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City of

Largo

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended SEPTEMBER 30, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED 9/30/2017



CITY COMMISSION

CITY ADMINISTRATION

Woody Brown
Mayor

Henry P. Schubert
City Manager

Curtis A. Holmes
Vice Mayor

Michael Staffopoulos
Assistant City Manager

John Carroll

Alan S. Zimmet
City Attorney

Samantha Fenger

Diane Bruner, CMC
City Clerk

Donna Holck

James Robinson

Kimball R. Adams, CPA
Finance Director

Michael A. Smith

Rebecca Spuhler
Assistant Finance Director



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2017

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PO Box 296
Largo, FL 33779
Largo.com

March 2018

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 FY17 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 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 82,000 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 unqualified 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 OMB 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 FY17 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 Management 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 (FY18 millage rate is actual) | | | | |
|--|---------------|-------------|--|-------------|-------------|-------------|-------------|
| General Fund | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
| Millage rate (10 mill maximum) | 5.3705 | 5.3705 | 5.7413 | TBD | TBD | TBD | TBD |
| Ending unassigned fund balance as a % of the following year's expenditure budget | 10.3% | 12.90% | 11.40% | 11.30% | 11.30% | 12.20% | TBD |

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 FY18.

Currently projected utility rate and golf fee increases are:

| Projected Increases | FY18 | FY19 | FY20 | FY21 | FY22 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Stormwater (drainage) | | - | - | 20% | - |
| Wastewater (sewage) | - | - | 20% | - | 15% |
| Reclaimed Water (sewage effluent) | - | - | - | - | - |
| Solid Waste Collection (garbage) | - | 15% | - | - | - |
| Golf (subject to market constraints) | TBD | TBD | TBD | TBD | TBD |

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 FY16 CAFR and believes the FY17 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.

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 2017 Budget and believes the FY 2018 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. Special appreciation is expressed to Brenda Roberts who was responsible for much of the typing, formatting and assembly of the CAFR, which resulted in its professional appearance.

Appreciation is also 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, Barbara Anderson and Diane DeBiase deserve special recognition for conducting the utility funds closing activities and assisting the auditors with testing. Jolanta is also commended for her efforts in preparing several of the utility funds' 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 and Brianne Heaton who were responsible for coordinating the accurate recording of all year-end accounts payable, encumbrances, payroll accruals and other items.

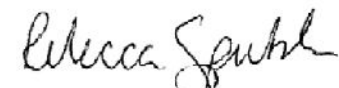
The Director expresses special appreciation to Assistant Finance Director, Rebecca Spuhler, for coordinating all year-end closing activities, managing the audit process and preparing most of the CAFR. Miss Spuhler's efforts resulted in the efficient and timely completion of all audit related activities,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

