premiums or discounts.

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

### 10. Fund equity

Fund equity at the governmental fund reporting level is referred to as "fund balance" and is referred to as "net position" for all other reporting levels. Generally, fund balance represents the difference between current assets and current liabilities, while net position represents the difference between all assets and all liabilities.

In governmental funds, the City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of fund balance when expenditures are made.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

Restrictions of net position in proprietary funds mostly reflect legal segregations for debt service, debt reserves, or to satisfy debt covenants. Other proprietary fund restrictions segregate revenues that were collected for specific purposes, such as impact fees.

The government-wide statement of net position reports \$46,096,254 of restricted net position, of which \$9,377,654 is restricted by enabling legislation.

### 11. Nature and purpose of classifications of fund balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as Restricted fund balances. Committed fund balances can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority (City Commission), which is by Resolution or by an Ordinance. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of formal action. Amounts that are constrained by the City's intent to be used for specific purposes but are neither Restricted nor Committed are classified as Assigned fund balances. Assignments are made by the City Manager based on City Commission direction. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form such as inventory or (b) legally or contractually required to be maintained intact, such as an endowment. Unassigned fund balance represents the spendable fund balance that has not been Restricted, Committed, or Assigned to specific purposes within the General Fund only.

### 12. Fund balance reserve policy

The City will maintain in each fund an adequate balance to accommodate unanticipated expenditures, expenditures of a non-recurring nature, unanticipated revenue declines, and cash flow needs.

The City has a formal Legislative Policy adopted for fund balance in the General Fund. The guidelines within this policy address the General Fund's balance in order to mitigate material risks, which could negatively affect the City's ability to provide public services. The guidelines are intended to comply with state statutes regarding adopting a balanced budget, the requirements of the Governmental Accounting Standards Board (GASB), and will strive to achieve the Governmental Finance Officer's Association (GFOA) best practices.

The annual budget will be prepared including the General Fund's minimum ending fund balance as follows:

(1) Minimum unrestricted fund balance of no less than 10% of budgeted expenditures (GFOA best practice target is 17%);

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

(2) Target unrestricted fund balance of 20% of budgeted expenditures.

The Policy requires the Proposed Budget to be drafted within the established fund balance levels. The Policy also establishes guidelines for the use and restoration of fund balance (1% per year until balances are restored).

### 13. Interfund transactions

Exchange transactions between funds are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for payments initially made, but which are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The General Fund assesses charges to certain governmental funds and proprietary funds for the proportionate share of the costs of general government operations. The amounts charged to these funds are based on a percentage of operating revenues.

### 14. Property taxes

Property taxes are levied on November 1 on property values assessed as of January 1 of the same year. Property taxes are payable in arrears beginning in November through the following March 31, a 1% discount for each month paid prior to March (4% maximum discount), after which time the taxes become delinquent. A lien is placed against properties by the County Tax Collector's office if taxes are not paid prior to June 1 and tax certificates are eventually sold if the lien is not paid.

### 15. Property held for resale

In the governmental funds, property held for resale was reported reflecting land intended to be sold for redevelopment purposes in the future. The land is held by the Community Redevelopment Agency.

### 16. Deferred inflows of resources

A deferred inflow of resources represents an source of net position that applies to a future time period; therefore, the amount will not be recognized as an inflow of resources (revenue) until that future time.

### 17. Deferred outflows of resources

A deferred outflow of resources represents a use of net position that applies to a future period; therefore, the amount will not be recognized as an outflow of resources (expense) until a future time.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### II. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental funds balance sheets and the government-wide statement of net position (governmental activities column)

The governmental funds balance sheet requires a reconciliation between 1) *fund balance – total governmental funds* and 2) *net position – governmental activities* as reported in the government-wide statement of net position.

One element of this reconciliation recognizes that; long-term liabilities, (including bonds payable), are not due and payable in the current period and therefore are not reported in the fund financial statements. The details of this difference between these two financial statements are, as follows:

Notes and Loans payable	\$ 5,195,027
Add: Accrued interest payable	33,294
Net adjustment to decrease Fund Balance - total governmental funds to arrive at Net Position - governmental activities	<u>\$ 5,228,321</u>

Another element of this reconciliation recognizes that certain liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this difference between these two financial statements are as follows:

Net pension liability	\$ 41,421,088
Add: Compensated absences of governmental funds	2,432,827
Add: OPEB liability of governmental funds	9,170,762
Net adjustment to decrease Fund Balance - total governmental funds to arrive at Net Position - governmental activities	<u>\$ 53,024,677</u>

#### B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (governmental activities column)

The governmental funds statement of revenues, expenditures, and changes in fund balances requires a reconciliation between 1) *net changes in fund balances – total governmental funds* and 2) *changes in net position of governmental activities* as reported in the government-wide statement of activities.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

One element of this reconciliation recognizes that governmental funds report capital outlays as expenditures; however, in the government-wide statement of activities, the cost of those assets is allocated over the assets' estimated useful lives and is reported as depreciation expense. The details of this difference between the two financial statements are, as follows:

Capital outlay per funds	\$ 13,830,471
Add: Capital outlay of internal service funds	12,626
Less: Amount of capital outlay related to expenditures under threshold	(409,095)
Capital Outlay related to capital expenditures	<u>13,434,002</u>
Less: Depreciation expense	<u>(8,597,734)</u>
Net adjustment to increase Net Changes in Fund Balances - total governmental funds to arrive at Changes in Net Position of Governmental Activities	<u>\$ 4,836,268</u>

Another element of this reconciliation recognizes that the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported; however, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. The details of this difference are, as follows:

Cost of capital assets sold/retired	\$ 615,688
Net adjustment to decrease Net Changes in Fund Balances - total governmental funds to arrive at Changes in Net Position of Governmental Activities	<u>\$ 615,688</u>

Another element of this reconciliation recognizes that certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds. The details of these differences are, as follows:

Adjustment for deferred revenues	\$ 406,854
Add: Change in utility grants receivable:	7,583
Add: Change in special assessments receivable	<u>1,461</u>
Net adjustment to increase Net Changes in Fund Balances - total governmental funds to arrive at Changes in Net Position of Governmental Activities	<u>\$ 415,898</u>

Another element of this reconciliation recognizes that the issuance of long-term debt (e.g., bonds, leases, etc.), provides current financial resources to governmental funds and the repayment of principal consumes current financial resources of governmental funds; however, neither transaction affects net position at the government-wide reporting level. Also, governmental funds report issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are, as follows:

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

Debt principal repayment	\$ 3,365,011
Net adjustment to increase Net Changes in Fund Balances - total governmental funds to arrive at Changes in Net Position of Governmental Activities	<u>\$ 3,365,011</u>

Another element of this reconciliation states that certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of these differences are, as follows:

Adjustment for net pension liability and related deferrals	\$ (480,434)
Add: Adjustment to long-term compensated absences	64,722
Add: Change in accrued interest	16,373
Less: Adjustment for OPEB liability	<u>(809,168)</u>
Net adjustment to increase Net Changes in Fund Balances - total governmental funds to arrive at Changes in Net Position of Governmental Activities	<u>\$ (1,208,507)</u>

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

An annual budget is prepared for all governmental funds, with the exception of the Neighborhood Stabilization Program 2 fund in FY 2018. Budgets are prepared on a basis consistent with GAAP. The City Manager is authorized to transfer budgeted amounts between line items within departments, but not between departments or funds. Any transfer that alters the total expenditures/expenses of any department or fund must be approved by the City Commission through a budget amendment. All budget amounts presented in the accompanying financial statements have been adjusted for amendments approved by the City Commission or transfers approved by the City Manager.

Supplemental appropriations were enacted during the year, as follows:

General Fund	\$ 1,196,600
SHIP	350,100
HOME	282,700
Stormwater	51,300

Every appropriation, except a capital expenditure appropriation, lapses at the close of the fiscal year to the extent that the appropriation has not been expended or encumbered. The City Charter stipulates that appropriations for capital expenditure continue in force until the purpose has been accomplished or abandoned, or if three years pass without any disbursement or encumbrance of the appropriation, whichever occurs first; however, it is Management's policy to request the City Commission to re-appropriate unexpended or unencumbered appropriations in the succeeding year's budget.

**Deficit Balances.** Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. The City does not have any funds with deficit balances at September 30, 2018.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

*New Accounting Pronouncements.* The GASB issued Statements No. 75, Accounting and financial reporting for postemployment benefits other than pensions, No. 81, Irrevocable split-interest agreements, No. 85, Omnibus- issues related to blending component units, goodwill, fair value measurement and application and post employment benefits, and No. 86, Certain debt extinguishment issues, effective for reporting periods beginning after December 15, 2016 and June 15, 2017. The Statements address improving the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB), for providing recognition and measurement guidance for situations in which a government is a beneficiary of a split interest agreement, for enhancing consistency in the application of accounting and financial reporting requirements for other post employment benefits and for certain debt extinguishment issues.

*Future Accounting Pronouncements.* The Governmental Accounting Board has issued statements that will become effective in FY 2019. The statements address:

- Certain asset retirement obligations, and
- Certain disclosures related to debt, including direct borrowings and direct placements

The City of Largo is currently evaluating the effects that these statements will have in its FY 2019 financial statements.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

##### City of Largo

As of September 30, 2018 the City of Largo held the following investments measured at fair value:

Investment Type	Fair Value (\$000) & Maturities				% Total	Fair Value Level
	Less Than 1 year	1-2 Years	2 -5 Years	Total (2)		
US Treasuries	\$ 16,931	\$ 7,823	\$ 6,859	\$ 31,613	30.1%	1
US GSE (1)						
FHLB	5,934	1,964	6,769	14,667	13.9%	2
FFCB	2,985	1,971	9,762	14,718	14.0%	2
Certificates of Deposit	7,000	18,000	2,000	27,000	25.7%	N/A
Demand Deposits (3)	7,071	-	-	7,071	6.7%	N/A
LGIT	10,045	-	-	10,045	9.6%	2
	<u>\$ 49,966</u>	<u>\$ 29,758</u>	<u>\$ 25,390</u>	<u>\$ 105,114</u>	<u>100.0%</u>	
% of Total	<u>47.5%</u>	<u>28.3%</u>	<u>24.2%</u>	<u>100.0%</u>		

- (1) Governmental Sponsored Enterprises are privately held corporations created by the U.S. Congress
- (2) Balance does not include deposits required by debt agreements (\$495,547)
- (3) Total balance reflects actual bank balances at September 30, 2018

**Fair Value Measurement.** GASB Statement No. 72, Fair Value Measurement and Application, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using consistent definition and accepted valuation techniques. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for an asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (unadjusted) for identical assets in active markets that the City has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability which are typically based on the City's own assumptions. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The categorization of the investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Certificates of deposit and money market funds are valued using the quoted market prices. U.S. Treasury securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at September 30 (or the most recent market close date if the market are closed on September 30) in active markets from the custodian bank's primary external pricing vendors. U.S. agencies and instrumentalities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendors. The pricing methodology often involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* The risk that changes in interest rates will adversely affect fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest-rate risk. The City investment policy addresses interest rate risk by limiting the final maturity for any individual investment to no more than 60 months. Generally, the City manages exposure to declines in fair value caused by rising interest rates by maintaining an investment portfolio with an average weighted maturity of two years or less and by maintaining a minimum of two months of anticipated recurring disbursements in liquid investments. Investment maturities are also laddered (staggered) throughout the year so that a portion of investments mature monthly, which further reduces exposure to declines in fair value. In addition, it is the City's practice to hold all investments until maturity; therefore, declines in fair value, if any, caused by rising interest rates are recognized for accounting purposes, but are never realized.

*Credit Risk.* The risk that a debt issuer will not fulfill its obligations. The City's investment objectives are weighted in the following order: safety of principal, liquidity and return on investments; therefore, and in accordance with Florida Statue 218.415 and the City's investment policy, the City only invests in the highest quality securities, such as US Government Treasury Securities and US Government Instrumentality Securities. Time Deposits, including Certificates of Deposit, are collateralized under the State of Florida Qualified Public Depository Program, whereby member institutions are collectively responsible for any individual member's default. The City invests in US Government agencies that are only implicitly guaranteed by the US Government. The Federal Home Loan Banks (FHLB) were rated Aaa/AA+ by Moody's , and Standard & Poor's, respectively. The Federal Farm Credit Bank (FFCB) were rated at Aaa/AA+ by Moody's and Standard & Poor's, respectively.

*Custodial Credit Risk – Deposits and Investments.* The risk that cash and investments held by another party may not be recovered in the event of financial failure. All investments are held in the name of the City of Largo and all time deposits are maintained with Qualified Public Depositories as required in the investment policy. The investment policy states:

1. All securities purchased by the City under this section except public depository investments shall be properly designated as an asset of the City and held in safekeeping by a third party custodial institution, chartered by the United States Government or the State of Florida.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

2. Certificates of deposit purchased under the authority of this policy shall be purchased only from Qualified Public Depositories of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the State Statutes.

As of September 30, 2018, the carrying amount of the City's deposits with financial institutions was \$44,900,507 and the total of the bank balances was \$44,581,494. A portion of the bank balance is covered by the FDIC. These funds were deposited with banks that are members of the Qualified Public Depository Program under which collateral is pledged with the State Chief Financial Officer pursuant to Chapter 280, Florida Statutes. Under this chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the government entity for the loss.

*Concentration of Credit Risk.* The risk of loss attributed to the magnitude of an investment in a single issuer. Appropriate diversification is maintained between security types and issuers to reduce concentration of credit risk. The City updated the investment policy in FY 2009, which addresses the allocation of investments. The allocation of investments follow the guidelines of the updated investment policy. Broad categories of allowable and actual security concentrations are, as follows:

Security Type	Maximum Concentration Allowed	Actual Concentration at September 30, 2018
U.S. Treasury Obligations	50%	30.1%
U.S. Agencies and Instrumentalities	40%	27.9%
Time Deposits and Savings Accounts (Public Depositories)	40%	25.7%
Checking Accounts (Public Depositories)	20%	6.7%
Government Investment Pools	20%	9.6%
Money Market Funds	20%	0.0%
% of Total		100%

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### General 401(a) and Executive Management 401(a) Plans

At September 30, 2018, the General and Executive Management 401(a) Plans invested in the following cash and investments:

	Balance at 09/30/18	Credit Rating	General	Executive	Concentration Total	Fair Value Level
<b>Investments Measured at Net Asset Value (NAV)</b>						
Mutual Funds						
Domestic Common Stock Funds	\$ 24,346,522	Not Reported	52.6%	58.2%	53.0%	N/A
International Common Stock Funds	1,293,012		2.6%	5.0%	2.8%	N/A
Fixed Income Fund (Bonds)	1,531,804	Not Reported	3.1%	6.4%	3.3%	N/A
Asset Allocation (Stocks & Fixed Inc.)	8,535,775		19.9%	2.7%	18.6%	N/A
Other	704,034		0.6%	11.9%	1.5%	N/A
Total Investments Measured at NAV	36,411,147					
<b>Investments at Amortized Cost</b>						
Cash and Cash Equivalents	9,553,125	Not Reported	21.2%	15.8%	20.8%	N/A
Total Investments Measured at Amortized Cost	9,553,125		100.0%	100.0%	100.0%	
Total Cash & Investments	<u>\$ 45,964,272</u>					
<b>Per Fiduciary Statement of Net Position:</b>						
Executive Employees' Retirement	\$ 3,649,435					
General Employees' Retirement	42,314,837					
Total Cash & Investments	<u>\$ 45,964,272</u>					

The City sponsors separate defined contribution retirement plans for general employees and executive-management employees, which requires mandatory participation by all eligible employees. The City and the City's Retirement Board (the Board), which is responsible for administering the Plans, intend for the Plans to comply with ERISA Section 404(c) and the regulations thereunder.

The Plans' participants are expected to have different investment objectives, time horizons and risk tolerances; therefore, to meet these varying investment needs, participants are able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. The Board selects the Plans' investment options based on relevant criteria, including: maximization of return within reasonable and prudent levels of risk, provision of returns comparable to returns for similar investment options, provision of exposure to a wide range of investment opportunities in various asset classes and vehicles, control of administrative and management costs, provision of appropriate diversification and each investment manager's adherence to stated investment objectives.

Service providers and investment options are monitored by the Board on a quarterly basis to ensure that total costs and services are competitive and reasonable. A service provider may be removed if the Board determines that their service quality and/or value has become uncompetitive. An investment option may be removed if the Board has lost confidence in the related manager's ability to: achieve competitive performance results, remain true to the fund's stated investment style, maintain an appropriate asset

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

allocation, meet risk/return objectives and/or maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines, relative returns, etc.). A "score card" is prepared on each investment option every quarter and options that do not meet acceptable criteria are placed on a watch list for monitoring. One or two investment options are usually replaced every year by the Board based on sub-par performance of other factors.

*Interest Rate Risk.* The risk that changes in interest rates will adversely affect fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest-rate risk. The Plans have provided investment options with varying investment maturities to match participants' anticipated risk tolerances and cash-flow requirements.

*Credit Risk.* The risk that a debt issuer will not fulfill its obligations. The Plans provide adequate portfolio diversification so participants can limit investments to the highest rated securities as rated by nationally recognized rating agencies. The Plans do provide a high yield fixed income securities investment option.

*Concentration of Credit Risk.* The risk of loss attributed to the magnitude of an investment in a single issuer. The Plans provide a wide variety of mutual fund options, each of which holds securities and/or investments from many different issuers, which helps to manage this risk.

*Custodial Credit Risk.* The risk that the plan may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited, because investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk.* The risk that changes in exchange rates will adversely affect the fair value of an investment. The Plans provide a wide variety of mutual fund options, each of which holds securities and/or investments from many different countries, which helps to manage this risk.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### Police Officers' and Firefighters' Retirement

At September 30, 2018, the Police Officers' and Firefighter's Retirement System invested in the following cash and investments:

	Balance at 09/30/18	Credit Rating (Moody's)	Weighted Average Maturity (Years)	Concentration	Fair Value Level
<b>Investments at Fair Value Level</b>					
U.S. Treasury Securities			8.66		
U.S. Treasury Bonds	\$ 1,804,801	Aaa		1.22%	1
U.S. Treasury Notes	5,311,717	Aaa		3.58%	1
U.S. Government Sponsored Agencies			26.04		
Federal Home Loan Mortgage Corp.	2,979,766	Aaa		2.01%	2
Federal National Mortgage Assoc.	4,747,863	Aaa		3.20%	2
Government National Mortgage Assoc.	194,124	Aaa		0.13%	2
Corporate Obligations			8.65		
Bonds	452,842	Aaa		0.31%	1
Bonds	292,507	Aa2		0.20%	1
Bonds	100,716	Aa3		0.07%	1
Bonds	540,275	A1		0.36%	1
Bonds	1,708,940	A2		1.15%	1
Bonds	2,409,899	A3		1.63%	1
Bonds	48,913	AA1		0.03%	1
Bonds	2,550,199	Baa1		1.72%	1
Bonds	1,527,251	Baa2		1.03%	1
Bonds	1,578,150	Baa3		1.07%	1
Bonds	228,802	Ba1		0.15%	1
Bonds	37,477	Ba2		0.03%	1
Domestic Common Stock	70,607,646			47.65%	1
Foreign Common Stock	1,357,500			0.92%	1
Real Estate Investment Trusts	12,165,016			8.21%	3
Total Investments at Fair Value Level	110,644,404				
<b>Investments at Net Asset Value (NAV)</b>					
Real Estate Investment Trusts	950,184			0.64%	N/A
Mutual Funds					
Domestic Common Stock Funds	1,875,042			1.27%	N/A
Foreign Common Stock Funds	23,535,896			15.88%	N/A
Fixed Income Funds	128,781			0.09%	N/A
Balanced Funds (Stocks & Fixed)	211,211			0.14%	N/A
Total Investments at NAV	26,701,114				
<b>Investments at Amortized Cost</b>					
Stable Value Fund	7,290,799			4.92%	N/A
Government Money Market	3,534,044			2.39%	N/A
Total Investments at Amortized Cost	10,824,843				
Total Cash & Investments	\$ 148,170,361			100.00%	

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

*Interest Rate Risk.* The risk that changes in interest rates will adversely affect the fair value of a debt security. Generally, the longer the time to maturity, the greater the exposure there is to interest-rate risk.

The Plan manages investment maturities to anticipated cash-flow requirements so that all obligations are paid when due. The duration of the fixed income portfolio must also be less than 135% of the duration of the related market index, which is defined as the Barclay's Aggregate Bond Index. At September 30, 2018, the weighted average maturity in years for each investment type is included in the preceding table.

*Credit Risk.* The risk that a debt issuer will not fulfill its obligations. To reduce credit risk, all fixed income securities must be issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.

The policy further limits credit risk by limiting investments to the highest rated securities as rated by nationally recognized rating agencies, in accordance with the Plan's fixed income investment objectives. Fixed income securities must maintain a weighted average credit quality rating of "A" or higher. Investments in all corporate fixed income securities are further limited to those securities considered investment grade or higher by Moody's, Standard & Poor's and Fitch rating services. At September 30, 2018, for those where ratings are available, the portfolio met the credit rating limitations of the policy.

*Concentration of Credit Risk.* The risk of loss attributed to the magnitude of an investment in a single issuer. The Plan utilizes limitations on securities of a single issuer to manage this risk.

The policy uses portfolio diversification to reduce concentration of credit risk and states that no more than 10% of corporate securities (at market value) of an investment manager's total fixed income portfolio may be invested in the securities of any single corporate issuer. Fixed income securities are also limited to no more than 30% of the portfolio. At September 30, 2018, the portfolio met the corporate single issuer limitation and overall asset allocation requirements of the policy.

*Custodial Credit Risk.* The risk that the plan may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited, since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk.* The risk that changes in exchange rates will adversely affect the fair value of an investment. To reduce this risk, investments in stocks of foreign companies are limited to 25% of the value of the total investment portfolio.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### General Employees' Disability Fund

The General Employees' Disability Fund cash and investments were apart of the City's pooled cash as defined in Note I.E.1. At September 30, 2018, the cash balance in the fund was \$589,671.

### **B. Receivables**

Uncollected accounts receivable at year-end are recorded, with an appropriate allowance for estimated uncollectible accounts in the Stormwater Fund, Wastewater Fund, and Solid Waste Fund. Receivables as of year end for the government's individual major and non-major funds and internal service funds in the aggregate are, as follows:

	General	LOST	SHIP	HOME	CDBG	Waste-Water	Solid Waste	Non-major Funds	Total
Receivables (Thousands):									
Taxes	\$ 1,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,803
Interest	142	44	5	-	-	455	49	283	978
Accounts	-	-	1	-	1	3,830	1,782	1,018	6,632
Intergovernmental	543	1,121	-	-	-	-	-	190	1,854
Grants	-	-	-	157	-	-	-	-	157
Other	1,395	-	-	-	-	27	64	184	1,670
Notes	-	-	5,551	3,383	2,138	-	-	837	11,909
Total receivables	<u>\$ 3,883</u>	<u>\$ 1,165</u>	<u>\$ 5,557</u>	<u>\$ 3,540</u>	<u>\$ 2,139</u>	<u>\$ 4,312</u>	<u>\$ 1,895</u>	<u>\$ 2,512</u>	<u>\$ 25,003</u>

*Taxes receivable.* By fiscal year end, virtually all property taxes were collected either directly or through tax certificate sales. The Pinellas County Tax Collector advertises sales of tax certificates at public auctions for unpaid taxes on all real property. All sales proceeds are remitted to taxing authorities. Certificates not purchased are issued to Pinellas County.

*Notes receivable* are collateralized by first or second mortgages on rehabilitated low income properties. As payments are received, revenue is recognized and the deferred revenue account is reduced, which reflects available resources for future rehabilitation projects. There are three types of Notes Receivable, as follows:

1. State Housing Initiative Partnership (SHIP) notes receivable represent loans to first-time homeowners to assist with down payments and closing costs. Notes bear interest at 3% and are collateralized by second mortgages on the property.
2. Home Investment Partnership (HOME) notes receivable represent loans to first-time homeowners to assist with down payments and closing costs and also the rehabilitation of properties. Notes bear interest at 3% and are collateralized by second mortgages on the property.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

3. Community Development Block Grant (CDBG) notes receivables represent loans to property owners for rehabilitation of properties and bear interest from 3% to prime less 3%. Loans are made for up to 95% (49% prior to 1993) of the property value after rehabilitation for periods up to 20 years. Notes receivable are offset by a deferred revenue account in the individual fund financial statements, due to the length of time until collection. Federal requirements stipulate that loan proceeds must be returned to the federal government unless they are used for rehabilitation purposes; therefore, the loan amounts represent a perpetual loan pool that can fund future rehabilitation.

### C. Capital Assets

#### 1. Capital asset activity

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Non-depreciable capital assets:				
Land	\$ 25,536,110	\$ -	\$ 1,200	\$ 25,534,910
Construction in progress	8,025,318	10,147,485	1,452,128	16,720,675
Total non-depreciable capital assets	33,561,428	10,147,485	1,453,328	42,255,585
Depreciable/Amortizable capital assets:				
Building	76,796,282	-	54,076	76,742,206
Improvements other than buildings	63,990,595	819,288	474,913	64,334,970
Machinery and equipment	41,525,801	3,936,624	5,109,508	40,352,917
Intangible	894,970	-	-	894,970
Total depreciable/amortizable capital assets	183,207,648	4,755,912	5,638,497	182,325,063
Less accumulated depreciation/amortization for:				
Building	23,647,018	1,916,522	42,222	25,521,318
Improvements other than buildings	30,307,455	2,660,104	471,149	32,496,410
Machinery and equipment	27,322,434	3,882,147	4,486,387	26,718,194
Intangible	58,820	168,852	-	227,672
Total accumulated depreciation/amortization	81,335,727	8,627,625	4,999,758	84,963,594
Net depreciable/amortizable capital assets	101,871,921	(3,871,713)	638,739	97,361,469
Net governmental activities capital assets	\$ 135,433,349	\$ 6,275,772	\$ 2,092,067	\$ 139,617,054



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Non-depreciable capital assets:				
Land	\$ 2,824,038	\$ -	\$ -	\$ 2,824,038
Construction in progress	99,821,394	9,211,686	1,753,825	107,279,255
Total non depreciable capital assets	102,645,432	9,211,686	1,753,825	110,103,293
Depreciable/amortizable capital assets				
Building and improvements	7,327,657	1,604	47,615	7,281,646
Improvements other than buildings	150,313,284	1,743,308	10,415,405	141,641,187
Machinery and equipment	22,498,207	2,293,468	4,759,809	20,031,866
Intangible	34,459	-	-	34,459
Total depreciable/amortizable capital assets	180,173,607	4,038,380	15,222,829	168,989,158
Less accumulated depreciation/amortization for:				
Building and improvements	2,198,061	163,764	43,715	2,318,110
Improvements other than building	116,108,643	3,850,331	9,101,284	110,857,690
Machinery and equipment	12,614,626	2,477,518	3,529,316	11,562,828
Intangible	2,010	3,446	-	5,456
Total accumulated depreciation/amortization	130,923,340	6,495,059	12,674,315	124,744,084
Net depreciable/amortizable capital assets	49,250,267	(2,456,679)	2,548,514	44,245,074
Net business type activities capital assets	151,895,699	6,755,007	4,302,339	154,348,367

## 2. Depreciation and amortization expense

Depreciation and amortization expense was charged to functions and programs, as follows:

Governmental activities		Business-type activities	
General government	\$ 940,222	Wastewater	\$ 4,619,541
Economic development	234,234	Solid waste	1,720,694
Public safety	2,169,772	Golf course	154,824
Public works	2,723,812		-
Culture and recreation	2,529,692		-
Internal service funds charged to various functions	29,893		-
Total depreciation/amortization expense	\$ 8,627,625		\$ 6,495,059

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 3. Construction commitments

The City has active construction projects as of September 30, 2018. The projects include various street, wastewater and drainage projects. In addition, the City has outstanding purchase commitments for engineering and design services. At year end, the City's significant commitments with contractors are as follows:

	<b>Incurred</b>	<b>Remaining Commitment</b>
Clearwater/Largo Rd district improvements	\$ 2,961,043	\$ 1,512,783
Trotter Rd reconstruction design	2,489,489	4,968,092
WWRF Biological treatment improvements	1,892,124	55,710,676
LMC Generators	1,369,411	1,148,222
2nd Street SW improvements	127,351	1,337,037
Sanitary sewer overflow prevention – Lift station basin 12	16,796	2,626,244
Sanitary sewer overflow prevention – Lift station basin 20	-	625,615
WWRF Biosolids process improvements and building hardening	-	1,841,337
<b>Total</b>	<b>\$ 8,856,214</b>	<b>\$ 69,770,006</b>

The commitments shown above are financed from existing City resources and future proceeds of the State Revolving Fund Loan through the Florida Department of Environmental Protection.

### D. Interfund receivables, payables and transfers

#### 1. Interfund receivables and payables

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Total Amount</b>	<b>Purpose</b>
General (major)	HOME (major)	\$ 95,158	Awaiting receipt of housing-related receivable
LOST (major)	Non-Major (CRA)	343,000	Financing for redevelopment property to be sold
Non-Major (Parkland Dedication)	Non-Major (CRA)	189,000	Financing for redevelopment property to be sold
		<b>\$ 627,158</b>	

#### 2. Interfund transfers

<b>Transfer from</b>	<b>Transfer to</b>	<b>Total Amount</b>	<b>Purpose</b>
General	Construction Services	\$ 90,000	For permitting software
Program Special Revenue	General	11,400	For cost of school resource officers
	<b>Total</b>	<b>\$ 101,400</b>	

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### E. Leases

#### Operating Leases

The City leases office and other equipment under non-cancelable operating leases. Total costs for such leases were \$98,680 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30	Amount
2019	\$ 83,358
Total	\$ 83,358

### F. Non-current liabilities

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations.

*Pledged Revenues Disclosures.* The City has pledged the net revenues of the wastewater utility system to repay the State Revolving Loan Fund #3 (SRL#3) loan issued in May, 2016. The bonds are paid solely from the net revenues of the wastewater utility system and are payable through December 2035, respectively. Net revenues for the current year were \$8,087,765. The SRL#3 loan agreement is for drawdowns totaling \$73,216,406 and is for wet weather improvements. The total amount borrowed as of September 30, 2018 is \$75,383,761 including capitalized interest and a 2% loan service cost. Repayments on the loan begin in December 2018. Proceeds of the SRL #3 loan were used to provide financing for system expansion and upgrades.

The City has pledged a portion of future local sales tax revenues, also known as Penny for Pinellas, to repay the \$10,000,000 TD Bank loan issued in March 2010 and the \$10,000,000 JPMorgan Chase loan issued in December 2011. Proceeds of the TD Bank loan were used in construction of a new community center, while the proceeds from the JPMorgan Chase loans were used to construct a new recreation facility and assist with the payoff of an outstanding wastewater loan. The loans are payable through January 2020. The total remaining to be paid on the loans is \$3,810,841. For the current year, principal and interest paid were \$2,597,401 and total Penny for Pinellas sales tax revenues were \$7,633,749.

The City has pledged a portion of half-cent sales tax revenues to repay the \$10,000,000 JPMorgan Chase loan issued in January 2012. Proceeds were used to construct a new recreation facility and the loan is payable through January 2020. The total remaining to be paid on the loans is \$1,977,713. For the current year, principal and interest paid were \$1,339,441 and total half-cent sales tax revenues were \$5,294,193.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

For governmental activities, compensated absences are paid by the fund where related salaries are incurred, including General, Building, Stormwater and SHIP funds. The Risk Fund (an internal service fund) pays estimated claims payable and City Commission and Police Chief annuity payable related to retirement payments not covered by pension plans.

The following summarizes changes in non-current liabilities during the fiscal year (\$ in thousands):

	Balance Oct. 1	Additions/ Adjustment	Reductions/ Adjustment	Balance Sept. 30	Amounts due within one year
<b>Governmental Activities:</b>					
Chase Bank (Loan Option Sales Tax Fund) Interest rate 2.090462%. Balance Due January 1, 2020.	\$ 3,270	\$ -	\$ 1,293	\$ 1,977	\$ 1,319
Chase Bank (Local Option Sales Tax Fund) Interest rate 2.078308%. Balance Due January 1, 2020.	2,292	-	905	1,387	923
TD Bank (Loan Option Sales Tax Fund) Interest rate 3.443%. Balance Due January 1, 2020	2,998	-	1,168	1,830	1,209
Net pension liability	37,640	25,315	21,534	41,421	-
Compensated absences	2,553	2,061	2,132	2,482	2,132
Total OPEB liability (restated)	8,595	832	-	9,427	-
Property/Liability and Workers Compensation	1,970	615	795	1,790	358
City Commissioner/ Police Chief annuity payable	88	-	-	88	12
Total Governmental activities debt	<u>\$ 59,406</u>	<u>\$ 28,823</u>	<u>\$ 27,827</u>	<u>\$ 60,402</u>	<u>\$ 5,953</u>
<b>Business-type Activities:</b>					
Chase Bank (Local Option Sales Tax Fund) Interest rate 1.71%. Balance Due January 1, 2020	\$ 983	\$ -	\$ 388	\$ 595	\$ 396
State revolving loan #3; Interest rates 1.07%, 0.46% and 0.43% Collateralized by sewer net revenue (Includes debt issuance cost) Balance due June 15, 2036	62,502	12,882	-	75,384	4,055
Compensated absences	491	365	361	495	361
Total OPEB liability (restated)	1,935	187	-	2,122	-
Net business-type activities debt	<u>\$ 65,911</u>	<u>\$ 13,434</u>	<u>\$ 749</u>	<u>\$ 78,596</u>	<u>\$ 4,812</u>

Other long-term liabilities, such as net pension liability and other post employment benefits payable, are typically liquidated by the individual fund to which the liability is directly associated based on the employees fund and department of employment, primarily the General Fund.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The following tables indicate future debt service requirements for both Governmental and Business-Type activities.

### Governmental Activities Debt Service Requirements

Year Ending September 30	Total Principal	Total Interest	Total Debt Service
2019	3,451,237	100,093	3,551,330
2020	1,743,790	16,772	1,760,562
Total	<u>\$ 5,195,027</u>	<u>\$ 116,865</u>	<u>\$ 5,311,892</u>

### Business-type Activities Debt Service Requirements

	SRL #3		Chase 2011		Totals		
FY	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2019	4,054,977	539,865	395,682	9,283	4,450,659	549,148	4,999,807
2020	4,084,466	510,377	198,723	1,544	4,283,189	511,921	4,795,110
2021	4,114,168	480,674	-	-	4,114,168	480,674	4,594,842
2022	4,144,087	450,755	-	-	4,144,087	450,755	4,594,842
2023	4,174,224	420,618	-	-	4,174,224	420,618	4,594,842
2024-2028	21,330,893	1,643,317	-	-	21,330,893	1,643,317	22,974,210
2029-2033	22,117,866	856,345	-	-	22,117,866	856,345	22,974,211
2034-2036	11,363,080	124,026	-	-	11,363,080	124,026	11,487,106
Total	<u>\$ 75,383,761</u>	<u>\$ 5,025,977</u>	<u>\$ 594,405</u>	<u>\$ 10,827</u>	<u>\$ 75,978,166</u>	<u>\$ 5,036,804</u>	<u>\$ 81,014,970</u>

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### G. Fund equity

Governmental fund balances reported on the fund financial statements at September 30, 2018 include the following:

	General	LOST	SHIP	HOME	CDBG	Nonmajor Funds	Total
Nonspendable:							
Deposits	\$ 39,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,360
Prepaid	4,886	-	-	-	-	-	4,886
Receivables	28,543	-	-	-	-	-	28,543
Property held for resale						-	-
Restricted:							
Capital improvements and public works	-	6,199,856	-	-	-	15,611,502	21,811,358
Economic development	-	-	582,258	-	-	3,845,913	4,428,171
Public safety programs	-	-	-	-	-	272,148	272,148
Youth and adult library/recreation programs	-	-	-	-	-	665,162	665,162
Parkland dedication	-	-	-	-	-	2,566,236	2,566,236
Assigned:							
Subsequent year's operations	3,438,909	-	-	-	-	-	3,438,909
Accrued employee benefits	2,291,963	-	-	-	-	-	2,291,963
Other purposes	-	-	-	-	-	876,305	876,305
Unassigned	11,296,925	-	-	-	-	-	11,296,925
	<u>\$ 17,100,586</u>	<u>\$ 6,199,856</u>	<u>\$ 582,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,837,266</u>	<u>\$ 47,719,966</u>

### H. Encumbrances

Purchase orders are issued throughout the fiscal year to encumber budgets in the funds. Significant encumbrances in governmental funds as of September 30, 2018 are as follows:

Major governmental funds:	
General	\$ 923,009
Local Option Sales Tax	3,215,606
SHIP	75,518
Total Major Funds	<u>4,214,133</u>
Non-major governmental funds	5,543,151
Total Encumbrances	<u>\$ 9,757,284</u>

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### V. OTHER DISCLOSURES

#### A. Risk management

The City's Risk Management Fund (Internal Service Fund) is involved with two main elements of risk management: risk control and risk financing. Risk control techniques are used to prevent/avoid potential losses, minimize the consequences of incurred losses, and segregate certain types of exposures. Risk financing techniques are used to obtain funds to restore the economic damages of losses including risk retention, risk transfer to insurers, and risk transfer to non-insurers (e.g., through indemnity clauses in contracts that transfer financial responsibility to the other contractual party).

Main activities of the Fund consist of: (1) initiating and monitoring risk control policies and procedures; (2) disbursing premium payments for insurance coverage; (3) processing and paying claims under the Workers' Compensation Act; and (4) processing and paying claims arising from property, vehicle and general liability cases.

Fund revenue primarily includes contributions from other City funds and is planned to match expenses of insurance premiums, anticipated "self-insured" losses and operating expenses. Premiums are paid into the risk management fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the various risk programs. As of September 30, 2018, such interfund premiums did not exceed reimbursable expenditures.

The City recognizes insurance claim expenses based upon claims paid, claims reported, and estimates of claims incurred but not reported (IBNR). Claims liabilities are recorded based upon the City's best estimates of potential losses after considering all available facts. The claims estimation process involves substantial uncertainties, including the ultimate outcome of certain legal actions that may affect the adequacy of amounts provided; however, management believes all claims liabilities recorded are appropriate.

Estimates of claims liabilities of the risk fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The actual result of this claims liability estimation process depends on many complex factors, such as investigations and discovery of facts, extent of the recovery of injured parties, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of new information, claim settlement trends (including frequency and amount of pay-outs), and other factors. Due to the uncertain nature of the claims estimate, the City decided that recording 20% of the total balance is a practical portion to recognize as "due with in one year" on the statement of net position.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The estimated claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Excess coverage insurance policies cover individual claims in excess of certain amounts.

The City is partially "self-insured" for Workers Compensation claims on a per occurrence basis up to \$600,000. The City carries insurance coverage for claims in excess of the Self-Insured Retention (SIR) level up to \$1M per claim. The City has several ongoing claims that have exceeded SIR levels, which were lower in previous years (mostly \$400,000 SIR).

The City carries insurance policies for employee health claims, EMS liability claims and general employee disability claims. Public safety employee disability claims (sworn police and fire employees) are covered through the pension plan.

The City carries property insurance with a \$25,000 deductible per occurrence, and per occurrence coverage of approximately \$25M and for \$181 million of insurable values. There have been no settlements which exceeded insurance coverage.

The City is "self-insured" for motor vehicle and general liability claims. The City is relying on state statutes of sovereign immunity, which limit damage awards against local governments to \$200,000 per claim and \$300,000 per occurrence. There have been instances where the State Legislature has overridden the statutes and removed these limitations; however, these instances are infrequent and the City of Largo has never been a party to a state legislative override. Sovereign immunity limits are not applicable in certain types of actions, such as breach of contract and federal civil rights actions.

The following is a roll-forward of claims reserves for the last two fiscal years:

	<b>Workers Compensation</b>	<b>Property and Liability</b>	<b>Total</b>
Claims reserve, September 30, 2016	\$ 1,140,000	\$ 340,000	\$ 1,480,000
Plus: Incurred claims and reserve adjustments	555,000	150,000	705,000
Less: Paid claims and reserve adjustments	(145,000)	(70,000)	(215,000)
Claims reserve, September 30, 2017	1,550,000	420,000	1,970,000
Plus: Incurred claims and reserve adjustments	405,000	210,000	615,000
Less: Paid claims and reserve adjustments	(620,000)	(175,000)	(795,000)
Claims reserve, September 30, 2018	\$ 1,335,000	\$ 455,000	\$ 1,790,000



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### **B. Employee retirement systems and pension plans**

Substantially all of the City's full-time employees participate in three separate retirement plans: a single-employer defined benefit pension plan (including disability pension) for police officers and firefighters, a single-employer defined contribution retirement plan for most general employees, and a single-employer defined contribution retirement plan for Executive Management employees. The City also has a single-employer defined benefit disability income plan for general employees.

*Summary of significant accounting policies* – basis of accounting and valuation of investments (all pension funds). The City accounts for all four plans as pension trust funds; therefore they are accounted for in substantially the same manner as proprietary funds with an "economic resources" measurement focus and employment of the accrual basis of accounting. Financial statements are prepared using the accrual basis of accounting.

Plan assets are valued at market value for financial statement purposes. Securities are traded on a national exchange and are valued at the last reported sales price on September 30. Plan member contributions, employer contributions, and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan member contributions are recognized in the period contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Since separate financial reports are not issued for any individual plan, GAAP requires inclusion of each plan's financial information in the notes, even though this information is already presented in combining and individual fund statements. The following information is presented in compliance with GAAP requirements.

**City of Largo, Florida**  
**Notes to Financial Statements**  
September 30, 2018

**Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**September 30, 2018**

	<b>Executive Employees' Retirement</b>	<b>General Employees' Retirement</b>	<b>Police Officers' and Firefighters' Retirement</b>	<b>General Employees' Disability</b>	<b>Total</b>
<b>Assets</b>					
Cash and Investments	\$ 2,356,423	\$ 7,196,701	\$ 10,824,843	\$ 589,671	\$ 20,967,638
Accounts receivable	-	-	1,263	-	1,263
Accrued interest receivable	-	-	-	5,044	5,044
Due from other funds	-	-	-	26,149	26,149
Loans receivable	-	1,534,042	-	-	1,534,042
U.S. Treasury securities & agencies	-	-	15,038,270	-	15,038,270
Corporate bonds	-	-	11,475,971	-	11,475,971
Mutual funds	1,293,012	35,118,136	38,866,131	-	75,277,279
Common stock	-	-	71,965,146	-	71,965,146
Total Assets	<u>3,649,435</u>	<u>43,848,879</u>	<u>148,171,624</u>	<u>620,864</u>	<u>196,290,802</u>
<b>Liabilities</b>					
Due to employee investment accounts	-	26,147	9,791,018	5,460	9,822,625
Due to other funds	-	26,149	-	-	26,149
Unearned revenue	-	-	3,866	-	3,866
Total liabilities	<u>-</u>	<u>52,296</u>	<u>9,794,884</u>	<u>5,460</u>	<u>9,852,640</u>
<b>Net position</b>					
Restricted for:					
Participant benefits	3,649,435	43,796,583	138,376,720	615,404	186,438,142
Total net position	<u>\$ 3,649,435</u>	<u>\$ 43,796,583</u>	<u>\$ 138,376,720</u>	<u>\$ 615,404</u>	<u>\$ 186,438,142</u>

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### Statement of Changes in Fiduciary Net Position Pension Trust Funds Year Ended September 30, 2018

	Executive Employees' Retirement	General Employees' Retirement	Police Officers' and Firefighters' Retirement	General Employees' Disability	Total
<b>Additions</b>					
Contributions:					
Employer	\$ 106,240	\$ 1,127,323	\$ 4,994,697	\$ -	\$ 6,228,260
Plan members	70,774	1,132,439	1,305,188	-	2,508,401
Other contributions	-	-	1,266,754	-	1,266,754
Forfeitures	-	60,509	-	26,149	86,658
Service buy-back contributions	-	5,214	108,419	-	113,633
Rollover contributions	-	-	53,601	-	53,601
Interest on loan paybacks	-	42,700	-	-	42,700
Total contributions	177,014	2,368,185	7,728,659	26,149	10,300,007
Investment earnings:					
Net increase/(decrease) in investment value	354,807	3,856,254	10,407,434	(2,930)	14,615,565
Interest and dividends	-	-	2,765,260	8,618	2,773,878
	354,807	3,856,254	13,172,694	5,688	17,389,443
Less investment expense	-	(38,589)	(562,715)	-	(601,304)
Net investment earnings	354,807	3,817,665	12,609,979	5,688	16,788,139
Net additions	531,821	6,185,850	20,338,638	31,837	27,088,146
Deductions					
Benefits	-	2,342,076	8,858,247	-	11,200,323
Refund of contributions	-	-	134,814	-	134,814
Administrative	-	-	229,731	-	229,731
Forfeitures deduction	-	52,297	-	-	52,297
Insurance	-	-	-	66,667	66,667
Total deductions	-	2,394,373	9,222,792	66,667	11,683,832
Change in net position	531,821	3,791,477	11,115,846	(34,830)	15,404,314
Total net position – beginning	3,117,614	40,005,106	127,260,874	650,234	171,033,828
Total net position - ending	\$ 3,649,435	\$ 43,796,583	\$ 138,376,720	\$ 615,404	\$ 186,438,142

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 1. Police Officers and Firefighters Defined Benefit Pension Plan

*Plan Description.* The Police Officers and Firefighters Pension Plan is a single-employer defined benefit pension plan that provides retirement benefits for all sworn police and fire personnel. The plan also provides disability and survivors' benefits as well as a DROP (Deferred Retirement Option Plan) provision. All plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance No. 2002-04. The plan Ordinance may be amended by the City Commission after public notice has been made, two public readings are conducted, and one public hearing is held. The plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report.

Note: Information is reported from the actuarial report prepared at the beginning of each fiscal year (October 1st), which is permitted by GASB Standards.

#### *Membership:*

	October 1	
	2015	2016
Active employees	226	241
Retirees and beneficiaries currently receiving normal & disability benefits	176	188
Terminated employee's entitled to benefits, but not yet receiving benefits	14	15
DROP participants receiving benefits into their DROP accounts	39	9
Total plan membership	455	453

*Benefits.* Benefits are determined by applicable retirement category, average salary, benefit factor and length of service.

Normal retirement is defined as:

- For members hired before October 1, 2013:
  - Age 55 with ten years of credited service, or
  - 23 years of credited service regardless of age, or
  - Age 62 regardless of credited service
- For members who were hired on or after October 1, 2013:
  - Age 55 with ten years of credited service, or
  - 25 years of credited service regardless of age, or
  - Age 62 regardless of credited service

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

Benefits are defined as follows:

- For members hired before October 1, 2013:
  - 3.25% of average final compensation (AFC) times the number of years of service (subject to a maximum of 95% of AFC)
  - AFC is the three highest earning years out of the last ten years of employment
- For members who were hired on or after October 1, 2013:
  - 2.75% of (AFC) times the number of years of service (subject to a maximum of 95% of AFC)
  - AFC is the five highest earning years out of the last ten years of employment

A service incurred disability benefit and a non-service incurred disability benefit is available at 60% of AFC and 50% of AFC, respectively, for continuous and permanent incapacity as defined by state statutes. Vesting is 100% after ten years of creditable service; 0% prior to ten years, except for disability benefits. The Plan does not provide for any post-retirement benefit increases.

*Contributions.* Employees contribute a fixed percentage of eligible compensation (currently 8%) on a pre-tax basis which may be amended by ordinance after collective bargaining.

Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan, as calculated by the plan actuary, are recognized as revenue when due and the City has made a formal commitment to provide contributions. The City and employees' contributions for the fiscal year ended September 30, 2018 were \$4,994,697 and \$1,467,208, respectively. The City's contribution was made in accordance with actuarially determined contribution requirements ascertained through an actuarial valuation performed at October 1, 2017 (one year in arrears).

The State of Florida has levied a tax on property, casualty, and auto insurance premiums, the proceeds of which are distributed to local governmental entities that maintain qualified Police Officers and Firefighters pension plans. State contributions are an integral part of the plan's funding sources. The state has previously altered the amount or the usage of this tax and may do so again unilaterally at any time. The amount of state contributions for this fiscal year was \$1,266,754. This amount was recorded as an intergovernmental revenue and an expenditure in the General Fund.

*Net Pension Liability.* The net pension liability was measured as of October 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

The schedules of net pension liability, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the plan net positions are increasing or decreasing over time relative to the total pension liabilities for benefits.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

The City is required by state statutes to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, contributions received from premium taxes, investment earnings, and all plan expenses. Significant actuarial assumptions used to compute actuarially determined contribution requirements are not the same as those used to compute the total pension liability.

The following information and assumptions were used in the actuarial valuation for the net pension liability.