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, 2016

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, 2016

Executive Director

LIST OF PRINCIPAL OFFICIALS

September 30, 2017



CITY COMMISSION

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

City Manager

Henry P. Schubert

Assistant City Manager

Michael Staffopoulos, PE

City Clerk

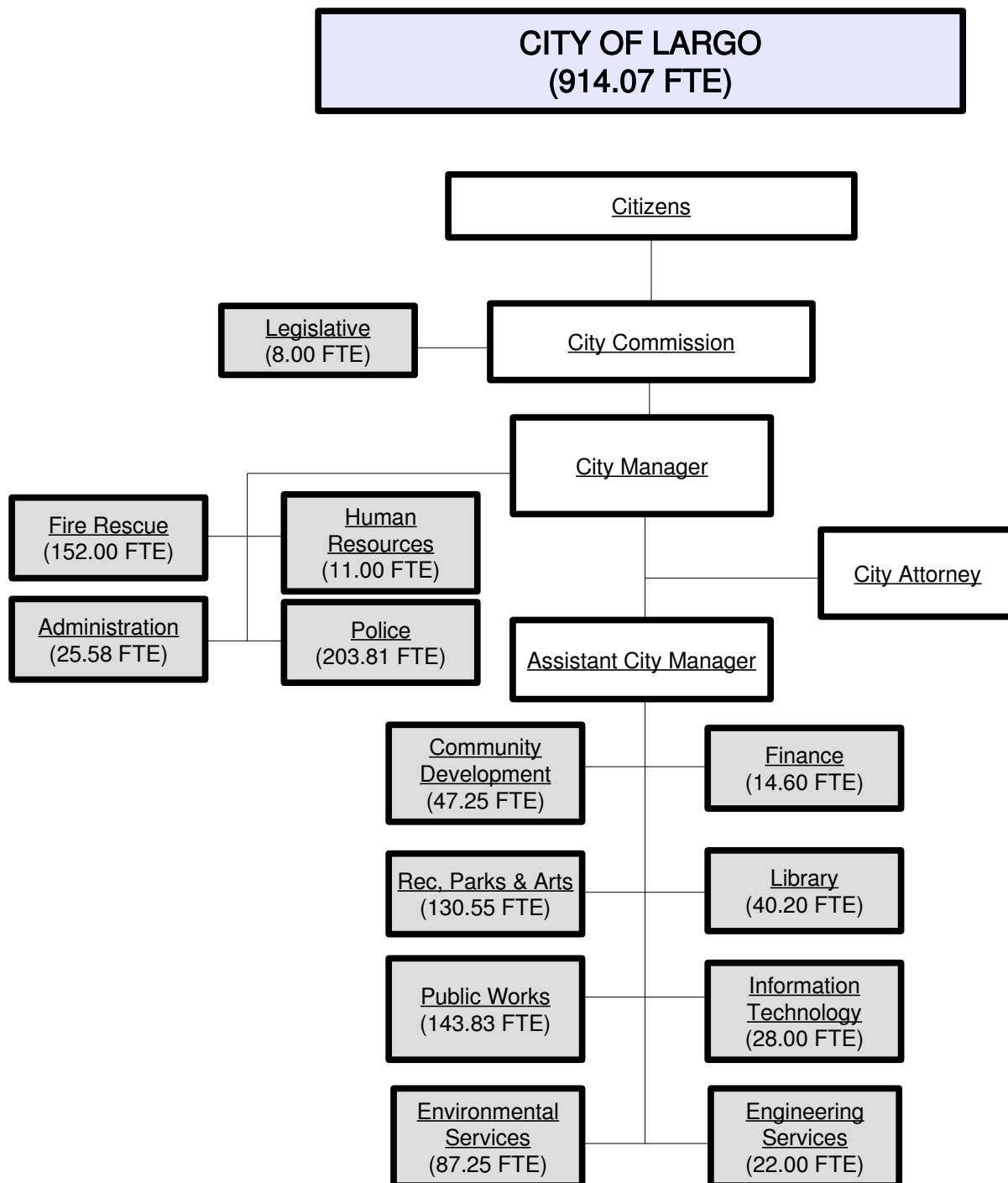
Diane Bruner, CMC

EXECUTIVE MANAGEMENT STAFF

City Attorney
Community Development Director
Environmental Services Director
Finance Director
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
Shelby Willis
Susan Sinz
Harold Schomaker, CCIO
Casey McPhee
Jeff Undestad
Brian Usher
Joan Byrne, CPRE

ORGANIZATIONAL CHART



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 City of Largo, Florida (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Largo Community Redevelopment Agency as of and for the year ended September 30, 2017.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Largo, Florida, as of September 30, 2017, 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, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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

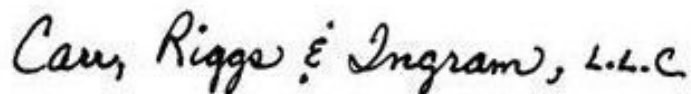
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and the Largo Community Redevelopment Agency. The introductory section, combining and individual nonmajor fund financial statements and schedules, and 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 Largo Community Redevelopment Agency, 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 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
March 30, 2018

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City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

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 that is included in the City's FY 2017 Comprehensive Annual Financial Report (CAFR). The MD&A is intended for the majority of people who want to know, in simple terms, "How is the City of Largo doing, financially speaking?"