Valuation Date	October 1, 2016
Actuarial Cost Method (Funding)	Entry Age Normal
Amortization Method	Level Percent, Closed
Retirement Age	Experience- based table of rates that are specific to the type of eligibility condition.
Mortality Rates	RP-2000 Combined Healthy participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Special Risk Class members of the Florida Retirement System (FRS), as mandated by Florida House Bill 1309.
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	3.75% to 5.75% depending on Member Age
Inflation	2.5%
Cost-of-living adjustments	Not Applicable

*Deferred Retirement Option Plan (DROP).* When a plan member reaches retirement eligibility, the member may elect to participate in a deferred retirement option plan (DROP). Members who elect to enter the DROP continue working, but all pension contributions stop and the pension benefit earned is deposited for that member in a separate account within the pension plan. DROP assets are segregated from other plan assets and invested separately. At termination of employment (which cannot exceed seven years from the date of election into the DROP), DROP members have an option of receiving a lump sum payment or rolling over the account balance into a tax deferred account with all future pension benefit payments going directly to the member.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

*Share Plan.* The Plan provides an individual share account for all active firefighters and for firefighters who are DROP members, retirees, and terminated vested members on October 1, 2009. The Plan also provides an individual share account for all active police officers and for police officers employed on September 1, 2011. The Share Plan allocation is derived from any non-dedicated Chapter 175 (fire) or 185 (police) revenue that exceeds the base amount. The excess revenue, net of administrative expenses, is allocated annually to individual accounts which earn interest at the rate of investment return realized by the individual share plan account. Effective October 1, 2013, a portion of excess annual revenue is allocated to individual accounts if the plan's funding level determined in the most recent valuation report is 80% and all excess revenue is allocated to individual accounts once the plan's funding level reaches 100%.

*Investment policy.* The plan's policy in regard to the allocation of invested assets is established by the pension board and may be amended by the pension board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board's adopted Investment Policy is 62.5% equity, 30.0% bonds and 7.5% real estate. The following is the board's target asset allocation as of September 30, 2017:

Asset Class	Target Allocation	Actual Allocation
Domestic equities		
Small Cap Blend	10.0%	12.6%
Small Cap Growth	20.0%	17.7%
Small Cap Value	20.0%	19.9%
International equities		
Developed markets	5.0%	3.7%
Emerging markets	7.5%	11.4%
Fixed income	30.0%	25.2%
Real estate	7.5%	9.5%
	100.0%	100.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Weighted Average</b>
Domestic equities		
Small Cap Blend	10.50%	0.53%
Small Cap Growth	10.80%	2.16%
Small Cap Value	10.30%	2.06%
International equities		
Developed markets	9.10%	0.68%
Emerging markets	12.40%	0.60%
Fixed income	4.40%	1.23%
Real estate	9.10%	0.68%
Total		7.94%

*Rate of return.* For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Method used to value investments.* Investments are reported at fair value. Securities and funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Discount rate.* A single discount rate of 6.75% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

Changes in the Total Pension Liability and the Net Pension Liability are as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
<b>Balance at of September 30, 2016</b>	<u>\$ 164,993,527</u>	<u>\$ 127,354,026</u>	<u>\$ 37,639,501</u>
<b>Changes for the year:</b>			
Service cost	3,079,795	-	3,079,795
Interest	12,268,722	-	12,268,722
Difference between actual & expected experience	1,429,348	-	1,429,348
Assumption changes	8,537,498	-	8,537,498
Contributions - employer	-	4,125,246	(4,125,246)
Contributions - employer (through state)	-	1,247,930	(1,247,930)
Contributions - member	-	1,272,118	(1,272,118)
Net investment income	-	15,043,417	(15,043,417)
Benefit payments	(8,947,165)	(8,947,165)	-
Refunds	(33,559)	(33,559)	-
Administrative expense	-	(154,935)	154,935
Other	-	-	-
<b>Net changes</b>	<u>16,334,639</u>	<u>12,553,052</u>	<u>3,781,587</u>
<b>Balance at of September 30, 2017</b>	<u><u>\$ 181,328,166</u></u>	<u><u>\$ 139,907,078</u></u>	<u><u>\$ 41,421,088</u></u>

*Sensitivity of the Net Pension Liability to changes in discount rate.* The following table presents the plan's net pension liability calculated using a single discount rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (sensitivity range):

<b>1% Decrease 5.75%</b>	<b>Current Single Discount Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
<u>\$ 62,175,664</u>	<u>\$ 41,421,088</u>	<u>\$ 24,221,822</u>

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

*Pension expense, Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended September 30, 2018 the City recognized pension expense of \$6,741,884. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows or Resources</u>
Difference between expected and actual experience	\$ 1,089,027	\$ 561,800
Changes in assumptions	6,504,760	
Net difference between projected and actual earnings on pension plan investments	3,455,690	5,493,998
Employer contributions made subsequent to the measurement date	6,261,450	-
Total	<u>\$ 17,310,927</u>	<u>\$ 6,055,798</u>

Deferred outflows of resources related to the Plan, including \$6,261,450 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a increase of the net pension liability for the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ 2,050,043
2020	2,540,932
2021	1,045,144
2022	(642,440)
2023 and thereafter	-
	<u>\$ 4,993,679</u>

## 2. General employees defined benefit disability income plan

*Plan Description.* The general employee disability income plan is a single-employer defined benefit disability income plan (Disability Income Plan) for all general employees. The Plan is non-contributory for employees and the City. Only employees eligible to participate in the City's General Employees Defined Contribution Retirement Plan are eligible for disability income under this Plan.

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 96-29. The Plan Ordinance may be amended by the City Commission after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report. Full-coverage disability insurance was

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

purchased for all claims incurred after October 1, 2002; however, the Plan was continued in order to provide future funding for all insurance expense and to pay previous claims outstanding.

*Membership.* General employees disability plan membership is, as follows:

	<b>FY2017</b>	<b>FY2018</b>
Active employees (vested and non-vested)	494	493
Disabled participants currently receiving benefits	13	14
Total	507	507

*Benefits.* Disability income benefits are based on the following schedule:

	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>
Eligibility	More than 1 and less than 3 years employment	More than 3 and less than 5 years employment	5 or more years employment
Monthly Benefit	40% of monthly earnings	50% of monthly earnings	60% of monthly earnings
Maximum Benefit	\$4,000 per month*	\$5,000 per month*	\$5,000 per month*

\*Subject to reduction by deductible sources of income or other disability earnings.

Other sources of income may affect the disability benefits payable under the plan. A Work Incentive Benefit will be provided if the employee is disabled and gainfully employed after the end of the elimination period, or after a period during which the employee received long-term disability (LTD) monthly benefits.

Compensation includes regular pay for normal hours worked (including normal leave time) and excludes extraordinary compensation, such as overtime, bonuses, severance pay, etc. The Plan only provides benefits during disability. Benefits also cease upon the death of the participant, or when a participant who is 61 years of age or younger reaches the normal retirement age (age 65). Participants who are 62 years of age or older at the time of disability receive benefit periods of 42 months to 12 months, depending on age.

*Funding Policy.* The Plan is primarily funded through a surplus of net Plan assets available upon conversion of the City's General Employees Defined Benefit Pension Plan to the General Employees Defined Contribution Pension Plan in 1996. The Plan also receives one-half of all account forfeitures from the General Employees Defined Contribution Retirement Plan and investment earnings on plan assets.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### 3. General employees defined contribution retirement plan

*Plan Description.* The General Employees Defined Contribution Retirement Plan was established to provide supplemental income to employees upon retirement. All employees are eligible to participate in the Plan, except Police Officers, Firefighters, and Executive Management employees., elected officials and employees whose customary employment is for less than 30 hours in any one week, or less than five months in any calendar year.

All Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 96-09. The Plan Ordinance may be amended by the City Commission after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report.

All investments are directed by Plan members, including the non-vested portion of the City's contributions, if any. Plan members may elect to allocate investments among stock mutual funds, money market funds, and fixed income mutual funds.

*Membership.* General employees defined contribution plan membership is, as follows:

	<b>FY2017</b>	<b>FY2018</b>
Active employees (vested and non-vested)	538	510
Retired and terminated members maintaining balances	162	225
Total	700	735

*Benefits.* Member contributions are 100% vested at all times. Employer contributions become vested on a graduated basis at the rate of 25% per year after the second year of employment, with 100% vesting after five years of employment. Actual benefits received are completely dependent on the amount of contributions made plus investment earnings.

*Funding Policy.* Members are required to contribute 5% of covered salary (regular pay only) to the Plan, and the City is required to match this contribution percentage. During FY 2018, actual contributions were \$1,129,856 from employees and \$1,129,856 from the City, excluding roll-over dollars from other plans, if any.

*Loans.* Employee loans are permitted up to 50% if the vested portion of account balance of at least \$4,000 with a minimum of \$2,000 and a maximum of \$50,000. Loans must be repaid within 5 years with interest determined at the time of the loan.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

#### 4. Executive management defined contribution retirement plan

*Plan Description and membership.* The Executive Management 401(a) Plan operates similarly to the General Employees' 401(a) Plan. There is no minimum number of participants required, which is well suited to the City's relatively small group of Executive Management personnel. The plan has 10 active members.

*Funding Policy.* The City contribution is 7.5% of covered pay and member contributions are 5% of covered pay. Actual contributions were \$70,774 from employees and \$106,240 from the City.

*Benefits.* The vesting schedule is 100% at the date of hire. All investments are reported at fair value. All investments are directed by Plan members. Plan members may elect to allocate investments among stock mutual funds, money market funds, and fixed income mutual funds. Actual benefits received are completely dependent on the amount of contributions made plus investment earnings.

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Resolution, the most recent of which is Resolution No. 1740. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report.

#### 5. Deferred compensation retirement savings plan

In addition to the four pension plans described above, the City offers all employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code (IRS) Section 457(b). The plan is voluntary and permits employees to defer taxes on a portion of their salary until future years. Deferred compensation can be withdrawn upon termination, retirement, death, or unforeseeable emergency. All amounts of deferred compensation, all property, all rights, and all income are held in trust for employees and are subject only to the claims of the employee or other beneficiary. The City contributes to the account of the City Manager, as stipulated in the City Manager employment contract. Although these contributions are employer contributions, the contributions are for the direct benefit of the employee.

It is the opinion of the City that the City has no liability for losses under the IRS Section 457(b) plan, the City does have the duty of due care that would be required of any prudent administrator. Since the City has no liability for losses and exercises no significant administrative control over assets, the Deferred Compensation Fund has been removed from the City's financial statements in accordance with GAAP.

*Loans.* Employee loans are permitted up to 50% if the vested portion of account balance of at least

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

\$4,000 with a minimum of \$2,000 and a maximum of \$50,000. Loans must be repaid within 5 years with interest determined at the time of the loan.

Changes in total plan assets during the year were as follows:

	<b>Market Value</b>
Net plan assets, October 1, 2017	\$ 33,396,167
Employee contributions	1,425,040
Employer contributions	7,229
Rollover contributions	292,640
Earnings (loss)	3,063,317
Distributions	(3,129,354)
Net plan assets, September 30, 2018	<u>\$ 35,055,039</u>

### 6. Voluntary Post-employment Health Savings Plan

Prior to FY 2008, the City offered all employees a voluntary Post-employment health savings plan. The Plan was discontinued in FY 2008 for all employees except members of the Police Benevolent Association (PBA) bargaining unit which were discontinued as of FY 2008, due to changes in U.S. Treasury regulations. Existing employee contributions may remain in the Plan.

It is the opinion of the City that the City has no liability for losses under this plan, but does have the duty of care that would be required of any ordinary prudent administrator. Since the City has no liability for losses and exercises no significant administrative control over assets, the Voluntary Post-employment Health Savings Plan has not been included in the City's financial statements in accordance with GAAP.

Net Plan Assets, October 1, 2017	\$ 72,433
Employee Contributions	-
Earnings/(Loss)	(123)
Distributions	(14,745)
Net Plan Assets, September 30, 2018	<u>\$ 57,565</u>

### 7. Other Post-employment Benefits Payable (OPEB)

For September 30, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for post-employment healthcare benefits other than pensions as of September 30, 2018.

**Plan Description.** The City participates in a single-employer retiree health plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses. Pursuant to the provisions of section 112.0801, Florida Statutes, former employees and eligible dependents may continue to participate in the City's fully insured health plan for medical and prescription drug

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

coverage. Retirees are completely responsible for payment of their insurance premiums and the City does not contribute toward this payment. However, the City is presumed to be subsidizing the premium rates paid by retirees by allowing them to participate in the plans at blended group premium rates (implicitly subsidized) for both active and retired employees. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Membership.* There are 29 retired participants and dependents receiving health benefits and 607 individuals covered by the Plan.

*Total OPEB Liability and Changes in Total OPEB Liability.* The measurement date for the City's total/net OPEB liability was September 30, 2017, one year prior to the City's fiscal reporting date September 30, 2018. The measurement period for the OPEB cost was October 1, 2016 to September 30, 2017. The City's total OPEB liability is \$11,549,333.

Changes in the Total OPEB Liability is as follows:

	Fiscal Year ending 9/30/2018
<b>Total OPEB Liability</b>	
Service cost	\$ 875,919
Expected interest growth	410,366
Difference between expected and actual experience	-
Change in assumptions and other inputs	-
Benefit payments and refunds	(267,247)
Other changes	-
Net change in total OPEB liability	1,019,038
Total OPEB liability, beginning	10,530,295
Total OPEB liability, ending	<u>\$ 11,549,333</u>

*Sensitivity of the OPEB Liability to changes in discount rate.* The following table presents the total OPEB liability of the City calculated using a single discount rate of 3.64%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (sensitivity range):

1% Decrease 2.64%	Current Single Discount Rate 3.64%	1% Increase 4.64%
\$ 12,859,990	\$ 11,549,333	\$ 10,409,649

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

*Sensitivity of the OPEB Liability to changes in healthcare cost trend rates.* The following table presents the total OPEB liability of the City calculated using a healthcare cost trend rate of 8% graded down to 5%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (sensitivity range):

<b>Trend rates minus 1%</b>	<b>Current Healthcare Cost Trend Rate 8% graded down to 5%</b>	<b>Trend rates plus 1%</b>
\$10,100,348	\$ 11,549,333	\$ 13,281,259

*OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended September 30, 2018 the City recognized OPEB expense of \$1,019,038. At September 30, 2018, the City reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

The following information and assumptions were used in the actuarial valuation for the net OPEB liability.

Valuation Date	October 1, 2017
Discount rate	3.64% per annum
Salary increases	3.00% per annum
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 8.0% for the 2017/2017 fiscal year graded down by 0.50% per year to 5.0% for the 2023/2024 and later fiscal years.
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.5% for each year of age.
Implied subsidy	For the 2017/2018 fiscal year at age 62, the assumed monthly subsidy is \$625 for the retiree and \$450 for the retiree's spouse under the core plan, \$350 for the retiree and \$275 for the retiree's spouse under the high-deductible plan and \$400 for the retiree and \$300 for the retiree's spouse under the minimum coverage plan; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The implied subsidy is assumed to disappear at age 65; no implied subsidy is assumed with respect to dental and life insurance coverage.
Mortality basis	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table or the RP-2000 Blue Collar Mortality Table, both with full generational improvements in mortality using Scale BB.
Retirement	For general employees, retirement is assumed to occur at age 62; for firefighters and police officers, retirement is assumed to occur at age 62, at age 55 with 10 years of service, or at any age with 23 years of service.



# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

### C. Contingent liabilities

*Litigation.* The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that the resolution of these matters will not have a material adverse effect on the City's financial condition. Please refer to the note on Risk Management in this section, V. A.

*Federal and State Assistance Programs.* Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

### D. Tax abatements

The City enters into property tax abatements with local businesses under the s. 3, Art. VII of the Florida State Constitution. The article provides the City the ability to grant community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses. Chapter 22, article VI of the City of Largo Code of Ordinances authorizes the granting of such exemptions.

For the fiscal year ended September 30, 2018, the City abated property taxes totaling \$14,007 under this program, including one agreement with a large distributor of IT products and services. The abatement was enacted in November 2015 continues through December 31, 2024.

### E. Change in Accounting Principles

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the fiscal year ending September 30, 2017. GASB 75 requires the funds of the City to report their proportionate share of the plan's total OPEB liability, pension expense, and deferred inflows and outflows of resources as well as additional note disclosure and required supplementary information. GASB 75 replaces GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than pensions*, as amended.

# City of Largo, Florida

## Notes to Financial Statements

September 30, 2018

Implementation of GASB 75 required restatement of Beginning Net Position.

The following schedule details the impact of GASB 75 to the Proprietary and Internal Service Fund Financial Statements:

<b>Restatement of Prior Year Proprietary Funds Net Position</b>						
	<b>Wastewater</b>	<b>Solid Waste</b>	<b>Nonmajor</b>		<b>Fleet Internal Service</b>	<b>Risk Internal Service</b>
	<b>Utility</b>	<b>Utility</b>	<b>Golf-Course</b>	<b>Total</b>		
Net Position - Beginning of Period, as previously reported	\$ 111,748,673	\$ 13,427,793	\$ 2,269,821	\$ 127,446,287	\$ 861,156	\$ 3,446,327
<b>Adoption of GASB 75</b>						
Remove GASB 45 OPEB Liability	751,000	445,000	72,000	1,268,000	-	-
Add GASB 75 Total OPEB liability	(1,158,598)	(674,899)	(101,528)	(1,935,025)	(170,365)	(63,311)
Total adjustment to prior year	(407,598)	(229,899)	(29,528)	(667,025)	(170,365)	(63,311)
Net Position-Beginning of Period, as restated	\$ 111,341,075	\$ 13,197,894	\$ 2,240,293	\$ 126,779,262	\$ 690,791	\$ 3,383,016

The following schedule details the impact of GASB 75 to the Government Wide Financial Statements:

<b>Restatement of Prior Year Government Wide Net Position</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total primary Government</b>
Net Position - Beginning of Period, as previously reported	\$ 148,960,091	\$ 127,765,549	\$ 276,725,640
<b>Adoption of GASB 75</b>			
Remove GASB 45 OPEB Liability	\$ 5,665,000	1,268,000	6,933,000
Add GASB 75 Total OPEB liability	(8,595,271)	(1,935,025)	(10,530,296)
Total adjustment to prior year	(2,930,271)	(667,025)	(3,597,296)
Net Position - Beginning of Period, as restated	\$ 146,029,820	\$ 127,098,524	\$ 273,128,344

### F. Subsequent Events

The City has continued to borrow funds for three Wastewater System Consent Order projects from the State DEP SRF Loan #3 after year end. Since September 30, 2018, additional draw downs totaling \$5,475,905 have been requested by the City resulting in a new loan principle balance of \$78,409,714 as of March 29, 2019.

Hurricane Irma occurred on September 10, 2017. The City took emergency protective measures to prepare for the storm and suffered minor losses. Over 50,000 cubic yards of debris was collected by the Solid Waste department and debris removal contractors and the City continued to incur costs during fiscal year 2018 related to removal of the debris and repair of City infrastructure. Total storm related costs to the City are estimated to be approximately \$2,500,000, including additional staff time, for which the City is in the process of applying for Federal Emergency Management Agency assistance.

**City of Largo, Florida**  
**Required Supplementary Information**  
September 30, 2018

**POLICE OFFICERS AND FIREFIGHTERS PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**PAST TEN YEARS (\$ in thousands)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Service cost	\$ 2,575	\$ 2,572	\$ 2,778	\$ 3,080
Interest	11,080	11,499	11,916	12,269
Difference between expected and actual experience	(427)	-	(1,057)	1,429
Changes of assumptions	-	-	-	8,537 *
Benefit payments, including refunds of employee contributions	(7,325)	(7,965)	(9,478)	(8,981)
Other	5	-		
<b>Net change in total pension liability</b>	<b>5,908</b>	<b>6,106</b>	<b>4,159</b>	<b>16,334</b>
<b>Total pension liability-beginning</b>	<b>148,821</b>	<b>154,729</b>	<b>160,835</b>	<b>164,994</b>
<b>Total pension liability-ending</b>	<b>154,729</b>	<b>160,835</b>	<b>164,994</b>	<b>181,328</b>
<b>Plan fiduciary net position</b>				
Contributions-employer	\$ 4,591	\$ 5,025	\$ 4,648	\$ 5,373
Contributions-employee	706	940	1,208	1,272
Net investment income	10,838	497	9,877	15,043
Benefit payments, including refunds of employee contributions	(7,325)	(7,965)	(9,478)	(8,980)
Administrative expense	(154)	(149)	(134)	(155)
<b>Net change in fiduciary net position</b>	<b>8,656</b>	<b>(1,652)</b>	<b>6,121</b>	<b>12,553</b>
<b>Plan fiduciary net position-beginning</b>	<b>114,230</b>	<b>122,885</b>	<b>121,233</b>	<b>127,354</b>
<b>Plan fiduciary net position-ending</b>	<b>122,886</b>	<b>121,233</b>	<b>127,354</b>	<b>139,907</b>
<b>Net pension liability</b>	<b>\$ 31,843</b>	<b>\$ 39,602</b>	<b>\$ 37,640</b>	<b>\$ 41,421</b>
Plan fiduciary net position as a percentage of the total pension liability	79.42%	75.38%	77.19%	77.16%
Covered payroll	12,456	13,311	13,660	15,419
Net pension liability as a percentage of covered payroll	255.64%	297.51%	275.55%	268.64%

Notes to Schedule:

Data unavailable prior to 2015 because it was not required by GASB Standards. Data not presented for most recent fiscal year because the City has elected to use the prior fiscal year data to ensure availability, which is permitted by GASB Standards. Subsequent years will be added as available.

Changes in assumptions include: the investment rate of return was lowered from 7.5% to 6.75%, salary increases were changed, the rate of payroll growth was changed, the rates of retirement and employment separation were updated and the mortality assumption.

# City of Largo, Florida

## Required Supplementary Information

September 30, 2018

### POLICE OFFICERS AND FIREFIGHTERS PENSION PLAN SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS (\$ in thousands)

	2015	2016	2017	2018
Actuarially determined contribution	\$ 5,025	\$ 4,648	\$ 5,373	\$ 6,261
Contributions in relation to the actuarially determined contribution	5,025	4,648	5,373	6,261
Covered payroll	12,733	13,660	15,419	16,314
Contributions as a percentage of covered payroll	37.8%	34.0%	34.8%	38.4%

#### Notes to Schedule:

Valuation Date: October 1, 2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

#### Methods and Assumptions Used to Determine Net Pension Liability and Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Inflation	2.5%
Salary Increases	Rates vary from 3.75% to 5.75% depending on age
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to type of eligibility condition.

**Mortality** RP-2000 Mortality Tables for Annuitants with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the actuarial valuation as required under Florida Statutes, Chapter 112.63.

#### Other Information:

Notes to schedule: Data unavailable prior to 2015 because it was not required by GASB Standards. Data not presented for most recent fiscal year because the City has elected to use the prior fiscal year data to ensure availability, which is permitted by GASB Standards. Subsequent years will be added as available.

See Discussion of Valuation results in the October 1, 2017 Actuarial Valuation Report dated March 26, 2018.

**City of Largo, Florida**  
**Required Supplementary Information**  
September 30, 2018

**POLICE OFFICERS AND FIREFIGHTERS PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Annual money-weighted rate of return	10.66%	0.33%	9.09%	13.43%

Notes to Schedule: Data unavailable prior to 2015 because it was not required by GASB Standards. Data not presented for most recent fiscal year because the City has elected to use the prior fiscal year data to ensure availability, which is permitted by GASB Standards. Subsequent years will be added as available.

**City of Largo, Florida**  
**Required Supplementary Information**  
September 30, 2018

**SCHEDULE OF CHANGES IN CITY'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
PAST TEN YEARS (\$ in thousands)**

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 876
Expected interest growth	410
Difference between expected and actual experience	-
Change in assumptions and other inputs	-
Benefit payments and refunds	(267)
Other changes	-
Net change in total OPEB liability	<u>1,019</u>
Total OPEB liability, beginning	10,530
Total OPEB liability, ending	<u>\$ 11,549</u>
Covered payroll	\$ 31,235
Total OPEB liability as a percentage of covered payroll	33.71%

Note: Information is required to be presented for 10 years. Subsequent years will be added as available.