In simple terms, the City is doing better financially than last year in some areas, like fund balance and revenues, but is not doing as well relative to the years prior to what is being called the Great Recession. In other words, the City has not fully recovered from the Great Recession. Please note the colored traffic lights used throughout the MD&A, which indicate positive items (green), items to watch (yellow) and warning areas (red). While there are no "red lights" in the MD&A, there are several "yellow lights" that indicate areas where the City could improve its financial condition.

FINANCIAL OVERVIEW (Additional details are provided later in the MD&A)



Fund Balances – The provision of financial resources for future needs and desires.

The General Fund's unassigned fund balance increased, due to economic improvement, fewer commitments for subsequent years, and a legal settlement of \$1 million, but it remains lower than ten years ago (an additional \$600,000 from the legal settlement will be recognized in FY 2018). A lower fund balance reflects less capacity to respond to unexpected events, such as natural disasters or to seize opportunities.



Debt – The impacts of borrowing decisions.

The Police and Fire Pension Plan's net pension liability declined to \$38 million, due mostly to favorable investment results, but continued to create a \$19 million negative unrestricted net position (deficit) for Governmental Activities. Reducing the net pension liability will be a long-term and difficult process, as it is for many state and local governments.

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



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, which helped to increase fund balance; however, several departments spent a greater portion of their budgets than normal, due to Hurricane Irma.



Liquidity – The ability to pay liabilities when due.

The City maintained prudent liquidity levels throughout the year by maintaining reasonable amounts in short-term interest-bearing accounts and by laddering investment maturities throughout the year, which means investments mature at different times during the year and maturing amounts can be used to pay obligations or can be re-invested if not needed.



Trends – The degree to which key metrics are changing and 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. To compensate for slow revenue growth, budgets have been reduced or held constant, fund balances have been used, and tax revenue has been increased, all of which has reduced the City's fiscal flexibility. Projections indicate some improvement, so the City remains cautiously optimistic about the future.

City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

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 \$30.3 million from \$30.1 million in the prior year, which was insignificant. Reasons for the low growth are discussed below.
- GA program revenue paid 37% of GA expenses, which was about the same as last year and means most GA expenses were paid with general revenues (primarily taxes), which is normal.
- 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 (equity) 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.



Total government-wide Net Position (i.e. "equity") was positive for both GA and BTA, because total assets greatly exceeded total liabilities at year end, the difference being total net position; however, unfunded pension liabilities created a negative Unrestricted Net Position in Governmental Activities.



Question: Is having a higher Net Position ("equity") a good thing?

Answer: It depends.

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

A government can have "too much" equity, depending on whether its stakeholders value having higher equity (e.g., having a higher fund balance), receiving more services or paying lower taxes and fees. Accumulating large equity levels can result in current stakeholders paying "too much" in taxes and fees and transferring excess assets to future stakeholders, which may be perceived as unfair.



The City reported a responsible debt to equity relationship for GA and BTA, which means the City has not shifted too many costs to future stakeholders through borrowing.

GA debt decreased, due to no new borrowing and normal repayments on existing debt, while BTA long-term debt increased, due to borrowing related to several large wastewater projects that were funded through a low-interest State loan.

Keys to responsible borrowing include: long-term debt should not be used to pay short-term costs; assets financed should last at least as long as related debt; some debt capacity should be reserved for unexpected needs; and, debt payments must be affordable, both currently and in the future.

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Question: Is having lower debt a good thing?

Answer: Again, it depends.

Debt brings with it debt payments and reduces borrowing capacity, which creates less flexibility for future stakeholders to spend resources as they see fit. For example, borrowing to build roads assumes that future stakeholders need or want the roads as much as current stakeholders.

On the positive side, debt helps to allocate the cost of long-lived assets among those who will benefit from their use. Some capital items are also too expensive to pay for without borrowing, so not borrowing can jeopardize public health and safety and may result in higher future costs.