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# COMMUNITY REDEVELOPMENT AGENCY

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**CITY OF LARGO, FLORIDA**  
**Largo Community Redevelopment Agency**  
**Balance Sheet**  
**September 30, 2018**

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**Assets**

Cash and investments	\$ 3,564,254
Receivables	
Accrued interest	30,630
Property held for resale	829,060
Total assets	<u>\$ 4,423,944</u>

**Liabilities**

Accounts payable	\$ 69,425
Accrued payroll	1,927
Due to other funds	532,000
Total liabilities	<u>603,352</u>

**Fund balances**

Restricted	3,820,592
Total fund balances	<u>3,820,592</u>
Total liabilities and fund balances	<u>\$ 4,423,944</u>

**CITY OF LARGO, FLORIDA**  
**Largo Community Redevelopment Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended September 30, 2018**

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**Revenues**

Taxes	\$ 393,118
Intergovernmental	369,530
Investment earnings	31,052
Sale of property held for resale	-
Other	-
Total revenues	<u>793,700</u>

**Expenditures**

Current:	
Economic development	173,113
Capital outlay	<u>292,032</u>
Total expenditures	<u>465,145</u>

<b>Net change in fund balance</b>	328,555
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<b>Fund balance - beginning</b>	3,492,037
<b>Fund balance - ending</b>	<u><u>\$ 3,820,592</u></u>

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**COMBINING & OTHER  
SUPPLEMENTARY INFORMATION  
SCHEDULES**

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**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Final Budget Variances Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 36,338,600	\$ 36,338,600	\$ 35,912,254	\$ (426,346)
Licenses and permits	5,860,100	5,860,100	6,135,917	275,817
Intergovernmental	11,102,200	11,102,200	10,464,318	(637,882)
Charges for services	14,986,600	15,058,600	15,672,627	614,027
Fines	370,000	370,000	347,909	(22,091)
Interfund charges	3,675,600	3,675,600	3,647,200	(28,400)
Contributions and donations	353,800	353,800	67,562	(286,238)
Investment earnings	155,000	155,000	198,377	43,377
Other	1,209,100	1,209,100	899,497	(309,603)
Total revenues	<u>74,051,000</u>	<u>74,123,000</u>	<u>73,345,661</u>	<u>(777,339)</u>
<b>Expenditures</b>				
Current:				
Administration	2,603,600	2,636,449	2,557,231	79,218
Community Development	2,929,300	3,020,662	2,739,670	280,992
General government	382,700	1,493,169	1,140,496	352,673
Public Works	4,469,300	4,585,189	4,120,219	464,970
Finance	898,500	899,000	852,442	46,558
Fire Rescue	19,742,700	19,842,273	18,371,201	1,471,072
Human Resources	599,000	599,305	568,728	30,577
Information Technology	3,247,900	3,299,050	2,910,067	388,983
Legislative	366,400	374,550	351,299	23,251
Library	3,549,500	3,573,110	3,224,634	348,476
Police	22,928,600	23,054,267	23,234,616	(180,349)
Recreation, Parks & Arts	11,909,100	12,581,025	10,418,670	2,162,355
Capital outlay	2,010,500	2,429,857	1,170,856	1,259,001
Total expenditures	<u>75,637,100</u>	<u>78,387,906</u>	<u>71,660,129</u>	<u>6,727,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,586,100)</u>	<u>(4,264,906)</u>	<u>1,685,532</u>	<u>5,950,438</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	11,400	11,400	11,400	-
Transfers out	(90,000)	(90,000)	(90,000)	-
Total other financing sources (uses)	<u>(78,600)</u>	<u>(78,600)</u>	<u>(78,600)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (1,664,700)</u>	<u>\$ (4,343,506)</u>	<u>1,606,932</u>	<u>\$ 5,950,438</u>
<b>Fund balance - beginning</b>			<u>15,493,654</u>	
<b>Fund balance - ending</b>			<u>\$ 17,100,586</u>	

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**CITY OF LARGO, FLORIDA**  
**Nonmajor Governmental Funds**  
**September 30, 2018**

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**Special Revenue Funds.** A special revenue fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenue. Such funds are authorized by legislative, statutory or charter provisions to pay for certain activities with some special form of continuing revenue.

*The County Gas Tax Fund* was established to account for proceeds from the countywide Local Option Gas Tax. Expenditures are restricted to the construction and improvement of collector roads.

*The Transportation Impact Fee Fund* was established to account for revenue generated by impact fees. Expenditures are restricted to mobility improvement projects. All collections, less a 4 percent administrative fee, are shared equally with the County. This impact fee was replaced by the multimodal fee (below); therefore, no future revenues will be collected.

*The Multimodal Impact Fee Fund* was established to account for revenue generated by impact fees. Expenditures are restricted to road improvement projects. All collections, less a 4 percent administrative fee, are shared equally with the County.

*The Construction Services Fund* was established for the financial activities related to enforcement of the Florida Building Code. Revenue is generated from building permit and plan review fees and expenditures are specifically related to the direct and indirect costs associated with enforcement of the Florida Building Code.

*The Stormwater Fund* was established to account for fees charged to fund routine operations of and improvements to the City's drainage system. This fund does not account for all drainage improvements, many of which are accounted for in the Local Option Sales Tax Fund.

*The Community Redevelopment Agency Fund* was established to account for revenues generated from the taxable value of properties located within the downtown West Bay Drive Redevelopment District.

*The PCH Fund* was established to account for revenues received from Pinellas County Housing Authority to address community housing needs.

*The Program Special Revenue Fund* was established to account for a number of small accounts that are not large enough to require establishment of individual funds. Included in this fund are accounts for police donations, confiscated property, police education, athletic improvements, fire rescue donations, library donations and other miscellaneous donations. These funds must be maintained separately for their designated purposes.

*The Parkland Dedication Trust Fund* was established to account for impact fees paid in either land or money from residential contractors and developers. Cash payments are used to purchase or improve park land within the City, necessitated by the increased population generated by additional housing units.

*The Neighborhood Stabilization Program 2 (NSP2) Fund* accounts for revenue allocation to the City under the NSP2 program, which is expended on acquiring and redeveloping foreclosed and abandoned properties within the community.

**CITY OF LARGO, FLORIDA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**September 30, 2018**

	<b>County Gas Tax</b>	<b>Transportation Impact Fee</b>	<b>Multimodal Impact Fee</b>	<b>Construction Services</b>	<b>Stormwater</b>
<b>Assets</b>					
Cash and investments	\$ 4,331,799	\$ 3,514,786	\$ 686,171	\$ 4,294,159	\$ 4,043,067
Receivables:					
Accrued interest	54,137	30,646	5,782	36,445	34,995
Accounts, billed	-	-	-	-	539,873
Accounts, unbilled	-	-	-	-	478,305
Special assessments	14,604	-	-	-	-
Due from other governments	187,819	-	-	-	1,234
Other	-	-	-	3,341	-
Due from other funds	-	-	-	-	-
Property held for resale	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-
Total assets	<u>\$ 4,588,359</u>	<u>\$ 3,545,432</u>	<u>\$ 691,953</u>	<u>\$ 4,333,945</u>	<u>\$ 5,097,474</u>
<b>Liabilities</b>					
Accounts payable	\$ 393,490	\$ 383,122	\$ 165,792	\$ 26,002	\$ 1,040,875
Accrued payroll	-	-	-	22,190	52,606
Due to other funds	-	-	-	-	-
Deposits	-	-	-	668	-
Unearned revenue	546,312	-	-	-	-
Total liabilities	<u>939,802</u>	<u>383,122</u>	<u>165,792</u>	<u>48,860</u>	<u>1,093,481</u>
<b>Deferred inflows</b>					
Unavailable revenue	-	-	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Restricted	3,648,557	3,162,310	526,161	4,285,085	4,003,993
Assigned	-	-	-	-	-
Total fund balances	<u>3,648,557</u>	<u>3,162,310</u>	<u>526,161</u>	<u>4,285,085</u>	<u>4,003,993</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,588,359</u>	<u>\$ 3,545,432</u>	<u>\$ 691,953</u>	<u>\$ 4,333,945</u>	<u>\$ 5,097,474</u>

Community Redevelopment Agency	PCH	Program Special Revenue	Parkland Dedication	Neighborhood Stabilization Program 2	Total Nonmajor Special Revenue Funds
\$ 3,564,254	\$ 10,716	\$ 1,807,556	\$ 2,353,130	\$ -	\$ 24,605,638
30,630	-	15,509	20,017	-	228,161
-	-	-	-	-	539,873
-	-	-	-	-	478,305
-	-	-	-	-	14,604
-	-	1,245	-	-	190,298
-	-	368	4,089	-	7,798
-	-	-	189,000	-	189,000
829,060	-	-	-	-	829,060
-	721,093	-	-	116,250	837,343
<u>\$ 4,423,944</u>	<u>\$ 731,809</u>	<u>\$ 1,824,678</u>	<u>\$ 2,566,236</u>	<u>\$ 116,250</u>	<u>\$ 27,920,080</u>
\$ 69,425	\$ -	\$ 11,063	\$ -	\$ -	\$ 2,089,769
1,927	-	-	-	-	76,723
532,000	-	-	-	-	532,000
-	-	-	-	-	668
-	202,788	-	-	116,250	865,350
<u>603,352</u>	<u>202,788</u>	<u>11,063</u>	<u>-</u>	<u>116,250</u>	<u>3,564,510</u>
-	518,304	-	-	-	518,304
-	518,304	-	-	-	518,304
3,820,592	10,717	1,685,617	2,566,236	-	23,709,268
-	-	127,998	-	-	127,998
<u>3,820,592</u>	<u>10,717</u>	<u>1,813,615</u>	<u>2,566,236</u>	<u>-</u>	<u>23,837,266</u>
<u>\$ 4,423,944</u>	<u>\$ 731,809</u>	<u>\$ 1,824,678</u>	<u>\$ 2,566,236</u>	<u>\$ 116,250</u>	<u>\$ 27,920,080</u>



**CITY OF LARGO, FLORIDA**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended September 30, 2018**

	<b>County Gas Tax</b>	<b>Transportation Impact Fee</b>	<b>Multimodal Impact Fee</b>	<b>Construction Services</b>	<b>Stormwater</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 175,884	\$ -	\$ -
Licenses and permits	-	-	-	2,146,252	-
Intergovernmental	1,081,637	-	-	-	-
Charges for services	-	-	-	-	5,569,170
Contributions and donations	-	-	-	-	-
Investment earnings	40,054	35,677	5,603	38,718	44,437
Other	-	5,664	-	13,729	91,473
Total revenues	<u>1,121,691</u>	<u>41,341</u>	<u>181,487</u>	<u>2,198,699</u>	<u>5,705,080</u>
<b>Expenditures</b>					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	3,997,413
Economic development	418,959	-	-	1,643,234	-
Culture and recreation	-	-	-	-	-
Capital outlay	<u>1,538,762</u>	<u>718,886</u>	<u>-</u>	<u>26,473</u>	<u>2,970,257</u>
Total expenditures	<u>1,957,721</u>	<u>718,886</u>	<u>-</u>	<u>1,669,707</u>	<u>6,967,670</u>
<b>Excess (deficiency) of revenues</b>					
<b>over (under) expenditures</b>	<u>(836,030)</u>	<u>(677,545)</u>	<u>181,487</u>	<u>528,992</u>	<u>(1,262,590)</u>
<b>Other financing sources/(uses)</b>					
Transfers in	-	-	-	90,000	-
Transfers out	-	-	-	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(836,030)</u>	<u>(677,545)</u>	<u>181,487</u>	<u>618,992</u>	<u>(1,262,590)</u>
<b>Fund balances - beginning</b>	<u>4,484,587</u>	<u>3,839,855</u>	<u>344,674</u>	<u>3,666,093</u>	<u>5,266,583</u>
<b>Fund balances - ending</b>	<u>\$ 3,648,557</u>	<u>\$ 3,162,310</u>	<u>\$ 526,161</u>	<u>\$ 4,285,085</u>	<u>\$ 4,003,993</u>

Community Redevelopment Agency	PCH	Program Special Revenue	Parkland Dedication	Neighborhood Stabilization Program 2	Total Nonmajor Special Revenue Funds
\$ 393,118	\$ -	\$ 229,310	\$ 197,429	\$ -	\$ 995,741
-	-	-	-	-	2,146,252
369,530	-	106,120	-	-	1,557,287
-	-	19,267	-	-	5,588,437
-	-	214,016	-	-	214,016
31,052	-	16,626	21,599	-	233,766
-	7,230	-	-	-	118,096
793,700	7,230	585,339	219,028	-	10,853,595
-	-	107,554	-	-	107,554
-	-	-	-	-	3,997,413
173,113	-	-	-	-	2,235,306
-	-	186,378	-	-	186,378
292,032	-	19,068	-	-	5,565,478
465,145	-	313,000	-	-	12,092,129
328,555	7,230	272,339	219,028	-	(1,238,534)
-	-	-	-	-	90,000
-	-	(11,400)	-	-	(11,400)
-	-	(11,400)	-	-	78,600
328,555	7,230	260,939	219,028	-	(1,159,934)
3,492,037	3,487	1,552,676	2,347,208	-	24,997,200
\$ 3,820,592	\$ 10,717	\$ 1,813,615	\$ 2,566,236	\$ -	\$ 23,837,266

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**County Gas Tax Fund**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 1,142,600	\$ 1,142,600	\$ 1,081,637	\$ (60,963)
Investment earnings	20,000	20,000	40,054	20,054
Total revenues	<u>1,162,600</u>	<u>1,162,600</u>	<u>1,121,691</u>	<u>(40,909)</u>
<b>Expenditures</b>				
Current:				
Economic development	495,000	499,458	418,959	80,499
Capital outlay	<u>701,000</u>	<u>3,670,113</u>	<u>1,538,762</u>	<u>2,131,351</u>
Total expenditures	<u>1,196,000</u>	<u>4,169,571</u>	<u>1,957,721</u>	<u>2,211,850</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(33,400)</u>	<u>(3,006,971)</u>	<u>(836,030)</u>	<u>2,170,941</u>
<b>Net change in fund balance</b>	<u>\$ (33,400)</u>	<u>\$ (3,006,971)</u>	<u>(836,030)</u>	<u>\$ 2,170,941</u>
<b>Fund Balance - beginning</b>			<u>4,484,587</u>	
<b>Fund Balance - ending</b>			<u>\$ 3,648,557</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Transportation Impact Fee Fund**  
**For the Year Ended September 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Investment earnings	\$ 20,000	\$ 20,000	\$ 35,677	\$ 15,677
Other	-	-	5,664	5,664
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>41,341</u>	<u>21,341</u>
<b>Expenditures</b>				
Capital outlay	<u>231,200</u>	<u>2,551,874</u>	<u>718,886</u>	<u>1,832,988</u>
Total expenditures	<u>231,200</u>	<u>2,551,874</u>	<u>718,886</u>	<u>1,832,988</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(211,200)</u>	<u>(2,531,874)</u>	<u>(677,545)</u>	<u>1,854,329</u>
<b>Net change in fund balance</b>	<u>\$ (211,200)</u>	<u>\$ (2,531,874)</u>	<u>(677,545)</u>	<u>\$ 1,854,329</u>
<b>Fund Balance - beginning</b>			<u>3,839,855</u>	
<b>Fund Balance - ending</b>			<u>\$ 3,162,310</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Multimodal Impact Fee Fund**  
**For the Year Ended September 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 300,000	\$ 300,000	\$ 175,884	\$ (124,116)
Investment earnings	3,500	3,500	5,603	2,103
Total revenues	<u>303,500</u>	<u>303,500</u>	<u>181,487</u>	<u>(122,013)</u>
<b>Net change in fund balance</b>	<u>\$ 303,500</u>	<u>\$ 303,500</u>	181,487	<u>\$ (122,013)</u>
<b>Fund Balance - beginning</b>			<u>344,674</u>	
<b>Fund Balance - ending</b>			<u>\$ 526,161</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Construction Services Fund**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Licenses and permits	\$ 1,700,000	\$ 1,700,000	\$ 2,146,252	\$ 446,252
Investment earnings	40,000	40,000	38,718	(1,282)
Other	-	-	13,729	13,729
Total revenues	<u>1,740,000</u>	<u>1,740,000</u>	<u>2,198,699</u>	<u>458,699</u>
<b>Expenditures</b>				
Current:				
Economic development	2,017,200	2,042,861	1,643,234	399,627
Capital outlay	24,700	28,099	26,473	1,626
Total expenditures	<u>2,041,900</u>	<u>2,070,960</u>	<u>1,669,707</u>	<u>401,253</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(301,900)</u>	<u>(330,960)</u>	<u>528,992</u>	<u>859,952</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers in	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total other financing sources (uses)	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (211,900)</u>	<u>\$ (240,960)</u>	<u>618,992</u>	<u>\$ 859,952</u>
<b>Fund Balance - beginning</b>			<u>3,666,093</u>	
<b>Fund Balance - ending</b>			<u>\$ 4,285,085</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Stormwater Fund**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Charges for services	\$ 5,652,900	\$ 5,652,900	\$ 5,569,170	\$ (83,730)
Investment earnings	15,000	15,000	44,437	29,437
Other	60,000	60,000	91,473	31,473
Total revenues	<u>5,727,900</u>	<u>5,727,900</u>	<u>5,705,080</u>	<u>(22,820)</u>
<b>Expenditures</b>				
Current:				
Public works	4,296,900	4,457,855	3,997,413	460,442
Capital outlay	1,263,700	4,273,881	2,970,257	1,303,624
Total expenditures	<u>5,560,600</u>	<u>8,731,736</u>	<u>6,967,670</u>	<u>1,764,066</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>167,300</u>	<u>(3,003,836)</u>	<u>(1,262,590)</u>	<u>1,741,246</u>
<b>Net change in fund balance</b>	<u>\$ 167,300</u>	<u>\$ (3,003,836)</u>	<u>(1,262,590)</u>	<u>\$ 1,741,246</u>
<b>Fund Balance - beginning</b>			<u>5,266,583</u>	
<b>Fund Balance - ending</b>			<u>\$ 4,003,993</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Community Redevelopment Agency Fund**  
**For the Year Ended September 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 394,300	\$ 394,300	\$ 393,118	\$ (1,182)
Intergovernmental	369,000	369,000	369,530	530
Investment earnings	15,000	15,000	31,052	16,052
Total revenues	<u>778,300</u>	<u>778,300</u>	<u>793,700</u>	<u>15,400</u>
<b>Expenditures</b>				
Economic development	400,100	403,579	173,113	230,466
Capital outlay	<u>537,000</u>	<u>950,517</u>	<u>292,032</u>	<u>658,485</u>
Total expenditures	<u>937,100</u>	<u>1,354,096</u>	<u>465,145</u>	<u>888,951</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(158,800)</u>	<u>(575,796)</u>	<u>328,555</u>	<u>904,351</u>
<b>Net change in fund balance</b>	<u>\$ (158,800)</u>	<u>\$ (575,796)</u>	<u>328,555</u>	<u>\$ 904,351</u>
<b>Fund Balance - beginning</b>			<u>3,492,037</u>	
<b>Fund Balance - ending</b>			<u>\$ 3,820,592</u>	



**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**PCH Fund**  
**For the Year Ended September 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Other	\$ 7,900	\$ 7,900	\$ 7,230	\$ (670)
Current:				
Total revenues	<u>7,900</u>	<u>7,900</u>	<u>7,230</u>	<u>(670)</u>
<b>Net change in fund balance</b>	<u>\$ 7,900</u>	<u>\$ 7,900</u>	7,230	<u>\$ (670)</u>
<b>Fund Balance - beginning</b>			<u>3,487</u>	
<b>Fund Balance - ending</b>			<u>\$ 10,717</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Program Special Revenue Fund**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 100,000	\$ 100,000	\$ 229,310	\$ 129,310
Intergovernmental	101,000	101,000	106,120	5,120
Charges for services	16,500	16,500	19,267	2,767
Contributions and donations	103,200	103,200	214,016	110,816
Investment earnings	15,000	15,000	16,626	1,626
Total revenues	<u>335,700</u>	<u>335,700</u>	<u>585,339</u>	<u>249,639</u>
<b>Expenditures</b>				
Current:				
Public safety	144,300	149,980	107,554	42,426
Economic development	5,000	5,000	-	5,000
Culture and recreation	367,900	390,579	186,378	204,201
Capital outlay	397,500	473,696	19,068	454,628
Total expenditures	<u>914,700</u>	<u>1,019,255</u>	<u>313,000</u>	<u>706,255</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(579,000)</u>	<u>(683,555)</u>	<u>272,339</u>	<u>955,894</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers out	(11,400)	(11,400)	(11,400)	-
Total other financing sources (uses)	<u>(11,400)</u>	<u>(11,400)</u>	<u>(11,400)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (590,400)</u>	<u>\$ (694,955)</u>	260,939	<u>\$ 955,894</u>
<b>Fund Balance - beginning</b>			<u>1,552,676</u>	
<b>Fund Balance - ending</b>			<u>\$ 1,813,615</u>	

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Parkland Dedication Fund**  
**For the Year Ended September 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 100,000	\$ 100,000	\$ 197,429	\$ 97,429
Investment earnings	15,000	15,000	21,599	6,599
Total revenues	<u>115,000</u>	<u>115,000</u>	<u>219,028</u>	<u>104,028</u>
<b>Net change in fund balance</b>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	219,028	<u>\$ 104,028</u>
<b>Fund Balance - beginning</b>			<u>2,347,208</u>	
<b>Fund Balance - ending</b>			<u>\$ 2,566,236</u>	

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# **INTERNAL SERVICE FUNDS**

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**CITY OF LARGO, FLORIDA**  
**Internal Service Funds**  
**September 30, 2018**

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**Internal Service Funds.** An internal service fund is established to finance and account for goods and services provided by a department to other departments within the City on a cost-reimbursement basis. Revenue in these funds is primarily derived from charges to other City funds for services rendered.

*The Fleet Services Fund* is responsible for the maintenance and repair of vehicles and heavy equipment owned by the City.

*The Risk Management Fund* is responsible for the administration of the City's risk-retention activities and purchased insurance activities, including health care, dental, workers' compensation, property, liability, medical malpractice and unemployment compensation.

**CITY OF LARGO, FLORIDA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2018**

	<b>Fleet Services</b>	<b>Risk Management</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 955,959	\$ 5,842,177	\$ 6,798,136
Accrued interest receivable	7,345	47,882	55,227
Other receivables	-	161,966	161,966
Inventories, at cost	60,543	-	60,543
Prepaid expenses and deposits	-	636,156	636,156
Total current assets	<u>1,023,847</u>	<u>6,688,181</u>	<u>7,712,028</u>
Capital assets			
Improvements other than buildings	78,291	-	78,291
Machinery and equipment	470,278	-	470,278
Intangible assets	1,723	12,061	13,784
Less accumulated depreciation	<u>(355,076)</u>	<u>(1,910)</u>	<u>(356,986)</u>
Total capital assets	<u>195,216</u>	<u>10,151</u>	<u>205,367</u>
Total assets	<u>1,219,063</u>	<u>6,698,332</u>	<u>7,917,395</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	173,549	192,827	366,376
Accrued payroll and vacation	<u>55,570</u>	<u>25,015</u>	<u>80,585</u>
Total current liabilities	<u>229,119</u>	<u>217,842</u>	<u>446,961</u>
Noncurrent liabilities			
Unearned revenue	-	608,627	608,627
Estimated claims payable	-	1,850,000	1,850,000
Other post employment benefits	<u>186,852</u>	<u>69,438</u>	<u>256,290</u>
Total noncurrent liabilities	<u>186,852</u>	<u>2,528,065</u>	<u>2,714,917</u>
Total liabilities	<u>415,971</u>	<u>2,745,907</u>	<u>3,161,878</u>
<b>Net position</b>			
Net investment in capital assets	195,216	10,151	205,367
Unrestricted	<u>607,876</u>	<u>3,942,274</u>	<u>4,550,150</u>
Total net position	<u>\$ 803,092</u>	<u>\$ 3,952,425</u>	<u>\$ 4,755,517</u>

**CITY OF LARGO, FLORIDA**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Position**  
**Internal Service Funds**  
**Year Ended September 30, 2018**

	<b>Fleet Services</b>	<b>Risk Management</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 2,543,898	\$ 12,572,907	\$ 15,116,805
Total operating revenues	2,543,898	12,572,907	15,116,805
<b>Operating expenses</b>			
Personnel services	884,765	448,240	1,333,005
Cost of goods sold	875,442	-	875,442
Contractual services	237,738	244,419	482,157
Supplies	76,373	4,031	80,404
Repairs and maintenance	68,527	-	68,527
Utilities	9,445	-	9,445
Professional services	3,162	201,357	204,519
Fuel	6,417	-	6,417
Charges by the Fleet Services Fund	18,400	-	18,400
Charges by the General Fund	130,200	20,000	150,200
Charges by the Risk Management Fund	22,700	-	22,700
Depreciation and amortization	28,686	1,206	29,892
Claims	-	1,695,990	1,695,990
Insurance	-	9,408,025	9,408,025
Other	52,314	32,671	84,985
Total operating expenses	2,414,169	12,055,939	14,470,108
<b>Operating income (loss)</b>	129,729	516,968	646,697
<b>Nonoperating revenues</b>			
Investment earnings	7,033	52,441	59,474
Gain or loss on disposal of capital assets	(24,248)	-	(24,248)
Other, net	(213)	-	(213)
Total nonoperating revenues	(17,428)	52,441	35,013
<b>Change in net position</b>	112,301	569,409	681,710
<b>Total net position - beginning, as restated</b>	690,791	3,383,016	4,073,807
<b>Total net position - ending</b>	\$ 803,092	\$ 3,952,425	\$ 4,755,517



**CITY OF LARGO, FLORIDA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended September 30, 2018**

	Fleet Services	Risk Management	Total
<b>Operating activities</b>			
Cash received from customers	\$ 3,777,394	\$ 11,290,830	\$ 15,068,224
Cash received from internal departments	-	1,551,900	1,551,900
Cash paid to employees	(867,271)	-	(867,271)
Cash paid to vendors	(2,491,143)	(12,291,608)	(14,782,751)
Cash paid for internal services	(176,400)	(20,000)	(196,400)
<b>Net cash provided by (used in) operating activities</b>	<u>242,580</u>	<u>531,122</u>	<u>773,702</u>
<b>Non-capital financing activities</b>			
Cash received from granting agencies	-	-	-
<b>Net cash provided by (used in) non capital financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital and related financing activities</b>			
Sale of capital assets	(213)	-	(213)
Acquisition of capital assets	(17,266)	-	(17,266)
Other, net	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(17,479)</u>	<u>-</u>	<u>(17,479)</u>
<b>Investing activities</b>			
Investment earnings	5,328	47,567	52,895
<b>Net cash provided by investing activities</b>	<u>5,328</u>	<u>47,567</u>	<u>52,895</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	<u>230,429</u>	<u>578,689</u>	<u>809,118</u>
<b>Cash and cash equivalents/investments</b>			
<b>Beginning of year</b>	<u>725,530</u>	<u>5,263,488</u>	<u>5,989,018</u>
<b>End of year</b>	<u>\$ 955,959</u>	<u>\$ 5,842,177</u>	<u>\$ 6,798,136</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 129,729	\$ 516,968	\$ 646,697
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Other revenue/(expenses)	-	-	-
Depreciation and amortization	28,686	1,206	29,892
(Increase)/decrease in assets and increase/(decrease) in liabilities:			
Accounts receivable	-	110,220	110,220
Inventories	58,069	-	58,069
Prepaid expenses and other assets	-	(15,930)	(15,930)
Accounts payable	8,602	41,284	49,886
Accrued payroll and vacation	17,494	7,312	24,806
Unearned revenue	-	50,062	50,062
Estimated claims payable	-	(180,000)	(180,000)
Total adjustments	<u>112,851</u>	<u>14,154</u>	<u>127,005</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 242,580</u>	<u>\$ 531,122</u>	<u>\$ 773,702</u>

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# SUPPLEMENTARY INFORMATION

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**CITY OF LARGO, FLORIDA**  
**Supplemental to Financial Statements**  
**September 30, 2018**

Notes to Schedule of Revenue and Expenditures and Changes in Reserves -  
Largo, Belleair Bluffs and High Point Fire Districts and Emergency Medical Services

**General**

The accompanying Schedules of Revenues and Expenditures and Changes in Reserves for the Largo Fire District, Belleair Bluffs Fire District and the High Point Fire and Emergency Medical Services District present the activity used in support of fire and emergency related activities.

**Supplemental Financial Information**

In accordance with the Pinellas County Home Rule Charter and Chapter 62, Article II of the Pinellas County code and the Fire Services Agreement, funds provided by Pinellas County to the Contractor (the City of Largo) can only be used in support of fire related activities. Therefore, a proportional share of any unspent balance at the conclusion of a fiscal year must be returned to Pinellas County where these funds will be retained in a discrete special fund for the Fire Districts. The return of these funds will be accomplished through a reduction to the subsequent year support funding provided by Pinellas County to the Contractor.

In accordance with Section 409(a), the information below is provided so the results of line 7 and the supporting annual audit may be used to adjust the subsequent year's payments from Pinellas County to the Contractor.

All references are only to the Fire Districts, and do not include any revenues or expenditures associated with EMS. State Law and County Code forbid the use of fire funds for EMS purposes or EMS funds for fire purposes, (i.e., fire funds cannot be used to purchase rescue units, attend EMS related conferences, pay for membership in EMS organizations, or to pay salaries and benefits of EMS personnel, etc.)

	<b>Districts</b>		
	<b>Largo</b>	<b>Belleair Bluffs</b>	<b>High Point</b>
Total Expenditures by Contractor	\$ 15,720,247	\$ 1,817,907	\$ 2,784,007
Other Funding Sources			
EMS	4,806,761	590,804	541,972
EMS and Fire Rescue Vehicles and Buildings	861,351	-	81,581
Tech Rescue and CME Reimbursement	133,045	12,573	11,533
State Pension	444,794	59,306	88,959
City of Belleair Bluffs	302,474	-	-
Town of Belleair		575,525	-
Fire Inspections Fees	148,173	-	-
Plan Review Fees	262,370	-	-
State Education Incentive	29,859	5,354	7,631
Total Other Funding Sources	6,988,827	1,243,562	731,676
Net Outlay by Contractor	8,731,420	574,345	2,052,331
Pinellas County Percentage of District	14.54%	64.76%	74.56%
Total Pinellas County Share	1,269,548	371,946	1,530,218
Amount Paid to City by Pinellas County	1,043,272	332,317	1,121,654
Total Due to Pinellas County (overexpended)	\$ (226,276)	\$ (39,629)	\$ (408,564)

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenue and Expenditures and Changes in Reserves -**  
**Largo Fire and Emergency Medical Services**  
**Year Ended September 30, 2018 and 2017**

	2018			2017		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenue						
County:						
Fire	\$ 879,400	\$ 1,043,272	\$ 163,872	\$ 1,270,000	\$ 1,287,572	\$ 17,572
EMS **	4,753,520	4,806,761	53,241	4,022,100	4,148,873	126,773
Capital Contribution	1,035,900	861,351	(174,549)	756,000	230,056	(525,944)
State:						
Pension contribution	431,200	444,794	13,594	381,000	372,728	(8,272)
Education incentive	39,400	29,859	(9,541)	39,900	44,265	4,365
Hazmat, Tech Rescue and CME restitution	112,800	133,045	20,245	112,000	94,260	(17,740)
Municipality:						
Belleair Bluffs mgmt. contract	308,400	302,474	(5,926)	296,700	293,754	(2,946)
Town of Belleair mgmt. contract	-	-	-	281,200	279,797	(1,403)
Current	10,354,731	8,098,691	(2,256,040)	11,848,718	11,132,053	(716,665)
Total revenue	17,915,351	15,720,247	(2,195,104)	19,007,618	17,883,358	(1,124,260)
Expenditures						
General Fund:						
Salaries and benefits	13,755,800	12,300,514	1,455,286	12,446,900	12,173,403	273,497
Operating	1,904,239	1,535,125	369,114	1,471,534	1,186,861	284,673
Capital outlay	82,843	-	82,843	253,180	55,880	197,300
Local Option Sales Tax Fund:						
Capital outlay	2,172,469	1,884,608	287,861	4,836,004	4,467,214	368,790
Total expenditures	17,915,351	15,720,247	2,195,104	19,007,618	17,883,358	1,124,260
Excess of revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Largo Fire Reserve:</b>			<b>2018</b>		<b>2017</b>	
Reserved fund balance at beginning of year			\$ 1,062,700		\$ 853,010	
Expenditures			-		-	
Additions to reserves			363,130		209,690	
Reserved fund balance at end of year			\$ 1,425,830		\$ 1,062,700	

Notes:

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas.  
FY 2017 reduction was \$25,323 for FY2016 overpayment, FY2018 reduction was \$0 for FY2017 overpayment. The amounts reported as reserves are held by Pinellas County

See accompanying notes to the Schedule of Revenue and Expenditures and Changes in Reserves.

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenue and Expenditures and Changes in Reserves -**  
**Belleair Bluffs Fire and Emergency Medical Services**  
**Year Ended September 30, 2018 and 2017**

	2018			2017		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenue						
County:						
Fire	\$ 473,600	\$ 332,317	\$ (141,283)	\$ 683,800	\$ 453,377	\$ (230,423)
EMS	594,200	590,804	(3,396)	507,700	523,755	16,055
Capital Contribution	-	-	-	-	3,866	3,866
State:						
Pension contribution	57,500	59,306	1,806	127,000	124,243	(2,757)
Education incentive	2,000	5,354	3,354	2,000	5,437	3,437
Hazmat, Tech Rescue and CMERestitution	-	12,573	12,573	-	6,262	6,262
Municipality:						
Town of Belleair mgmt contract	587,600	575,525	(12,075)	281,100	279,797	(1,303)
Current	216,214	242,028	25,814	337,378	432,900	95,522
Total revenue	<u>1,931,114</u>	<u>1,817,907</u>	<u>(113,207)</u>	<u>1,938,978</u>	<u>1,829,637</u>	<u>(109,341)</u>
Expenditures						
General Fund:						
Salaries and benefits	1,675,500	1,621,395	54,105	1,651,600	1,588,279	63,321
Operating	250,614	196,512	54,102	273,639	230,712	42,927
Capital outlay	5,000	-	5,000	5,000	-	5,000
Local Option Sales Tax Fund:						
Capital outlay	-	-	-	8,739	10,646	(8,739)
Total expenditures	<u>1,931,114</u>	<u>1,817,907</u>	<u>113,207</u>	<u>1,938,978</u>	<u>1,829,637</u>	<u>109,341</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Belleair Bluffs Fire Reserve:</b>						
Reserved fund balance at beginning of year			<u>2018</u>		<u>2017</u>	
			\$ 161,900		\$ 154,270	
Expenditures						
Additions to reserves			258,790		7,630	
Reserved fund balance at end of year			<u>\$ 420,690</u>		<u>\$ 161,900</u>	

**Notes:**

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas.  
FY 2017 reduction was \$0 for FY 2016 overpayment. FY 2018 reduction was \$0 for FY 2017 overpayment. The amounts reported as  
reserves are held by Pinellas County.

See accompanying notes to the Schedule of Revenue and Expenditures and Changes in Reserves.

**CITY OF LARGO, FLORIDA**  
**Schedule of Revenue and Expenditures and Changes in Reserves -**  
**High Point Fire and Emergency Medical Services**  
**Year Ended September 30, 2018 and 2017**

	2018			2017		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenue						
County:						
Fire	\$ 1,025,000	\$ 1,121,654	\$ 96,654	\$ 1,054,500	\$ 1,073,630	\$ 19,130
EMS	594,200	541,972	(52,228)	507,700	523,755	16,055
Capital contribution	190,000	81,581	(108,419)	-	-	-
State:						
Pension contribution	86,300	88,959	2,659	127,000	124,243	(2,757)
Education incentive	3,100	7,631	4,531	3,100	6,151	3,051
Hazmat, Tech Rescue and CME Restitution	-	11,533	11,533	-	6,262	6,262
Municipality:						
Current	557,520	930,677	373,157	422,484	275,627	(146,857)
Total revenue	<u>2,456,120</u>	<u>2,784,007</u>	<u>327,887</u>	<u>2,114,784</u>	<u>2,009,668</u>	<u>(105,116)</u>
Expenditures						
General Fund:						
Salaries and benefits	1,928,700	2,429,941	(501,241)	1,811,600	1,771,387	40,213
Operating	327,420	287,715	39,705	267,044	213,141	53,903
Capital outlay	5,000	-	5,000	12,400	1,400	11,000
Local Option Sales Tax Fund:						
Capital outlay	195,000	66,351	128,649	23,740	23,740	-
Total expenditures	<u>2,456,120</u>	<u>2,784,007</u>	<u>(327,887)</u>	<u>2,114,784</u>	<u>2,009,668</u>	<u>105,116</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
High Point Fire Reserve:						
Reserved fund balance at beginning of year			<u>2018</u>		<u>2017</u>	
			\$ 491,890		\$ 219,250	
Expenditures					-	
Additions to reserves			<u>465,220</u>		<u>272,640</u>	
Reserved fund balances at end of year			<u>\$ 957,110</u>		<u>\$ 491,890</u>	

**Notes:**

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas. FY 2017 reduction was \$145,443 for FY 2016 overpayment. FY 2018 reduction was \$64,990 for FY 2017 overpayment. The amounts reported as reserves are held by Pinellas County and include Highpoint and East Highpoint Fire District funds.

See accompanying notes to the Schedule of Revenue and Expenditures and Changes in Reserves.

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# STATISTICAL SECTION

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## **CITY OF LARGO, FLORIDA**

### **Statistical Section**

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

#### **Financial Trends**

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

Schedule A	Net Assets by Component
Schedule B	Changes in Net Assets
Schedule C	Governmental Activities Tax Revenue by Source
Schedule D	Fund Balances of Governmental Funds
Schedule E	Changes in Fund Balances of Governmental Funds
Schedule F	General Governmental Tax Revenues by Source
Schedule G	Wastewater Charges

#### **Revenue Capacity**

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

Schedule H	Assessed Value, Taxable Value and Estimated Actual Value of Taxable Property
Schedule I	Property Tax Rates Direct and Overlapping Governments
Schedule J	Principal Real Property Taxpayers
Schedule J	Principal Personal Property Taxpayers
Schedule K	Property Tax Levies and Collections
Schedule U	Major Revenue Sources

#### **Debt Capacity**

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

Schedule L	Ratios of Outstanding Debt by Type
Schedule M	Direct and Overlapping Governmental Activities Debt
Schedule N	Legal Debt Margin Information
Schedule O	Pledged-Revenue Coverage



## **CITY OF LARGO, FLORIDA**

### **Statistical Section**

#### **Economic and Demographic Information**

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

Schedule P	Demographic and Economic Statistics
Schedule Q	Principal Employers

#### **Operating Information**

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

Schedule R	Full-time Equivalent City Government Employees by Function
Schedule S	Operating Indicators by Function
Schedule T	Capital Assets Statistics by Function
Schedule V	General Information
Schedule W	Community Profile
Schedule X	Financial Management Policies

*Sources:* Unless otherwise noted, the information in this section is derived from the City's comprehensive annual financial reports for the relevant year. The City implemented the new reporting model, GASB 34, in the fiscal year ending September 30, 2003.

**SCHEDULE A**

**CITY OF LARGO, FLORIDA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	(amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net invested in capital assets	\$ 109,483	\$ 118,176	\$ 113,640	\$ 113,597	\$ 117,811	\$ 122,265	\$ 122,159	\$ 124,369	\$ 126,873	\$ 134,422
Restricted	30,938	20,481	26,783	35,520	34,495	33,541	37,313	41,783	40,747	36,719
Unrestricted	21,894	24,271	20,745	11,033	9,690	11,350	(20,187)	(20,472)	(18,660)	(19,373)
Total governmental activities net position	162,315	162,928	161,168	160,150	161,996	167,156	139,285	145,680	148,960	151,768
Business-type activities:										
Net invested in capital assets	49,992	50,361	53,805	58,868	61,381	65,018	78,180	99,029	88,411	78,869
Restricted	11,165	11,467	11,532	11,866	12,386	7,406	8,390	8,992	9,114	9,378
Unrestricted	32,670	36,110	35,308	32,509	36,621	42,270	33,892	17,516	30,241	39,573
Total business-type activities net position	93,827	97,938	100,645	103,243	110,388	114,694	120,462	125,537	127,766	127,820
Primary government:										
Net invested in capital assets	159,475	168,537	167,445	172,465	179,192	187,283	200,339	223,398	215,284	213,291
Restricted	42,103	31,948	38,315	47,386	46,881	40,947	45,703	50,775	49,861	46,097
Unrestricted	54,564	60,381	56,053	43,542	46,311	53,620	13,705	(2,956)	11,581	20,200
Total primary government net position	\$ 256,142	\$ 260,866	\$ 261,813	\$ 263,393	\$ 272,384	\$ 281,850	\$ 259,747	\$ 271,217	\$ 276,726	\$ 279,588

**SCHEDULE B**

**CITY OF LARGO, FLORIDA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Page 1 of 2

	Fiscal Year									
	(amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 6,939	\$ 7,556	\$ 7,093	\$ 6,839	\$ 6,736	\$ 6,311	\$ 6,650	\$ 7,567	\$ 8,273	\$ 9,353
Public safety	32,781	36,766	37,138	37,160	36,352	35,695	36,685	39,663	41,291	44,690
Public Works	7,854	9,480	10,560	10,106	8,372	8,735	9,253	8,805	10,088	10,388
Economic development	4,614	3,881	3,301	4,375	5,603	5,282	5,121	5,511	6,855	7,362
Culture and recreation	14,572	14,957	14,313	14,202	13,517	14,714	16,118	15,912	15,882	16,548
Interest on long-term debt	58	39	248	554	516	447	376	298	232	160
Total governmental activities expenses	66,818	72,679	72,653	73,236	71,096	71,184	74,203	77,756	82,621	88,501
Business-type activities:										
Wastewater	19,135	19,853	20,632	21,093	17,005	18,647	18,356	19,111	21,238	21,094
Solid Waste	9,404	9,533	10,195	9,703	9,788	10,358	10,586	10,542	11,596	12,149
Golf Course	1,113	1,072	1,003	1,007	969	1,007	996	1,012	1,133	1,065
Total business-type activities expenses	29,652	30,458	31,830	31,803	27,762	30,012	29,938	30,665	33,967	34,308
Total primary government expenses	\$ 96,470	\$ 103,137	\$ 104,483	\$ 105,039	\$ 98,858	\$ 101,196	\$ 104,141	\$ 108,421	\$ 116,588	\$ 122,809
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 3,009	\$ 2,919	\$ 2,948	\$ 2,874	\$ 2,864	\$ 3,067	\$ 3,097	\$ 3,172	\$ 3,241	\$ 3,570
Public safety	7,780	8,711	8,812	9,131	8,093	8,596	8,282	9,057	9,976	10,756
Public works	3,783	3,834	3,825	4,050	4,498	4,541	4,699	5,869	5,849	5,569
Economic development	1,745	1,849	2,473	2,394	2,619	3,156	3,578	2,921	2,390	3,074
Culture and recreation	4,039	3,851	4,403	4,144	4,181	4,768	4,837	4,642	5,076	5,430
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,205	2,314	1,976	2,352	1,930	2,757	2,594	2,817	3,008	2,531
Capital grants and contributions	4,246	1,644	2,034	2,363	2,083	439	786	1,587	726	1,521
Total governmental activities program revenues	26,807	25,122	26,471	27,308	26,268	27,324	27,873	30,065	30,266	32,451
Business-type activities:										
Charges for services:										
Wastewater	22,210	22,206	22,253	22,497	22,970	22,290	22,514	22,631	22,900	22,920
Solid Waste	10,266	10,339	10,455	10,186	10,165	10,359	10,452	10,773	11,118	10,960
Golf Course	854	753	787	874	874	847	872	863	972	945
Operating grants and contributions	57	57	57	60	60	73	61	60	99	60
Capital grants and contributions	703	114	216	323	106	47	882	535	387	190
Total business-type activities program revenues	34,090	33,469	33,768	33,940	34,175	33,616	34,781	34,862	35,476	35,075
Total primary government program revenues	\$ 60,897	\$ 58,591	\$ 60,239	\$ 61,248	\$ 60,443	\$ 60,940	\$ 62,654	\$ 64,927	\$ 65,742	\$ 67,526

**SCHEDULE B**

**CITY OF LARGO, FLORIDA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Page 2 of 2

	Fiscal Year									
	(amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (40,011)	\$ (47,557)	\$ (46,182)	\$ (45,928)	\$ (44,828)	\$ (43,860)	\$ (46,330)	\$ (47,691)	\$ (52,355)	\$ (56,049)
Business-type activities	4,438	3,011	1,938	2,137	6,413	3,604	4,843	4,197	1,509	767
Total primary government net (expense)/revenue	<u>\$ (35,573)</u>	<u>\$ (44,546)</u>	<u>\$ (44,244)</u>	<u>\$ (43,791)</u>	<u>\$ (38,415)</u>	<u>\$ (40,256)</u>	<u>\$ (41,487)</u>	<u>\$ (43,494)</u>	<u>\$ (50,846)</u>	<u>\$ (55,282)</u>
Governmental activities:										
Taxes										
Property	\$ 16,237	\$ 16,318	\$ 14,545	\$ 14,595	\$ 15,691	\$ 16,568	\$ 17,395	\$ 19,326	\$ 21,026	\$ 24,139
Utility	7,113	8,146	7,723	7,224	7,786	8,202	7,991	8,382	8,440	8,676
Franchise	6,304	6,613	6,104	5,777	5,639	6,005	5,989	5,748	5,712	6,118
Sales (local option)	6,728	6,257	6,134	6,437	6,767	7,143	7,660	8,066	8,283	8,715
Communications services	4,310	3,841	3,772	3,611	3,374	3,139	3,073	2,914	2,871	2,886
Shared revenue	6,072	5,999	6,208	6,771	6,987	7,372	7,854	8,168	8,461	8,736
Investment earnings	1,271	769	491	424	331	320	621	463	469	568
Miscellaneous	(546)	227	75	72	99	271	394	973	538	1,950
Transfers in (out)	-	-	(175)	-	-	-	(788)	45	-	-
Demolition of City property	-	-	(455)	-	-	-	-	-	-	-
Extraordinary/Special Item	-	-	-	-	-	-	-	-	(164)	-
Total governmental activities	<u>47,489</u>	<u>48,170</u>	<u>44,422</u>	<u>44,911</u>	<u>46,674</u>	<u>49,020</u>	<u>50,189</u>	<u>54,085</u>	<u>55,636</u>	<u>61,788</u>
Business-type activities										
Investment earnings	1,031	796	554	376	278	313	657	496	443	585
Miscellaneous	(196)	304	40	84	455	389	267	427	276	537
Transfers in (out)	-	-	175	-	-	-	-	(45)	-	-
Demolition of City property	-	-	-	-	-	-	-	-	-	-
Extraordinary/Special Item	-	-	-	-	-	-	-	-	-	(1,168)
Total business-type activities	<u>835</u>	<u>1,100</u>	<u>769</u>	<u>460</u>	<u>733</u>	<u>702</u>	<u>924</u>	<u>878</u>	<u>719</u>	<u>(46)</u>
Total primary government	<u>\$ 48,324</u>	<u>\$ 49,270</u>	<u>\$ 45,191</u>	<u>\$ 45,371</u>	<u>\$ 47,407</u>	<u>\$ 49,722</u>	<u>\$ 51,113</u>	<u>\$ 54,963</u>	<u>\$ 56,355</u>	<u>\$ 61,742</u>
Change in Net Position										
Governmental activities	\$ 7,478	\$ 613	\$ (1,760)	\$ (1,017)	\$ 1,846	\$ 5,160	\$ 3,859	\$ 6,394	\$ 3,281	\$ 5,739
Business-type activities	5,273	4,111	2,707	2,597	7,146	4,306	5,767	5,075	2,228	721
Total primary government	<u>\$ 12,751</u>	<u>\$ 4,724</u>	<u>\$ 947</u>	<u>\$ 1,580</u>	<u>\$ 8,992</u>	<u>\$ 9,466</u>	<u>\$ 9,626</u>	<u>\$ 11,469</u>	<u>\$ 5,509</u>	<u>\$ 6,460</u>

**SCHEDULE C**

**CITY OF LARGO, FLORIDA**  
**Government Activities Tax Revenue By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year (amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property tax	\$ 16,237	\$ 16,318	\$ 14,545	\$ 14,595	\$ 15,691	\$ 16,567	\$ 17,395	\$ 19,326	\$ 21,026	\$ 24,139
Utility tax	7,113	8,146	7,723	7,224	7,786	8,202	7,991	8,382	8,440	8,676
Local Option Sales & County Gas tax	6,728	6,257	6,134	6,437	6,767	7,143	7,660	8,066	8,283	8,715
Communications Services tax	4,310	3,841	3,772	3,611	3,374	3,139	3,073	2,914	2,871	2,886
Franchise tax	6,304	6,613	6,104	5,777	5,639	6,005	5,989	5,748	5,712	6,117
Total	<u>\$ 40,692</u>	<u>\$ 41,175</u>	<u>\$ 38,278</u>	<u>\$ 37,644</u>	<u>\$ 39,257</u>	<u>\$ 41,056</u>	<u>\$ 42,108</u>	<u>\$ 44,436</u>	<u>\$ 46,332</u>	<u>\$ 50,533</u>

**SCHEDULE D**

**CITY OF LARGO, FLORIDA**  
**Fund Balances of Government Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year (amounts expressed in thousands)									
	2009	2010	2011(1)	2012(3)	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,325	\$ 1,363	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Designated	7,689	9,010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated(2)	9,842	7,908	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonspendable	N/A	N/A	\$ 147	\$ 80	\$ 56	\$ 49	\$ 49	\$ 95	\$ 59	\$ 73
Restricted	N/A	N/A	-	-	-	-	-	-	-	-
Committed	N/A	N/A	411	-	-	-	-	-	-	-
Assigned	N/A	N/A	10,379	7,038	6,516	7,122	6,857	5,375	5,638	5,744
Unassigned	N/A	N/A	4,106	5,143	4,284	5,337	4,925	7,204	9,796	11,284
Total General Fund	<u>\$ 18,856</u>	<u>\$ 18,281</u>	<u>\$ 15,043</u>	<u>\$ 12,261</u>	<u>\$ 10,856</u>	<u>\$ 12,508</u>	<u>\$ 11,831</u>	<u>\$ 12,674</u>	<u>\$ 15,493</u>	<u>\$ 17,101</u>
All other governmental funds										
Reserved	\$ 3,373	\$ 6,248	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved, reported in:										
Special revenue	22,982	9,394	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital projects	-	4,839	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonspendable	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted										
Special revenue	N/A	N/A	21,763	36,926	24,909	27,686	31,607	35,324	33,600	30,491
Capital projects	N/A	N/A	4,939	4,302	3,493	-	-	-	-	-
Committed	N/A	N/A	-	-	-	-	-	-	-	-
Assigned										
Special revenue	N/A	N/A	81	96	123	138	135	158	175	128
Capital projects	N/A	N/A	-	-	-	-	-	-	-	-
Unassigned	N/A	N/A	-	-	-	-	(13)	(4)	-	-
Total of all other governmental funds	<u>\$ 26,355</u>	<u>\$ 20,481</u>	<u>\$ 26,783</u>	<u>\$ 41,324</u>	<u>\$ 28,525</u>	<u>\$ 27,824</u>	<u>\$ 31,729</u>	<u>\$ 35,478</u>	<u>\$ 33,775</u>	<u>\$ 30,619</u>

- Notes: (1) GASB 54 required a change in reported fund balance, which was implemented in FY 2011.
- (2) The General Fund's Undesignated Fund Balance is similar to the Unassigned Fund Balance that is reported beginning in FY 2011.
- (3) Total of all other governmental funds in FY 2012 includes \$11.8M of unexpended debt proceeds for the Highland Recreation Complex construction project in the Local Option Sales Tax Fund. Total is \$29,488 without the unexpended debt proceeds.