Major Governmental Fund financial statements (Five Major Funds)

- The General Fund's unassigned fund balance increased \$2.6 million, or about 36% from the prior year, primarily because expenditures grew slower than revenue, less fund balance was reserved at year end, departments under-spent their budgets and the General Fund recorded a \$1 million legal settlement.
- Local Option Sales Tax Fund tax revenue was \$200,000 higher than the prior year (3%), due to continued, although slower, improvement in the economy.
- Year-end loans receivable in the City's three major housing funds (SHIP, HOME and CDBG) totaled \$12 million, which was approximately the same as at the end of the prior year. Loan repayments will generate future resources that can be used to fund future housing activities.

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 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:** The CAFR's main section with three sub-sections, as shown in Graph #2.
- **Statistical:** Includes multi-year information that helps identify and analyze trends.
- **Compliance:** Includes information on grant, loan and other compliance requirements.



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FINANCIAL STATEMENTS OVERVIEW (A “Primer” on governmental accounting and reporting.)

This section of the MD&A provides an overview of the City's financial reporting structure, similar to a primer on governmental accounting, which is required by GASB reporting standards. This section is intended to help readers to better understand the financial statements.

This section does not present any financial data or analysis for the City of Largo.

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

- **Government-wide financial statements** (“big picture”)
 - Similar to consolidated financial reporting in the private sector
 - Reports Governmental Activities and Business-type Activities, not individual funds' activity
 - Focuses on the flow of economic resources (long-term focus) using the full-accrual basis of accounting, similar to the private sector
- **Individual fund financial statements** (“small picture”)
 - Reports on financial activity of individual funds, e.g., the General Fund, which is usually what most financial statement readers are interested in
 - Governmental funds – Focus on 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 – Focuses on the flow of economic resources (long-term focus) using the full-accrual basis of accounting, similar to the private sector

Fund Types – The City uses fund accounting to enhance accountability over public resources and to demonstrate compliance with legal requirements. Each fund maintains a separate self-balancing group of accounts and is both a fiscal and an accounting entity. Funds are established to maintain greater control and accountability over resources dedicated to specific activities.

The City reports all three of the major fund types: 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 and uses the other three as necessary.

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.

- i. **Major Funds.** Governmental fund financial statements focus on Major Funds, which for the City, include: General, Local Option Sales Tax, SHIP, CDBG and HOME. Major Fund financial statements are located at the front of the CAFR, while all non-major fund information is aggregated into one non-major fund column. Detailed financial 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. Significant budget variances are discussed in the Notes and summarized in the MD&A.

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b. *Proprietary funds.* The City reports both types of proprietary funds:

- i. *Enterprise funds.* Enterprise funds report the same information presented 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 of the City's 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.
 - In the government-wide financial statements, internal service funds are combined with Governmental Activities, 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 programs.

The City presents two types of financial statements along with supporting information:

a. *Government-wide statements.* Government-wide financial statements (the City as a whole) include two different statements and report information by two types of Activities using the accrual basis of accounting.

i. Government-wide financial statements include:

- ***Statement of Net Position.*** This statement presents information on all City assets and liabilities with the difference being reported as *net position* (equity). Changes in net position cannot be considered positive or negative without further evaluation.

For example, when capital assets purchased with cash are depreciated, net position decreases. As long as the City's service objectives are met by using the capital assets, the decrease in net position is positive, because capital assets are intended to be "used-up" while providing services and are not intended to be held for resale or to remain idle.

- ***Statement of Activities.*** This statement presents information on the changes in the City's net position during the fiscal year related to revenues and expenses. All revenues and expenses are reported as soon as an underlying event occurs, regardless of when cash is received or paid, as required under the accrual basis of accounting.

ii. Governmental Activities are 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).

iii. Business-type Activities are primarily supported by charges for services (user fees). The City's business-type activities include: wastewater collection, treatment and disposal, solid waste collection and the golf course.

b. *Individual Fund statements.* These statements report a smaller picture of financial information that focuses on each individual fund.

c. *Financial Statement Comparison.* Comparing the government-wide and individual fund financial statements helps readers understand the long-term impacts in the government-wide statements caused by the short-term decisions in the individual fund statements. Since the government-wide and individual

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

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

e. Required Supplementary Information (RSI) Other Than the MD&A – RSI is required to be presented, including information on pension funding progress. RSI is located just after the notes.

f. Combining Financial Statements, Individual Fund Financial Statements and Schedules – These statements and schedules are provided for non-major governmental funds and internal service funds and are located immediately following RSI other than the MD&A.