**SCHEDULE E**

**CITY OF LARGO, FLORIDA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year (amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Total Governmental Funds:										
Taxes	\$ 34,292	\$ 34,399	\$ 32,482	\$ 31,821	\$ 33,470	\$ 35,102	\$ 36,150	\$ 38,753	\$ 40,611	\$ 44,542
Licenses and permits	7,033	7,485	7,502	7,292	7,262	8,151	8,617	7,720	7,190	8,282
Shared	9,560	10,576	10,705	11,997	10,994	11,071	12,079	13,371	13,363	13,905
Charges for services	15,125	16,038	16,441	16,864	16,519	17,476	17,396	19,109	20,444	21,261
Fines	591	481	567	456	429	424	405	390	403	348
Interfund charges	2,977	2,950	2,980	2,950	2,925	3,100	3,128	3,195	3,298	3,647
Special assessments	1	1	1	1	2	4	1	-	-	-
Contributions and donations	211	321	326	328	484	326	401	312	208	282
Investment earnings	1,174	726	530	450	299	289	557	417	400	508
Other	740	618	838	757	702	739	784	1,592	2,414	2,069
Total revenues	<u>\$ 71,704</u>	<u>\$ 73,595</u>	<u>\$ 72,372</u>	<u>\$ 72,916</u>	<u>\$ 73,086</u>	<u>\$ 76,682</u>	<u>\$ 79,518</u>	<u>\$ 84,859</u>	<u>\$ 88,331</u>	<u>\$ 94,844</u>
<b>Expenditures</b>										
Total Governmental Funds:										
Current:										
General government	\$ 6,406	\$ 6,710	\$ 6,515	\$ 6,110	\$ 6,230	\$ 5,813	\$ 6,045	\$ 6,747	\$ 7,073	\$ 8,380
Public safety	30,848	33,791	34,359	34,435	34,255	33,544	35,417	36,487	38,672	41,713
Public works	6,562	7,104	7,132	7,305	7,454	7,333	7,500	7,239	7,931	8,118
Economic development	5,544	4,737	5,985	5,343	4,782	4,570	4,801	5,327	5,955	6,981
Culture and recreation	12,100	12,596	11,956	11,879	11,284	11,908	13,390	13,192	12,828	13,830
Capital outlay (1)	8,239	14,281	11,993	11,438	19,750	9,029	5,602	7,786	11,219	13,830
Principal	2,729	1,032	774	1,952	3,001	3,070	3,141	3,214	3,288	3,365
Interest	68	13	169	444	534	465	394	321	247	176
Other debt service costs	1	30	-	50	-	-	-	-	-	-
Total expenditures	<u>\$ 72,497</u>	<u>\$ 80,294</u>	<u>\$ 78,883</u>	<u>\$ 78,956</u>	<u>\$ 87,290</u>	<u>\$ 75,732</u>	<u>\$ 76,290</u>	<u>\$ 80,313</u>	<u>\$ 87,213</u>	<u>\$ 96,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (793)</u>	<u>\$ (6,699)</u>	<u>\$ (6,511)</u>	<u>\$ (6,040)</u>	<u>\$ (14,204)</u>	<u>\$ 950</u>	<u>\$ 3,228</u>	<u>\$ 4,546</u>	<u>\$ 1,118</u>	<u>\$ (1,549)</u>
<b>Other Financing Sources (Uses)</b>										
Total Governmental Funds:										
Transfers in	-	5,185	129	261	887	3,796	33	90	-	101
Transfers out	-	(5,185)	(304)	(261)	(887)	(3,796)	(33)	(45)	-	(101)
Capital project loans	-	250	9,750	17,000	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>250</u>	<u>9,575</u>	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>
Special Item – Sale of City Property	-	-	-	800	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(793)	(6,449)	3,064	11,760	(14,204)	950	3,228	4,591	1,118	(1,549)
Fund Balances - Beginning	46,004	45,211	38,762	41,826	53,586	39,382	40,332	43,560	48,151	49,269
Fund Balances - Ending	<u>\$ 45,211</u>	<u>\$ 38,762</u>	<u>\$ 41,826</u>	<u>\$ 53,586</u>	<u>\$ 39,382</u>	<u>\$ 40,332</u>	<u>\$ 43,560</u>	<u>\$ 48,151</u>	<u>\$ 49,269</u>	<u>\$ 47,720</u>
Debt service as a percentage of non-capital expenditures, excluding transfers, special items and prior period adjustments (1)	4.4%	1.6%	1.4%	3.6%	5.2%	5.3%	5.0%	4.9%	4.7%	4.3%

Note: (1) The capital outlay on this schedule accounts for all capital items including library books (library books capitalized at fund level); however, the capital outlay reported on the Notes to Financial Statements does not include library books. The capital outlay total used to calculate the ratio of total debt service expenditures to non-capital expenditures is the number reported in this schedule.

**SCHEDULE F**

**CITY OF LARGO, FLORIDA**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year (amounts expressed in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property Tax	\$ 16,237	\$ 16,318	\$ 14,545	\$ 14,595	\$ 15,691	\$ 16,567	\$ 17,395	\$ 19,326	\$ 21,026	\$ 24,139
Local Option Sales Tax	5,792	5,319	5,219	5,508	5,820	6,195	6,677	7,055	7,264	7,634
Impact Fees	178	142	585	271	181	378	382	442	385	603
Communication Tax	4,311	3,841	3,772	3,611	3,374	3,139	3,073	2,914	2,871	2,886
Utility Tax:										
Electricity	5,880	6,860	6,427	5,894	6,398	6,764	6,522	6,849	6,846	7,058
Water	1,010	1,036	1,065	1,074	1,116	1,142	1,175	1,250	1,305	1,318
Fuel	230	243	241	258	267	296	297	290	285	293
	<u>7,120</u>	<u>8,139</u>	<u>7,733</u>	<u>7,226</u>	<u>7,781</u>	<u>8,202</u>	<u>7,994</u>	<u>8,389</u>	<u>8,436</u>	<u>8,669</u>
Franchise Tax:										
Electricity	6,087	6,412	5,904	5,574	5,435	5,782	5,804	5,546	5,507	5,897
Gas	216	202	200	203	205	223	178	202	204	221
	<u>6,303</u>	<u>6,614</u>	<u>6,104</u>	<u>5,777</u>	<u>5,640</u>	<u>6,005</u>	<u>5,982</u>	<u>5,748</u>	<u>5,711</u>	<u>6,118</u>
Total	<u>\$ 39,941</u>	<u>\$ 40,373</u>	<u>\$ 37,958</u>	<u>\$ 36,988</u>	<u>\$ 38,487</u>	<u>\$ 40,486</u>	<u>\$ 41,503</u>	<u>\$ 43,874</u>	<u>\$ 45,693</u>	<u>\$ 50,049</u>



**SCHEDULE G**

**CITY OF LARGO, FLORIDA**  
**Wastewater Charges**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Residential within City (1) (2)</b>										
Fixed Cost										
Single Family	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 24.80	\$ 18.80
Units (5)	-	11,034	11,033	11,048	11,109	11,131	11,331	11,424	11,375	11,406
Multi-family (duplex, triplex)	23.85	23.85	23.85	23.85	23.85	23.85	23.85	23.85	23.85	18.80
Units (5)	-	1,680	1,675	1,690	1,692	1,659	1,721	1,729	1,824	1,832
High Density (apts., mobile homes, condos)	19.35	19.35	19.35	19.35	19.35	19.35	19.35	19.35	19.35	14.10
Units (5)	-	26,644	26,786	27,052	27,049	27,196	27,623	27,686	27,731	27,743
Variable Charges (4)	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.12	2.30
<b>Residential outside City (1) (2)</b>										
Fixed Cost										
Single Family	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	23.50
Units (5)	-	4,876	4,872	4,863	4,794	4,784	4,586	4,510	4,490	4,489
Multi-family (duplex, triplex)	29.80	29.80	29.80	29.80	29.80	29.80	29.80	29.80	29.80	23.50
Units (5)	-	1,250	1,253	1,263	1,259	1,255	1,201	1,195	1,189	1,179
High Density (apts, mobile homes, condos)	24.20	24.20	24.20	24.20	24.20	24.20	24.20	24.20	24.20	17.63
Units (5)	-	4,563	4,549	4,488	4,488	4,488	4,433	4,420	4,417	4,414
Variable Charges (4)	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.88
<b>Commercial within City</b>										
Fixed Charge (3)	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	18.80
Units (5)	-	2,431	2,451	2,429	2,406	2,664	2,653	2,689	2,699	2,722
Variable charge (4)	3.71	3.71	3.71	3.71	3.71	3.71	3.71	3.71	3.71	3.71
<b>Commercial outside City</b>										
Fixed Charge (3)	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	23.50
Units (5)	-	1,046	1,012	983	984	978	973	972	970	964
Variable charge (4)	4.64	4.64	4.64	4.64	4.64	4.64	4.64	4.64	4.64	4.64

- Notes: (1) Residential monthly fixed charges include 3,000 gallons per month. Variable charges are assessed for each additional 1,000 gallons per month above 3,000 gallons (maximum 8,000 gallons per month). This rate structure applies to FY 2009 - FY 2017.
- (2) Residential monthly fixed charges do not include any gallons per month. Variable charges are assessed for each 1,000 gallons per month (maximum 10,000 gallons per month). This rate structure applies to FY 2018.
- (3) Commercial monthly charges are based on water usage, plus fixed monthly charges dependent on meter size. The fixed cost rates stated in schedule are based on 5/8" or 3/4" meters.
- (4) Charge is per 1,000 gallons of potable water consumption.
- (5) Units are calculated by county software and complete fiscal year records were not available until FY 2010.

**SCHEDULE H**
**CITY OF LARGO, FLORIDA**

**Value, Taxable Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Tax Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Property:										
Residential	\$ 3,809,739	\$ 3,157,293	\$ 2,718,422	\$ 2,487,294	\$ 2,498,822	\$ 2,446,905	\$ 2,738,831	\$ 3,165,507	\$ 3,520,089	\$ 3,848,917
Commercial	1,412,725	1,351,719	1,182,675	1,135,842	1,142,172	1,162,433	1,216,276	1,279,470	1,372,492	1,442,319
Other	719,407	604,895	555,376	552,843	425,277	575,387	602,364	662,416	674,253	672,845
Personal Property	461,909	455,939	453,485	445,267	433,694	425,073	406,829	445,876	464,699	413,328
Central Assessed Property	487	520	512	560	570	602	962	977	1,038	1,027
Total Assessed Value	6,404,267	5,570,366	4,910,470	4,621,806	4,500,535	4,610,400	4,965,262	5,554,246	6,032,571	6,378,436
Less Tax Exempt Value:										
Homestead (2)	(772,276)	(756,055)	(700,761)	(671,498)	(637,961)	(629,278)	(626,665)	(644,290)	(653,646)	(674,838)
Save Our Home	(681,034)	(337,935)	(155,745)	(77,934)	(43,409)	(95,348)	(250,947)	(439,287)	(547,372)	(629,579)
Other	(607,333)	(578,305)	(567,845)	(565,568)	(574,550)	(596,708)	(620,477)	(746,460)	(787,045)	(710,452)
Total Taxable Value	<u>\$ 4,343,624</u>	<u>\$ 3,898,071</u>	<u>\$ 3,486,119</u>	<u>\$ 3,306,806</u>	<u>\$ 3,244,615</u>	<u>\$ 3,289,066</u>	<u>\$ 3,467,173</u>	<u>\$ 3,724,209</u>	<u>\$ 4,044,508</u>	<u>\$ 4,363,567</u>
Total Direct Tax Rate (1)	3.8448	4.3113	4.3113	4.5594	4.9999	5.2139	5.1943	5.3705	5.3705	5.7413
Estimated Actual Taxable Value	\$ 8,005,334	\$ 6,962,958	\$ 6,138,088	\$ 5,777,258	\$ 5,625,669	\$ 5,763,000	\$ 6,206,578	\$ 6,942,808	\$ 7,540,714	\$ 7,973,045
Assessed Value as a Percentage of Actual Value	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total Taxable Value as a Percentage of Total Assessed Value	68%	70%	71%	72%	72%	71%	70%	67%	67%	68%

Source: Pinellas County Property Appraiser

- (1) Tax rate is per \$1,000 of taxable value
- (2) In FY 2009 owners could qualify for an additional \$25,000 for Homestead exemption.

**SCHEDULE I**

**CITY OF LARGO, FLORIDA**  
**Property Tax Rates**  
**Direct and Overlapping<sup>1</sup> Governments**  
**Last Ten Fiscal Years**  
**(in Mills, Per \$1,000 Assessed Valuation)**

<b>Fiscal Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Tax Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City of Largo										
General Operating	3.8448	4.3113	4.3113	4.5594	4.9999	5.2139	5.1943	5.3705	5.3705	5.7413
Special Operating	-	-	-	-	-	-	-	-	-	-
Total City of Largo	3.8448	4.3113	4.3113	4.5594	4.9999	5.2139	5.1943	5.3705	5.3705	5.7413
General	4.811	4.811	4.811	4.811	5.011	5.276	5.276	5.276	5.276	5.276
Health	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.083
Mosquito Control	-	-	-	-	-	-	-	-	-	-
EMS (1)	0.583	0.583	0.583	0.851	0.916	0.916	0.916	0.916	0.916	0.916
Total County	5.456	5.456	5.456	5.724	5.989	6.254	6.254	6.254	6.254	6.275
Other Authorities										
School Board	8.061	8.346	8.340	8.385	8.302	8.060	7.841	7.770	7.318	7.009
Transit Authority (1)	0.560	0.560	0.560	0.730	0.730	0.730	0.730	0.730	0.750	0.750
Water Management										
General	0.387	0.387	0.377	0.393	0.393	0.382	0.366	0.349	0.331	0.313
Anclote Basin	0.360	0.320	0.260	-	-	-	-	-	-	-
Juvenile Welfare										
Board	0.792	0.792	0.792	0.834	0.898	0.898	0.898	0.898	0.898	0.898
Planning Council	0.017	0.013	0.013	0.013	0.013	0.016	0.016	0.016	0.015	0.015
Total Other Authorities	10.177	10.418	10.342	10.355	10.336	10.086	9.851	9.763	9.312	8.985
Total All Authorities	19.478	20.185	20.109	20.638	21.325	21.554	21.299	21.388	20.937	21.001

Source: Pinellas County, Florida, Tax Collector's Office

Note: (1) Emergency Medical Services (EMS) and Transit Authority (PSTA) assessed on Real Property only.

**SCHEDULE J**

**CITY OF LARGO, FLORIDA**  
**Principal Property Taxpayers**  
**September 30**  
**Current Year and Ten Years Ago**  
**(amounts expressed in thousands)**

Taxpayer	2018			2009		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Taxable Value
<b>REAL PROPERTY</b>						
Weingarten Realty Investors	\$ 52,690	1	1.21%	\$ 53,450	1	1.23%
VR Gateway North Holdings Ltd Ptnrshp	44,075	2	1.01%	N/A	N/A	N/A
Largo Medical Center, Inc.	43,240	3	0.99%	43,317	2	1.00%
MALF LLC	43,000	4	0.99%	N/A	N/A	N/A
Dockside Investors VII LLC	34,000	5	0.78%	N/A	N/A	N/A
LIV at Clearwater LLC	30,875	6	0.71%	N/A	N/A	N/A
ALUNF LLC	30,750	7	0.70%	N/A	N/A	N/A
Wal-Mart Stores East LP	29,455	8	0.68%	N/A	N/A	N/A
CNL Retirement	29,394	9	0.67%	35,500	3	0.82%
I.P. Lease Limited Partnership	29,040	10	0.67%	24,700	5	0.57%
Medinvest Co. LTD Partnership	N/A	N/A	N/A	32,904	4	0.76%
Kimco Largo 139 Inc.	N/A	N/A	N/A	24,605	6	0.57%
CH Realty IV/Largo LLC	N/A	N/A	N/A	24,300	7	0.56%
Starkey Lakes LTD	N/A	N/A	N/A	22,400	8	0.52%
Chaparral	N/A	N/A	N/A	22,200	9	0.51%
Suntrust Equity Funding	N/A	N/A	N/A	21,885	10	0.50%
Total Real Property	\$ 366,519		8.41%	\$ 305,261		7.04%
<b>PERSONAL PROPERTY</b>						
Duke Energy Florida (1)	\$ 58,872	1	1.35%	\$ 37,482	1	0.86%
Largo Medical Center, Inc.	17,258	2	0.40%	14,402	4	0.33%
Tech Data	14,714	3	0.34%	12,919	5	0.30%
Bright House Networks LLC	11,034	4	0.25%	21,299	3	0.49%
F&F Productions	10,799	5	0.25%	11,997	6	0.28%
Diagnostic Clinic	10,668	6	0.24%	N/A	N/A	N/A
Ion Media Management Company	9,620	7	0.22%	7,883	8	0.18%
Frontier Communications	9,491	8	0.22%	N/A	N/A	N/A
Formulated Solutions	8,114	9	0.19%	N/A	N/A	N/A
Publix Supermarket	7,029	10	0.16%	N/A	N/A	N/A
Verizon Florida, LLC	N/A	N/A	N/A	25,815	2	0.59%
BIC Graphics USA	N/A	N/A	N/A	10,947	7	0.25%
PODS	N/A	N/A	N/A	6,524	9	0.15%
Eva-Tone, Inc.	N/A	N/A	N/A	4,665	10	0.11%
Total Personal Property	\$ 157,599		3.62%	\$ 153,933		3.54%

Notes: (1) Duke Energy Florida was Progress Energy Corp. in 2009.

**SCHEDULE K**

**CITY OF LARGO, FLORIDA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Tax Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Millage rate	3.8448	4.3113	4.3113	4.5594	4.9999	5.2139	5.1943	5.3705	5.3705	5.7413
Gross tax levy (3)	\$ 16,700	\$ 16,805	\$ 15,030	\$ 15,077	\$ 16,223	\$ 17,149	\$ 18,010	\$ 20,001	\$ 21,721	\$ 25,053
Less:										
Discounts—net of penalties(1)	559	571	515	524	564	593	636	710	775	894
Refunds/Other	-	4	4	1	2	1	5	1	2	-
<b>Net tax levy</b>	<b>\$ 16,141</b>	<b>\$ 16,230</b>	<b>\$ 14,511</b>	<b>\$ 14,552</b>	<b>\$ 15,657</b>	<b>\$ 16,555</b>	<b>\$ 17,369</b>	<b>\$ 19,290</b>	<b>\$ 20,944</b>	<b>\$ 24,159</b>
Taxes Collected within fiscal year of levy:										
Percentage of net levy	95.4%	95.1%	95.7%	96.4%	97.1%	97.6%	97.9%	98.2%	98.2%	98.1%
Amount	\$ 15,393	\$ 15,439	\$ 13,882	\$ 14,026	\$ 15,202	\$ 16,151	\$ 17,002	\$ 18,945	\$ 20,573	\$ 23,693
Collections of delinquent taxes in subsequent years (3)	879	663	569	490	416	393	380	453	446	N/A
<b>Total collections to date</b>	<b>\$ 16,272</b>	<b>\$ 16,102</b>	<b>\$ 14,451</b>	<b>\$ 14,516</b>	<b>\$ 15,618</b>	<b>\$ 16,544</b>	<b>\$ 17,382</b>	<b>\$ 19,398</b>	<b>\$ 21,019</b>	<b>\$ 23,693</b>
Total percentage of net levy collected to date (2)	100.8%	99.2%	99.6%	99.8%	99.8%	99.9%	100.1%	100.6%	100.4%	98.1%

Source: Pinellas County, Florida, Tax Collector's Office and Property Appraiser's Office

- Notes: (1) Discounts are allowed for early payments; 4% for November, 3% for December, 2% for January and 1% for February. No discount is allowed for payment in March. Penalties are assessed beginning in April.
- (2) All delinquent taxes collected are applied to the immediately prior tax year, because the County Tax Collector does not allocate delinquent taxes collected by original tax year levied. Consequently, the total collections to date percentage of the tax levy to date may be greater than 100% of the maximum collectible tax levy for a given year.
- (3) The gross tax levy numbers are recorded from the DR-403V form from the Office of the Pinellas County Property Appraiser.

**SCHEDULE L**

**CITY OF LARGO, FLORIDA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands, except per capita amounts)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans payable	1,032	250	9,226	24,274	21,273	18,204	15,063	11,849	8,561	5,195
Internal borrowing	-	-	-	-	-	-	-	-	-	-
Total governmental activities	1,032	250	9,226	24,274	21,273	18,204	15,063	11,849	8,561	5,195
Business-type activities										
Sewer bonds and loans (4)	19,510	16,731	13,832	9,061	6,871	6,477	3,531	24,364	63,484	75,978
Total primary government	<u>\$ 20,542</u>	<u>\$ 16,981</u>	<u>\$ 23,058</u>	<u>\$ 33,335</u>	<u>\$ 28,144</u>	<u>\$ 24,681</u>	<u>\$ 18,594</u>	<u>\$ 36,213</u>	<u>\$ 72,045</u>	<u>\$ 81,173</u>
Outstanding debt as a percentage of personal income (3)	2.1%	2.0%	2.3%	3.6%	2.8%	2.0%	2.1%	3.1%	7.1%	7.3%
Governmental activities										
Outstanding debt per capita (1)(3)	\$ 14	\$ 3	\$ 119	\$ 312	\$ 271	\$ 229	\$ 187	\$ 145	\$ 104	\$ 62
Business-type activities										
Outstanding debt per capita (2)(3)	185	158	128	99	61	57	31	216	580	670
Total outstanding debt per capita (3)	<u>\$ 199</u>	<u>\$ 161</u>	<u>\$ 247</u>	<u>\$ 411</u>	<u>\$ 332</u>	<u>\$ 286</u>	<u>\$ 218</u>	<u>\$ 361</u>	<u>\$ 684</u>	<u>\$ 732</u>

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

- (1) All governmental activities debt is supported by the local option sales tax and half-cent sales tax; therefore, no property tax revenue is utilized for principal or interest repayment.
- (2) Business-type activities debt is partially supported by residents in the unincorporated portions of the City's sewer district; therefore, the sewer district population of approximately 113,450 was used to calculate debt per capita for each year.
- (3) Refer to the Statistical Schedule of Demographic and Economic Statistics for personal income and population data. Excludes personal income of unincorporated residents in sewer district.
- (4) The City has secured loans from the State of Florida for Sewer Fund capital. The debt reported is the amount the City has borrowed by FY 2018 year-end.

**SCHEDULE M**

**CITY OF LARGO, FLORIDA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2018**  
**(amounts expressed in thousands)**

<b>Government Unit</b>	<b>Debt Outstanding</b>	<b>Applicable to City of Largo</b>	
		<b>Percent</b>	<b>Amount</b>
City of Largo	\$ 5,195	100%	\$ 5,195
Subtotal, Direct Debt	\$ 5,195	100%	\$ 5,195
Pinellas County School Board (Overlapping) (2)	\$ 1,197	5.9%(1)	71
Pinellas County School Board Capital Leases (Overlapping) (2)	5,612	5.9%(1)	331
Pinellas County (Overlapping) (2)	9,578	5.9%(1)	565
Pinellas County Capital Leases (Overlapping) (2)	499	5.9%(1)	29
Subtotal, Overlapping Debt	\$ 16,886	5.9%	\$ 996
Total Direct and Overlapping Governmental Activities Debt	\$ 22,081		\$ 6,191
Total Direct and Overlapping Governmental Activities Debt Per Capita (2) (3)			\$ 74

Source: Pinellas County, Florida; City of Largo Finance Department; University of Florida.

- Notes: (1) Applicable net debt percentage is based on ratio of City to County-wide taxable values for tax year 2017.  
(2) The City of Largo is not responsible for the debt of the County or School Board.  
(3) FY 2018 permanent Largo population is estimated at 83,526.

**SCHEDULE N**

**CITY OF LARGO, FLORIDA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Debt limit (1)	\$ 4,343,624	\$ 3,897,783	\$ 3,486,119	\$ 3,306,806	\$ 3,244,615	\$ 3,289,066	\$ 3,467,173	\$ 3,724,209	\$ 4,044,508	\$ 4,363,567
Total net debt applicable to limit	1,032	250	9,226	24,274	21,273	18,204	15,063	11,849	8,561	5,195
Legal debt margin (1)	<u>\$ 4,342,592</u>	<u>\$ 3,897,533</u>	<u>\$ 3,476,893</u>	<u>\$ 3,282,532</u>	<u>\$ 3,223,342</u>	<u>\$ 3,270,862</u>	<u>\$ 3,452,110</u>	<u>\$ 3,712,360</u>	<u>\$ 4,035,947</u>	<u>\$ 4,358,372</u>
Total net debt applicable to this limit as a percentage of debt limit	<u>0.02%</u>	<u>0.01%</u>	<u>0.26%</u>	<u>0.73%</u>	<u>0.66%</u>	<u>0.55%</u>	<u>0.43%</u>	<u>0.32%</u>	<u>0.21%</u>	<u>0.12%</u>

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	\$ 4,363,529
Add back: exempt real property	38
Total assessed value	<u>\$ 4,363,567</u>
Debit limit (100% of total assessed value)	\$ 4,363,567
Debt applicable to limit:	
General obligation bonds	-
Other notes and loans	5,195
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>5,195</u>
Legal debt margin (1)	<u>\$ 4,358,372</u>

- Notes: (1) The City of Largo has not adopted a legal debt limit; however, the City Commission has traditionally practiced conservative debt issuance. Amount presented is Total Taxable Value of all real property, personal property and centrally assessed property.
- (2) Includes all general government debt not supported by Enterprise Funds or special assessment.
- (3) Pinellas County, Florida – Property Appraiser's Office and applicable City records.



**SCHEDULE O**

**CITY OF LARGO, FLORIDA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sewer revenue (excludes interest)	\$ 22,103	\$ 22,357	\$ 22,259	\$ 22,501	\$ 22,585	\$ 22,371	\$ 22,680	\$ 22,751	\$ 23,083	\$ 23,460
Interest revenue	739	616	409	261	196	272	574	438	392	528
Total revenues	22,842	22,973	22,668	22,762	22,781	22,643	23,254	23,189	23,475	23,988
Less total operating expenses (excludes depreciation)	(14,026)	(14,751)	(15,445)	(15,917)	(12,533)	(14,252)	(14,111)	(14,546)	(14,990)	(15,900)
Net revenues	8,816	8,222	7,223	6,845	10,248	8,391	9,143	8,643	8,485	8,088
Gulf Breeze loan (2):										
Debt service charges	1,297	1,296	1,297	1,297	1,298	N/A	N/A	N/A	N/A	N/A
Required coverage %	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Required coverage \$	1,621	1,620	1,621	1,621	1,623	N/A	N/A	N/A	N/A	N/A
Remaining net revenues	7,195	6,602	5,602	5,224	8,625	8,391	9,143	8,643	8,485	8,088
Florida Municipal League Council Pool (1):										
Debt service charges	639	642	643	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Required coverage %	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Required coverage \$	799	803	804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Remaining net revenues	6,396	5,799	4,798	5,224	8,625	8,391	9,143	8,643	8,485	8,088
State loan (2014) (3)										
Debt service charges	746	746	746	746	746	746	746	746	1,103	4,595
Required coverage %	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Required coverage \$	858	858	858	858	858	858	858	858	1,268	5,284
Remaining net revenues	5,538	4,941	3,940	4,366	7,767	7,533	8,285	7,785	7,217	2,804
Wachovia loan (2003):										
Debt service charges	904	904	451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Required coverage %	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Required coverage \$	1,130	1,130	564	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Remaining net revenues	\$ 4,408	\$ 3,811	\$ 3,376	\$ 4,366	\$ 7,767	\$ 7,533	\$ 8,285	\$ 7,785	\$ 7,217	\$ 2,804

Source: City of Largo Comprehensive Annual Financial Report for the Fiscal Years ended September 30, 2009 – 2018; and applicable bond official statements.

- Notes: (1) The Florida Municipal League Council Loan was funded in November, 2001, on a parity with the Gulf Breeze Loan. The coverage percentage for the Gulf Breeze Loan was therefore increased per Section 4.5 of the Gulf Breeze Loan Agreement.
- (2) The Gulf Breeze Loan requires a normal coverage ratio of 1.10 until additional parity debt is issued, after which a coverage ratio of 1.15 is required; however, the Florida Municipal League Loan requires a coverage ratio of 1.25 for all parity debt, which includes the Gulf Breeze Loan.
- (3) The City is currently using a State Revolving Loan Fund for sewer projects. The payments will be starting in FY 2019 and will have an affect on coverage ratios.

**SCHEDULE P**

**CITY OF LARGO, FLORIDA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Permanent population (1)	74,805	75,268	77,653	77,836	78,488	79,431	80,747	81,587	81,966	83,526
Fire/Sewer district population (2)(7)	105,500	106,000	108,200	91,508	112,950	113,148	113,148	112,925	109,503	113,450
Total Housing units (4)	46,275	45,335	45,784	45,072	48,722	43,003	45,889	45,689	48,881	45,788
Owner-occupied housing units (4)	22,343	22,437	21,449	19,985	20,060	19,659	19,085	18,411	22,212	21,513
Renter-occupied housing units (4)	14,076	13,731	13,689	14,698	17,430	14,575	17,094	16,781	16,506	15,222
Vacant housing units (4)	9,856	9,167	10,646	10,389	11,232	8,769	9,710	10,497	10,163	9,053
Personal income (expressed in thousands) (4)	\$ 994,022	\$ 853,798	\$ 998,561	\$ 923,679	\$ 1,003,171	\$ 1,236,439	\$ 884,192	\$ 1,168,878	\$ 1,011,753	\$ 1,119,385
Per capita personal income (1)(4)	\$ 13,288	\$ 11,343	\$ 12,859	\$ 11,867	\$ 12,781	\$ 15,566	\$ 10,950	\$ 14,327	\$ 12,344	\$ 13,402
Median family income (4)	\$ 51,728	\$ 48,080	\$ 51,713	\$ 47,401	\$ 48,845	\$ 48,846	\$ 48,231	\$ 53,827	\$ 53,870	\$ 61,433
Median age (4)	50.9	48.6	46.9	47.6	46.8	48.2	49.0	45.1	50.1	47.3
Public school enrollment (5)	6,253	6,249	5,836	5,436	5,780	5,466	5,504	5,564	5,660	5,787
Percent high school graduate or higher (4)(6)	85.2%	86.1%	87.6%	87.6%	87.7%	85.7%	89.5%	89.7%	91.1%	90.6%
Percent bachelor's degree or higher (4)(6)	18.8%	19.0%	21.4%	18.4%	18.8%	20.1%	21.0%	19.9%	20.8%	23.6%
Unemployment rate (3)	10.1%	12.4%	11.4%	9.4%	7.4%	6.4%	5.4%	4.6%	4.2%	3.5%

**Data Sources:**

- (1) University of Florida (2018)
- (2) The method of estimation was changed for FY 2013. The new method uses the GIS to estimate the fire/sewer district population. Note, the Town of Belleair and City of Belleair Bluffs that contract out fire services with Largo are not included in this population total. The City provides fire and EMS services and sewer services to unincorporated portions of Pinellas County.
- (3) Florida Department of Labor (2009 – 2018). Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)) (12 month average).
- (4) United States Census Bureau (American Fact Finder) (2009); (2010); (2011); (2012); (2013); (2014); (2015); (2016); (2017).
- (5) Pinellas County School Board.
- (6) Includes population 25 years and older.
- (7) A new population estimate was not calculated in FY 2015.

**SCHEDULE Q**

**CITY OF LARGO, FLORIDA**  
**Principal Employers**  
**Current Year and Ten Years Ago**

<b>Employer (1)</b>	<b>2018 (2)</b>			<b>2009 (3)</b>		
	<b>Employee Count</b>	<b>Rank</b>	<b>% of Work Force</b>	<b>Employee Range</b>	<b>Rank</b>	<b>% of Work Force</b>
Pinellas Cty Sheriff's Office	2,705	1	6.5	N/A	N/A	N/A
Tech Data	2,058	2	4.9	2,500	1	6.6
Largo Medical Center	1,600	3	3.8	800	5	2.1
Florida Suncoast Hospice	1,069	4	2.6	900	4	2.4
City of Largo	914	5	2.2	910	3	2.4
SCC Soft Computer Inc.	800	6	1.9	501	10	1.3
The Palms of Largo Complex	650	7	1.6	N/A	N/A	N/A
Publix Supermarkets Inc.	644	8	1.5	N/A	N/A	N/A
Pinellas County Schools	500	9	1.2	800	6	2.1
Diagnostic Clinic	428	10	1.0	800	7	2.1
Special Data Processing	N/A	N/A	N/A	1,800	2	4.8
Sun Coast Hospital	N/A	N/A	N/A	650	8	1.7
Suntasia Marketing, Inc.	N/A	N/A	N/A	600	9	1.6

Notes: (1) Some organizations also maintain offices outside the City of Largo with additional employees.

(2) 2018 data came from the Community Development Department.

(3) 2009 data came from the FY 2009 CAFR.

**SCHEDULE R**

**CITY OF LARGO, FLORIDA**  
**Full-time Equivalent City Governmental Employees by Function**  
**Last Ten Fiscal Years**

<b>FUNCTION</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General Government										
Legislative	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Administration	25.63	24.13	23.63	22.33	19.33	19.33	20.48	23.58	24.58	25.58
Human Resources	13.00	13.00	12.50	12.00	11.00	11.00	11.00	11.00	11.00	11.00
Finance	12.75	13.00	12.00	12.40	12.40	12.60	12.60	12.60	12.60	14.60
Information Technology	17.25	20.00	20.00	19.00	19.00	20.00	21.00	25.00	27.00	28.00
Total General Government	76.63	78.13	76.13	73.73	69.73	70.93	73.08	80.18	83.18	87.18
Public Safety										
Police	207.25	202.25	201.25	198.80	195.02	195.27	197.77	200.81	203.81	203.81
Fire/Rescue	142.50	153.50	151.25	143.50	140.25	140.00	141.00	145.00	146.00	152.00
Total Public Safety	349.75	355.75	352.50	342.30	335.27	335.27	338.77	345.81	349.81	355.81
Environmental Services	87.00	87.25	87.25	88.25	88.25	88.25	88.10	87.25	86.25	87.25
Public Works	147.50	146.75	147.25	144.25	139.75	138.75	138.75	142.50	142.83	143.83
Community Development (1)	60.75	63.25	63.25	62.25	61.25	62.25	64.75	63.75	66.25	47.25
Engineering Services (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	22.00
Cultural and Recreation										
Recreation, Parks & Arts	137.32	131.68	128.03	122.81	119.24	119.14	119.79	121.08	129.75	130.55
Library	50.95	48.65	44.65	41.75	41.40	41.20	41.70	41.70	41.20	40.20
Total Cultural and Recreation	188.27	180.33	172.68	164.56	160.64	160.34	161.49	162.78	170.95	170.75
Total City	909.90	911.46	899.06	875.34	854.89	855.79	864.94	882.27	899.27	914.07

Source: City of Largo Annual Budget, Fiscal Years 2009 – 2018

(1) The Engineering Services Department was separated from the Community Development Department in FY 2018.

**SCHEDULE S**

# CITY OF LARGO, FLORIDA

## Operating Indicators by Function

### Last Ten Fiscal Years

<b>FUNCTION</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Police:										
Arrests	5,696	4,258	3,853	4,387	3,535	3,055	3,145	3,302	3,099	3,409
Citations Processed	22,780	21,882	27,460	23,723	22,984	23,165	22,369	19,553	18,610	18,741
Fire/Rescue:										
Inspections	4,709	4,946	4,762	4,918	5,294	4,321	4,230	3,024	2,666	4,186
Structure fires	141	150	167	102	70	71	53	45	41	22
EMS incidents	14,889	17,708	16,633	17,116	17,423	18,990	20,085	24,448	26,393	26,838
All other incidents	4,209	3,145	4,946	4,166	4,976	4,169	4,555	2,213	2,674	2,859
Highways and Streets:										
Street repair (linear feet)	1,965	3,000	4,262	5,010	4,850	9,807	8,423	6,855	21,983	35,123
Potholes repaired (asphalt usage-tons)	142	205	191	192	124	95	94	120	171	200
Sanitation (Solid Waste):										
Refuse collected (tons)	79,108	77,523	77,522	74,887	79,322	77,671	81,861	84,537	84,612	82,908
Recyclables collected (tons)	4,333	5,386	5,611	9,244	9,235	10,906	11,861	12,234	11,084	10,959
Recreation, Parks and Arts:										
Attendance:										
Recreation centers (1)	616,415	593,922	726,630	662,000	650,005	571,027	589,566	596,626	424,006	544,053
Special events (1)	156,000	139,100	120,000	111,500	125,000	130,000	215,000	175,000	142,485	130,500
Golf Course (1)	47,320	50,500	54,221	48,500	49,000	49,500	49,500	47,500	47,500	43,000
Cultural Center (1)	73,780	75,100	68,900	63,347	57,000	63,700	69,000	74,200	45,646	45,693
Parks – acres maintained (1)	494.6	494.6	494.6	494.6	494.6	494.6	494.6	494.6	494.6	494.6
Stormwater:										
Stormwater Pipes										
Replaced (linear feet)	658	222	432	920	995	357	80	96	158	78
Underdrain Pipes										
Replaced (linear feet)	300	810	525	300	250	120	80	24	850	250
Wastewater:										
Average daily sewage										
Treatment (millions/gallons)	11.0	11.7	12.3	11.3	11.5	10.9	12.8	12.0	10.8	12.1

Notes: (1) In FY 2017 the Recreation, Parks and Arts Department started a more accurate way to track attendance.

**SCHEDULE T**

**CITY OF LARGO, FLORIDA**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

<b>FUNCTION</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	102	102	104	104	107	107	107	110	116	114
Fire stations	5	5	5	5	5	5	5	5	6	6
Sanitation (Solid Waste):										
Collection trucks	39	39	37	39	39	39	39	41	40	42
Highways and streets:										
Streets (miles)	151	156	158	158	158	158	158	158	158	158.3
Traffic signals	56	56	56	56	56	56	56	56	56	56
Culture and recreation:										
Parks acreage	495	495	495	495	495	495	495	495	495	495
Parks and facilities (1) (2) (3)	21	20	20	20	20	20	20	20	20	20
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts (3)	2	2	2	2	2	2	2	2	2	2
Community centers	3	3	3	3	3	3	3	3	3	3
Cultural Center	1	1	1	1	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1	1	1	1	1
Reclaimed water:										
Miles of distribution lines	88	88	88	88	88	88	88	88	89	89
Total gallons reuse (millions/per day)	7.1	6.1	6.0	5.7	5.8	5.8	5.2	5.0	5.6	5.2
Sewer:										
Sanitary sewers (miles)	304	304	304	304	321	321	335	335	343	343
Lift stations maintained	53	53	57	57	57	57	57	57	57	57
Maximum daily treatment capacity (thousands of gallons)	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Stormwater:										
Drainage ditch/lines (miles)	132	132	132	132	132	132	132	132	132	132
City lakes and retention ponds	24	24	24	24	24	24	24	24	24	24

Notes: (1) Lake Palms Outreach Center has been included in past years and was closed in FY 2010.

(2) The construction of Highland Complex has temporarily removed the skate park and one set of tennis courts in FY 2012.

# CITY OF LARGO, FLORIDA

## MAJOR REVENUE SOURCES

### 2018

#### **Municipal Revenue Sharing (General Fund)**

The Municipal Revenue Sharing Act of 1972 created the Revenue Sharing Trust Fund for Municipalities. The percentage of state sales tax revenues transferred to the Revenue Sharing Trust Fund for Municipalities is 1.3653%, (General Fund), in addition to the net collections from the one-cent municipal fuel tax. Funds derived from the one-cent municipal fuel tax must be used for transportation-related expenditures.

Requirements for eligibility beyond the "minimum entitlement" include an independent annual audit, reporting finances annually to the Department of Banking and Finance, formal application for participation in the program, meeting of state standards for the hiring of police and fire fighting personnel, a minimum local tax effort based on the revenue raised by a 3 mill property tax in 1972, and complying with State procedures for the levying of property taxes.

Revenue sharing funds are allocated based on three factors: weighted population figure; sales tax collections; and relative ability to raise revenue. These three factors are added and then averaged to determine the distribution factor. All funds above the guaranteed amount are distributed to the municipalities based on the distribution factor as applied to the number of total dollars in the program available after guaranteed payments are distributed.

Effective June 3, 2003 Chapter 2003-86, Laws of Florida (HB 1813) expanded the authorized uses of the Municipal Fuel Tax to include construction, reconstruction, operation, maintenance and repair of bicycle paths and pedestrian pathways.

#### **State Sales Tax (General Fund)**

The current State Sales Tax is 6%, excluding any local option sales taxes of up to 1% (see other section on Local Infrastructure Surtax). Effective July 1, 2015 the funding of the state court system changed the percentage of the state sales tax revenues transferred to the Half-cent Sales Tax Clearing Trust Fund from 8.8854% to 8.9744%.

The amount distributed to each local government is calculated by first determining the amount of sales tax collected within each county. This amount is then divided among the county government and the municipalities within the county based on a formula which is based on various population factors. The funds may be expended for municipality-wide programs or for municipality-wide property tax or utility tax relief. The proceeds from the sales tax may be pledged for the payment of principal and interest incurred for capital projects.

#### **Fire District Tax (General Fund)**

The City provides fire protection services within a fire district established by Pinellas County. Within the unincorporated portion of the fire district, the County levies a fire district tax, the proceeds from which are remitted to the City in return for the provision of fire services. The proportion of the Fire Department budget received from the fire district tax is calculated by determining the proportion of the value of real property within the unincorporated portion of the fire district as compared to the value of real property within the entire fire district. This calculation is made by the County, which then establishes the fire district rate.

Currently, the fire district tax provides approximately 15% of the portion of the fire department budget not supported by EMS funding or the High Point Fire District.

On October 1, 2015 the City of Belleair Bluffs and Town of Belleair entered into another Agreement for the provision of fire suppression services with the City of Largo.

#### **High Point Fire District Tax (General Fund)**

Pinellas County contracts with the City of Largo to operate one fire station and to provide fire service protection for half of the High Point Fire District. The City is reimbursed by the County for the actual cost of the provision of this service. The County derives revenue for this purpose by levying a special fire district tax within the High Point Fire District. Revenue from this source grows at the same rate as increases in the budget for this particular portion of Fire Department services.

#### **Emergency Medical Services (EMS) Tax (General Fund)**

The County levies a special tax county-wide to pay for the provision of EMS. The County then contracts with municipal fire departments, special fire districts, and private firms to provide actual EMS to County residents. Pinellas County and Largo entered into an initial two-year agreement commencing October 1, 2017 and ending September 30, 2019.

#### **Franchise Fees (General Fund)**

Public Utilities must pay a franchise fee to the City in return for the right to use public rights-of-way for transmission lines, pipes, wires, etc. All agreements are non-exclusive franchises. A summary of franchise agreements and their rates is as follows: Gas Service - 6% of gross revenues; Electric Service - 6% of gross revenues.

#### **Communications Services Tax (CST) (General Fund)**

Effective October 1, 2001, municipalities may no longer charge a Franchise Fee or Utility Tax on any type of communication services, including telecommunications, cable TV and satellite transmissions. The CST replaces the communications services Franchise Fee and Utility Taxes.

The State's intent was to set the CST rate high enough to return revenue lost by dis-allowance of the Franchise Fee and Utility Tax. The City of Largo's FY 2002 CST rate was set by the Florida Department of Revenue at 6.12% for the first year's transition lag in receiving revenues, and was reduced to 5.62% for FY 2003 and thereafter. This does not include the 0.60% county surtax conversion rate due to the Local Option Sales Tax.

#### **Utility Tax (General Fund)**

The City levies a utility tax on the purchase of electricity, metered or bottled gas, fuel oil, and water service. This tax is levied at the state-allowed maximum of \$0.04 per gallon for fuel oil, and 10% of services provided by the remaining utilities. In accordance with State law, the utility tax does not include any fuel adjustment charges.

#### **Library Cooperative (General Fund)**

The City is a member of the Pinellas Public Library Cooperative, which provides funding to all participating municipalities in the County. Municipal libraries provide services free of charge to unincorporated County residents and other member municipalities in return for this funding. Participation in the County Cooperative also makes the City eligible to receive State Library Grants, if any, available to all county-wide library systems.

# SCHEDULE U

# CITY OF LARGO, FLORIDA MAJOR REVENUE SOURCES 2018

Page 2 of 3

## Mobile Home License Tax (General Fund)

Counties, municipalities, and school districts share proceeds from an annual license tax levied by the State on all mobile homes, park trailers, and on all travel trailers and fifth-wheel trailers exceeding 35 feet in body length. The annual license tax applies to all mobile homes located on rental lots and is collected in lieu of property taxes. The license taxes range from \$20 to \$80 depending on vehicle type and length. License fees are collected by the County Tax Collector and remitted to the State. After deducting \$1.50 of each license fee to be paid to the State General Fund and the \$1.00 surcharge, the remainder is divided equally between the district school board and the respective municipalities where such units are located or the county if the units are located in the unincorporated area.

## Business Tax (General Fund)

All businesses located within the City of Largo must secure a Business Tax license. The tax is based on the type of business in which the entity is engaged and are due at the time the business begins operation and are renewed thereafter each October 1. This tax is governed by local ordinance and state law.

## Property Tax (General Fund)

The Florida Constitution permits municipalities to levy a property tax, without referendum approval, to a maximum of ten mills (1 mill = \$1.00 of tax per \$1,000 of taxable value). Property assessments, exemptions and tax collections are administered by the County Property Appraiser and County Tax Collector (collections only), respectively. Homeowners may claim a \$25,000 homestead exemption on their principal place of residence. Homestead properties are also eligible for the Save Our Homes exemption, which varies according to the length of time a property is owned by each homeowner. Various other exemptions may apply to homestead properties. The taxable value properties is calculated by subtracting all exemptions from the assessed value. In FY 2018 the millage rate was 5.7413 mills. Property owners within the City of Largo also pay property taxes to Pinellas County, the Pinellas County School Board, and various special taxing districts. Total millage rates on City of Largo properties have varied from approximately 18.0 mills to 22.0 mills over the past several years.

## Local Infrastructure Surtax (Local Option Sales Tax Fund)

In November, 1989, a local option one-cent sales tax was approved by referendum for a 10-year period beginning February 1, 1990. The tax was renewed by Pinellas County voters for two additional 10 year periods and will expire on December 31, 2019. Proceeds of the tax may be used only for property acquisition, new construction, improvement of infrastructure and the purchase of public safety vehicles with an estimated useful life of more than five years. This tax cannot be used for repairs, maintenance, or operating expenditures. Taxes are distributed among Pinellas County and the municipalities therein by inter-local agreement.

## Local Option Gas Tax (Gas Tax Fund)

The City receives a portion of the County-wide local option gas tax, which can only be used to construct, improve, and maintain roadways. The tax is levied by Pinellas County and is distributed to the municipalities therein as provided for by an inter-local agreement. The tax will expire in FY 2018. The tax was \$0.04 per gallon until August 31, 1995, when it was increased to \$0.06 per gallon. The tax was renewed on September 1, 1995 at \$0.06 per gallon.

## Stormwater Fees (Drainage Fund)

Monthly residential charges are assessed equally among all single family properties (equivalent residential unit = ERU). One ERU = \$6.65 based on 2,257 sq. ft. High-density residential charges are \$3.99 per dwelling unit. Non-Residential charges are calculated based on actual impervious surface and billed as an equivalent number of ERU's. The last rate increase was effective for all bills mailed after October 1, 2015.

## Wastewater Charges (Wastewater Fund)

Residential – Fixed monthly charge based on 3,000 gallons per month with additional charges for each additional 1,000 gallons.

Commercial – Fixed monthly charge based on meter size with additional charges for each additional 1,000 gallons.

The last rate increase was effective for all bills mailed after October 1, 2017. The following schedule reflects current monthly rates.

	Within City	Outside City
<u>Residential:</u>		
Charge per 1,000 gallons of potable water consumption (maximum 10,000 gallons per month)	\$ 2.30	\$ 2.88
Fixed Monthly Charge:		
Single Family	18.80	23.50
Multi-family (Duplex, Triplex)	18.80	23.50
High Density (Apts, mobile homes and condos)	14.10	17.63
<u>Commercial:</u>		
Charge per 1,000 gallons of potable water consumption	\$ 3.71	\$ 4.64
Fixed monthly charge by meter size		
5/8" or 3/4" meter	18.80	23.50
1" meter	56.35	70.44
1-1/2" meter	112.75	140.94
2" meter	188.00	235.00
3" meter	338.00	422.50
4" meter	526.00	657.50
6" meter	1,127.00	1,408.75
8" meter	1,879.00	2,348.75



# SCHEDULE U

# CITY OF LARGO, FLORIDA MAJOR REVENUE SOURCES 2018

Page 3 of 3

## Reclaimed Water Charges

	Within City	Outside Sewer District
<u>Residential:</u>		
One acre or less (per month)	\$ 10.00	\$ 12.50
<u>Commercial / Industrial / Golf Course:</u>		
(minimum 25,000 gallons per month)	28.00	35.00
Usage Fee (per 1,000 gallons)	1.10	1.35
Golf Course Usage Fee (per 1,000 gallons)	1.05	1.05

## Solid Waste Collection Charges (Solid Waste Fund)

The last rate increase was effective for all bills mailed after January 1, 2007. The following schedule reflects current rates.

Curbside Collection (residential) - \$17.65 monthly

Bulk Container (dumpsters) – The last rate change, which was a decrease, for commercial bulk containers was on October 1, 2011. The monthly charge for bulk container service is based on the size of container services and the number of collections per week, as follows:

Size of Containers - Cubic Yards

Collections Per Week	2	4	6	8
1	\$ 50.00	\$ 96.00	\$ 141.00	\$ 184.00
2	106.00	204.00	299.00	390.00
3	159.00	305.00	448.00	585.00
4	212.00	407.00	598.00	780.00
5	265.00	509.00	747.00	975.00
6	318.00	611.00	897.00	1,170.00

There is a fee of \$25.00 per month for the collection of recycling front-load dumpsters once per week. An additional fee of \$25.00 per month will be assessed for collection frequencies greater than once per week. This was effective July 1, 2017.

Roll-off Containers and Roll-off Compactors - Charges include a fixed hauling fee based on container size, plus the actual cost of waste disposal (\$37.50 per ton for tipping fees).

## Community Development Block Grant (CDBG Fund)

The federally funded CDBG program, created by the Housing and Community Development Act of 1974, provides funding to low and moderate income individuals for the elimination of hazardous housing conditions. The funds are also available for infrastructure improvements in designated target areas. The City's Community Development Department implements the parameters established by HUD (Department of Housing and Urban Development) and determines who qualifies for the loans. The money is then loaned to selected homeowners for the purpose of housing rehabilitation. Deferred loans are due when there is a change in title and payback loans have a maximum pay period of twenty years.

Loan repayments are available to be re-lent in accordance with program provisions, which provides a revolving pool of funds for future years.

## State Housing Initiative Partnership Program (SHIP Fund)

The Sadowski Act approved by the Florida legislature created the SHIP program in order to provide revenues as an incentive to produce and preserve affordable housing. The SHIP program distributes a portion of documentary stamp taxes on deeds to local governments for first time home buyers' mortgage down payment assistance and owner-occupied rehabilitation.

Loan repayments are available to be re-lent in accordance with program provisions, which provides a revolving pool of funds for future years.

## HOME Investment Partnership Program (HOME Fund)

Federal funding is available through the Pinellas County Consortium for the purpose of repairing current and eminent violations, connecting utilities, and handicap modifications. HUD provides guidelines under which funds are loaned to participants within a target area. Deferred and payback loans are available in this program.

Loan repayments are available to be re-lent in accordance with program provisions, which provides a revolving pool of funds for future years.

# CITY OF LARGO, FLORIDA

## GENERAL INFORMATION

### 2018

#### City History

The City of Largo is located in Pinellas County on Florida's Suncoast, and is part of what is commonly referred to as the Tampa Bay Area. Largo was sited by Hernando De Soto in 1539 and was at one time part of Hillsborough County. The warm subtropical climate and sand dunes helped shape Largo into a thriving, agricultural region. Count Odet Phillipe became the first European settler on the peninsula in 1835, followed by Captain John Thomas Lowe, who established a settlement in 1872 in what is now Largo.

Originally named for its 500-acre Lake Largo, now drained, Largo became a popular meeting place and trading post after the Orange Belt railway established a midpoint station between Clearwater and St. Petersburg in 1888. During this period, Largo was one of the largest citrus shipping points in Florida and home of the Black Diamond grapefruit. Commercial shipping of citrus, turpentine and other commodities began at the turn of the century. Shortly thereafter, in 1905, Largo became a city of one square mile and 291 residents. In 1912, Largo was separated from Hillsborough County, and made part of then newly-created Pinellas County.

Largo is bound to the east by Tampa Bay and to the west by the Gulf of Mexico. Its central location, friendly atmosphere, and location between Tampa and the Gulf beaches make Largo an ideal residential community.

#### Demographics

Incorporated in 1905, the City of Largo has experienced remarkable growth in population over the past 40 years. In 1960, the population was 5,302. By 1970, it had increased dramatically to 22,300, partially resulting from a vigorous annexation program. The decades of the 1970s and 1980s saw a steady and substantial increase in Largo's population. By 1980, the City population was 57,688, the 14<sup>th</sup> largest city in Florida. In 1990, the population reached 65,674; however, since other areas were growing at a faster rate, Largo dropped in ranking to the 19<sup>th</sup> largest Florida city. According to the latest population estimates, Largo's population of approximately 83,526 ranks as the 29<sup>th</sup> largest in Florida.

The City of Largo has a marked concentration of elderly persons as is common in Pinellas County. Approximately 26 percent of the City's permanent population is 65 years old and older, with a median age of 47.3 years.

Based on the 2017 American Community Survey, the City's population is 76.4 percent white, 6.3 percent black, 12.5 percent Hispanic or Latino and 4.8 percent from other racial groups.

Largo is 19.10 square miles in size, with 63.9% of the land area in residential uses, 18.9% in commercial uses, and 17.2% in other uses.

#### Economic Conditions

Largo has evolved from a farming, cattle, and citrus town, once one of the largest citrus shipping points in Florida and home of the Black Diamond grapefruit, to a predominantly high-tech, service-oriented, residential community.

Many of Largo's older population are retired and receive income from pensions or other sources of retirement income. The manufacturing, retail trade, and services industries account for over two-thirds of the employment of Largo's residents.

#### Educational Facilities

Largo is within commuting distance of the University of South Florida (Tampa and St. Petersburg campuses), the University of Tampa (Tampa), Eckerd College (St. Petersburg), Florida Institute of Technology (St. Petersburg), Florida Metropolitan University (Tampa), Schiller International University (Largo), and St. Petersburg College (previously St. Petersburg Junior College) with locations in Largo, Seminole, St. Petersburg, Pinellas Park, Tarpon Springs and Clearwater. St. Petersburg College also hosts a Distance Learning Center at the Seminole Campus where fully accredited Bachelor degrees are offered by several Universities including Florida State, Gulf Coast University and St. Leo College. The Pinellas County School Board provides opportunities for adult education through the Pinellas County Vocational Technical Institute located in the Largo Planning District (Highpoint area).

#### City Government – Legislative/Executive

The City of Largo was the first city in the State of Florida to adopt the "council-manager" form of government in 1913 by referendum.

The City Commission is the legislative and governing body of the City. The non-partisan Commission consists of the Mayor and six Commissioners who are elected at-large for staggered four-year terms. The Mayor is the presiding officer of the Commission with the same voting powers as a Commissioner.

The City Commission assembles for regular public business meetings on the first and third Tuesday of every month and for public work sessions on the second Tuesday of the month. The Commission is empowered to establish City policy, to provide for the exercise of all duties and obligations imposed upon the City by the City Charter and law and to secure the general health, safety, and welfare of the City and its citizens.

The Commission discusses and adopts all ordinances and resolutions necessary to execute any of the City's powers. The Commission appoints the City Manager and approves the City Manager's appointments of City Attorney, Assistant City Managers, and City Clerk.

The Administration Department, headed by the City Manager, provides overall administrative direction and control for the City. The City Manager appoints all department directors.

**SCHEDULE W****CITY OF LARGO, FLORIDA  
COMMUNITY PROFILE  
2018**

Form of Government:	Commission/Manager
Date Incorporated:	1905
Area:	19.10 sq. miles
Population (estimated) (1):	83,526 permanent
Governing Body:	City Commission (Mayor and 6 Commissioners elected in non-partisan, at-large election to 4-year overlapping terms).
Administration:	City Manager appointed by City Commission (5 votes required to hire and dismiss).
City Services:	Full service, including police, fire/EMS, wastewater collection and treatment, wastewater effluent disposal, solid waste collection, streets and drainage maintenance and repair, library, parks, and recreation (no water system or solid waste disposal system).
Services Provided by Other Governments:	Transit – Pinellas Suncoast Transit Authority (Buses) Jail and Court System – Pinellas County Water – Pinellas County Solid Waste Disposal – Pinellas County Traffic Planning, Signal Repair and Signal Maintenance– Pinellas County Fire/EMS Dispatch – Pinellas County Mosquito Control – Pinellas County
Services Provided to Areas Outside City:	Emergency Medical Services Fire suppression and inspection Sanitary Sewer (wastewater) Effluent Water Library Recreation, Parks and Arts
Population and Economic Characteristics (2):	84.8% 18 years of age or older; 26.0% 65 years of age or older Median Household Income \$43,363 Median Family Income \$61,433
Location:	Central-West coast of Florida near the Gulf of Mexico; in Pinellas County, northwest of St. Petersburg and south of Clearwater, west of Tampa and in the Tampa Bay Metro Area.
Registered Voters:	49,643
Percent Voted in Last Municipal General Election:	2017 – (November) 21.7% of registered voters
Data sources:	(1) University of Florida (2018) (2) United States Census Bureau (American Fact Finder) (2017)

# CITY OF LARGO, FLORIDA

## FINANCIAL MANAGEMENT POLICIES

### 2018

#### **Operating Budget Policies**

The City will pay for all current expenditures with current revenues and fund balance. The City will avoid budgetary procedures that balance current expenditures at the expense of future years, such as postponing expenditures, underestimating expenditures, overestimating revenues, or utilizing short-term borrowing to balance the budget.

The budget will provide for adequate maintenance and repair of capital assets and for their orderly replacement.

The budget will provide for adequate funding of all retirement plans based on annual actuarial studies.

The City will maintain a budgetary control system to ensure adherence to the budget.

The City Finance Department will prepare monthly reports of revenues and expenditures.

The City will update expenditure projections for each fiscal year. Projections will include estimated operating costs of future capital improvements.

Where possible, the City will integrate performance measurement, service level, and productivity indicators within the budget.

Enterprise Funds (Wastewater, Solid Waste, Golf Course) are intended to be self-supporting through user fees. However, the Golf Course Fund has received General Fund support for several years by not paying the regular administrative charge paid by all enterprise funds. Efforts are being made to return the Golf Course to profitability in the future.

The City aggressively seeks state and federal funds that are available for capital projects.

#### **Capital Improvement Program Policies**

The City will develop a five year program for capital improvements and update the program annually.

The City will enact an annual capital improvement budget based on the multi-year Capital Improvement Program.

The City will make all capital improvements in accordance with the adopted Capital Improvement Program.

The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with capital improvements will be projected and included in the operating budget.

The City will maintain all its capital assets at a level adequate to protect them and to minimize maintenance and replacement costs.

The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the Capital Improvement Program and City priorities.

The City will identify the estimated costs and potential funding sources for each capital improvement project proposal before it is submitted to the City Commission for approval.

The City will determine the least costly financing method available for all new capital improvement projects.

Whenever possible, Local Option Sales Tax Funds will be utilized for projects that primarily benefit City residents.

#### **Debt Policies**

The City will confine long-term borrowing to capital improvement projects.

When the City finances capital projects by issuing debt, the debt will be repaid within a period not to exceed the expected useful life of the projects.

Where possible, the City will use revenue bonds instead of general obligation bonds.

The City will follow a policy of full disclosure on every financial report and bond prospectus.

#### **Revenue Policies**

The City will maintain, as permitted by State law, a diversified revenue base to mitigate the effects of short-term fluctuations in any one revenue source.

The City will estimate its annual revenues by a conservative, objective, and analytical process.

The City will project and update annually, revenues for the next five fiscal years.

Annually, the City will calculate the full cost of activities supported by user fees and consider such information when establishing user charges.

Non-recurring revenues will be used only to fund non-recurring expenditures.

#### **Reserve Policies**

The City will maintain an adequate fund balance to accommodate unanticipated expenditures, expenditures of a non-recurring nature, or unanticipated revenue declines. The City will strive to maintain an available General Fund fund balance of no less than 10% of annual expenditures.

#### **Investment Policies**

Disbursement, collection and deposit of all funds will be appropriately scheduled to ensure the timely payment of expenditures and investment of funds.

Investment objectives shall be weighted in the order of safety of principal, liquidity of funds and income generation, respectively.

**CITY OF LARGO, FLORIDA  
FINANCIAL MANAGEMENT POLICIES  
2018**

The City will maintain an appropriate diversification of portfolio assets to control the risk of loss resulting from over-concentration in a specific issuer, maturity, instrument or dealer.

The accounting system will provide regular information concerning cash positions and investment performance.

**Accounting, Auditing & Financial Reporting Policies**

The accounting system will maintain records on a basis consistent with Generally Accepted Accounting Principles applicable to local government.

Monthly and annual financial reports will present a summary of financial activity by major types of funds.

In accordance with state law, an independent accounting firm will perform an annual audit of the financial statements of the City and will publicly issue an opinion thereon.

**Purchasing Policies**

Purchases will be made in accordance with all federal, state, and municipal requirements. If there are no specific requirements, purchases will be made in the best interest of the City.

Purchases will be made in an impartial, economical, competitive and efficient manner.

Purchases will be made from the lowest priced and most responsible vendor. Qualitative factors such as vendor reputation and financial condition will be considered, as well as price.

Preference will be given to purchases of like quality to vendors who maintain a place of business within the City of Largo.

**Capital Improvements Element (CIE) Policies**

In accordance with state growth management legislation, the City will update annually the Capital Improvements Element (CIE) of the Comprehensive Plan.

The CIE will contain multi-year projections of revenues and expenditures.

The annual budget will implement the first year of the CIE.

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# SINGLE AUDIT

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**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, Members of the City Commission, and City Manager  
City of Largo, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Largo, Florida (the “City”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 28, 2019. We have also audited the financial statements of the Largo Community Redevelopment Agency, as of and for the year ended September 30, 2018, and have issued our report thereon dated March 28, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

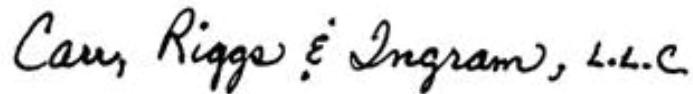
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida

March 28, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL**

Honorable Mayor, Members of the City Commission, and City Manager

City of Largo, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Largo, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Chapter 10.550, Rules of the Auditor General that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2018. City'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 and state 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'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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards and the Uniform Guidance 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'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's compliance.

***Opinion on Each Major Federal Program and State Project***

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

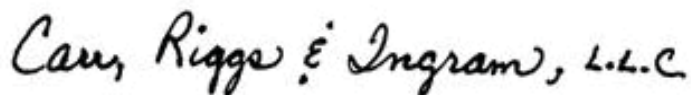
## Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state 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 the 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'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.



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida

March 28, 2019

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

<b>Federal or State Grantor/ Pass-Through Grantor/Program</b>	<b>CFDA #/ CSFA #</b>	<b>Pass-Through Entity Identifying Grant /Loan Number</b>	<b>Expenditures</b>	<b>Amount Provided to Subrecipients</b>
U.S. Department of Housing & Urban Development Direct Program: Community Development Block Grant (CDBG) Entitlement Grants Cluster	14.218	B-17-MC-120028	\$ 729,906	\$ 168,236
Passed Through Pinellas County Home Investment Partnership Program (HOME)	14.239	M-17-DC-12-0217	446,442	
Total U.S. Department of Housing & Urban Development			1,176,348	168,236
US Department of Justice Direct Program: Edward Byrne Memorial Justice Assistance Program	16.738	2016-DJ-BX-1022	27,942	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,204,290	\$ 168,236
Florida Department of Transportation (FDOT) Direct Program:				
Florida Highway Beautification Grant Program	55.003	FP# 439000-1-58-01	\$ 201,810	\$ -
Florida Highway Beautification Grant Program	55.003	FP# 441061-1-58-01	32,255	
Total Florida Department of Transportation			234,065	
Florida Housing Finance Corporation Direct Program: State Housing Initiative Partnership (SHIP)	40.901	N/A	829,314	41,630
Florida Department of Environmental Protection Direct Program: Wastewater Treatment Facility Construction	37.077	CW520210	2,614,141	
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 3,677,520	\$ 41,630

**See accompanying notes to schedule of expenditures of federal awards and state assistance**

# CITY OF LARGO, FLORIDA

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

### Year Ended September 30, 2018

#### (1) General

The accompanying schedules of expenditures of federal awards and state financial assistance presents the activity of all federal financial and state grant activity of the City of Largo, Florida (the "City"). Federal and state financial assistance received directly from federal and state agencies, and federal financial assistance passed through other government agencies are included on the schedules. The information in this schedule is present in accordance with the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.

#### (2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual or accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. The City has elected to not use the 10% de Minimis Indirect Cost Rate.

#### (3) Sub-recipients

Of the federal expenditures and state financial assistance presented in the schedule, the City of Largo, Florida provided federal and state awards to sub-recipients as follows:

<u>Program Title</u>	<u>CFDA/CSFA</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	\$ 135,604
State Housing Initiative Partnership	40.901	\$ 41,630

#### (4) Relationship to Basic Financial Statements

Federal and state financial assistance revenue is included in the City's basic financial statements as follows:

	<u>Intergovernmental revenue</u>
<b>Federal:</b>	
General fund	\$ 27,942
Special revenue funds:	
Community Development Block Grant	143,940
Home Investment Partnership	446,442
	<u>\$ 618,324</u>
<b>State:</b>	
General fund	\$ 234,065
Special revenue funds:	
State Housing Initiative Partnership	350,329
	<u>\$ 584,394</u>

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

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**(5) Loans Outstanding**

The City had the following loan balances including loan service fees outstanding at September 30, 2018. The current year additions related to the loans are included in the Schedule of Federal Awards and State Financial Assistance.

37.077	Florida Department of Environmental Protection program	\$ 75,383,761
	Total Loans Payable	<u>75,383,761</u>
14.218	Community Development Block Grant	2,138,308
14.239	Home investment Partnership	3,382,789
52.901	State Housing Initiative Partnership	5,551,122
	Total Loans Receivable	<u>\$ 11,072,219</u>

**(6) Noncash Assistance**

The City received \$0 in noncash assistance during the year ended September 30, 2018.

**CITY OF LARGO, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Year Ended September 30, 2018**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS:**

<b><u>Financial Statements</u></b>	<b><u>Results</u></b>
Type of auditors’ report issued:	Unmodified

**Internal control over financial reporting:**

Material weakness(es) identified?	No
Significant deficiencies identified not considered to be a material weakness(es)	No
Noncompliance material to financial statements noted?	No

<b><u>Awards and Financial Assistance</u></b>	<b><u>Federal</u></b>	<b><u>State</u></b>
<b>Internal control over major federal programs and state projects:</b>		
Material weakness(es) identified?	No	No
Significant deficiencies identified not considered to be a material weakness(es)	None reported	None reported
Type of auditors’ report issued on compliance for major federal programs and state projects?	Unmodified	Unmodified
Any audit findings disclosed that are required to be reported in accordance with –		
Uniform Guidance	No	-
Florida Single Audit Act	-	No

**Identification of Major Federal Programs and State Projects**

<b><u>Federal</u></b>	<b><u>Name of Program or Cluster</u></b>
<b>CFDA 14.218</b>	<b>Community Development Block Grant/Entitlement Grants</b>

<b><u>State</u></b>	<b><u>Name of Project</u></b>
<b>CSFA 37.077</b>	<b>Wastewater Treatment Facility Construction</b>
<b>CSFA 40.901</b>	<b>State Housing Initiatives Partnership</b>

	<b><u>Federal</u></b>	<b><u>State</u></b>
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	\$300,000
Auditee qualified as low-risk auditee?	Yes	N/A

**SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

None to report.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AND STATE PROJECTS:**

None to report.

**SECTION IV – PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

None to report.

**SECTION V – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AND STATE PROJECTS:**

None to report.

## MANAGEMENT LETTER

The Honorable Mayor, Members of the City Commission  
and City Mayor  
City of Largo, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Largo, Florida (the "City"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 28, 2019. We have also audited the financial statements of the Largo Community Redevelopment Agency, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 28, 2019.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Program and Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 Auditor General. Disclosures in those reports and schedule, which are dated March 28, 2019, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### 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 has met one of more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



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

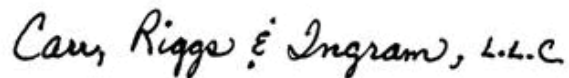
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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, 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 "Carr, Riggs & Ingram, LLC". The signature is written in a cursive, flowing style.

CARR, RIGGS & INGRAM, LLC  
Clearwater, FL  
March 28, 2019

**INDEPENDENT ACCOUNTANTS' REPORT IN ACCORDANCE WITH SECTION 218.415, FLORIDA  
STATUTES, *LOCAL GOVERNMENT INVESTMENT POLICIES***

Honorable Mayor, Members of the City Commission,  
And City Manager  
City of Largo, Florida

We have examined City of Largo, Florida's, (the "City"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the 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's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
March 28, 2019



201 Highland Ave NE  
PO Box 296  
Largo, FL 33779  
LARGO.COM

## FINANCE DEPARTMENT

Kimball R. Adams, CPA, Director  
E-mail: [kadams@largo.com](mailto:kadams@largo.com)  
Phone: (727) 587-6747  
Fax: (727) 586-7421

Rebecca Spuhler, Assistant Director  
E-mail: [rspuhler@largo.com](mailto:rspuhler@largo.com)  
Phone: (727) 586-7443  
Fax: (727) 586-7421

March 21, 2019

Re: Affidavit, F.S. Section 163.31801, Impact Fees

The City of Largo receives impact fees from other jurisdictions that are adopted by ordinance on the City's behalf. The related ordinances comply with restrictions of Section 163.31801, Florida Statutes.

Please call if you have any questions.

Sincerely,

Kimball R. Adams, CPA  
City of Largo, Florida

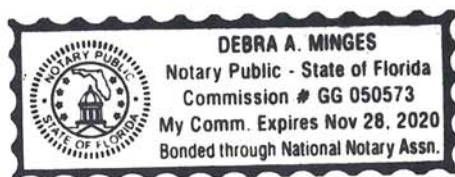
The foregoing instrument was acknowledged before me this 26 day of March, 2019, by Kimball R. Adams. He/she is personally known to me or has produced \_\_\_\_\_ (type of identification) as identification.

Signature of Person Taking Acknowledgment

Name of Acknowledger Typed, Printed or Stamped

Notarial Serial Number

(NOTARY SEAL)



YOUR COMMUNITY OF CHOICE  
*Naturally*

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