GOVERNMENT-WIDE DISCUSSION and ANALYSIS (*The City as a whole, "big-picture" focus.*)

This section presents information from the City's government-wide financial statements (the City as a whole). This section focuses on Governmental Activities and Business-type Activities rather than on individual funds.

- Governmental Activities includes all governmental fund amounts combined together 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 together using the accrual basis of accounting at the fund level and the government-wide level.

Summary – Statement of Net Position. The only significant change was in the Business-type Activities' assets and liabilities, both of which increased significantly from the prior year, due to ongoing construction of three Wastewater Consent Order projects. All other amounts were relatively the same as the prior year.

The increase in BTA total assets (\$39 million) was similar to the increase in BTA total liabilities (\$37 million), because all Wastewater projects were financed. The \$2 million difference is mostly related to debt repayments during the year.

| Comparative Summary - Government-wide Amounts | | | | | | |
|---|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| Statement of Net Position (\$ in thousands) | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total Activities | |
| | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 |
| Assets (a) | \$208,552 | \$207,350 | \$201,945 | \$162,763 | \$410,497 | \$370,113 |
| Deferred Outflows (b) | 10,557 | 11,559 | 0 | 0 | 10,557 | 11,559 |
| Liabilities (c) | 67,339 | 71,229 | 74,179 | 37,226 | 141,518 | 108,455 |
| Deferred Inflows (d) | 2,810 | 2,000 | 0 | 0 | 2,810 | 2,000 |
| Net Position (a+b-c-d): | | | | | | |
| Invested in capital assets, net | 126,873 | 124,369 | 88,412 | 99,029 | 215,285 | 223,398 |
| Restricted | 40,747 | 41,783 | 9,113 | 8,992 | 49,860 | 50,775 |
| Unrestricted (see comment below) | (18,660) | (20,472) | 30,241 | 17,516 | 11,581 | (2,956) |
| Total net position | \$148,960 | \$145,680 | \$127,766 | \$125,537 | \$276,726 | \$271,217 |

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Net Position represents each Activities' "equity", which is the difference between its assets and liabilities. Since the majority of both Activities' Net Position is invested in capital assets, most of Net Position is illiquid and cannot be spent.



As the above Summary shows, total assets greatly exceeded total liabilities for both Activities in both years, which indicates a strong financial position. Not shown in the table, but included in the totals, current assets greatly exceeded current liabilities for both Activities, which indicates excellent liquidity.

Governmental Activities' Net Position invested in capital assets was 94% of the related capital assets at year end, which means that only 6% of GA capital assets were financed (9% in the prior year). This reflects the City's conservative "pay-as-you-go" philosophy for Governmental Activities' capital assets.

Business-type Activities' Net Position invested in capital assets was 58% of related capital assets, which means that 42% of BTA capital assets were financed (20% in the prior year). More BTA capital assets were financed this year, because of the three Wastewater Consent Order projects. Borrowing helps spread costs among future utility rate payers. Capital assets and related debt are discussed in more detail later.



Unrestricted GA Net Position reported a negative of \$18.7 million at year end, due to recording of the net police and fire pension liability of \$37.6 million. The good news is, the net pension liability declined \$3.2 million from the prior year. The net pension liability is discussed later in the MD&A and in the Notes.

Summary – Statement of Activities. The following Comparative Summary of the Statement of Activities presents all revenues, expenses and other sources/uses of funds by Governmental Activities and Business-type Activities, which are responsible for the changes in the Net Position discussed above.

Total Activities (GA and BTA) - Total Revenue for both Activities combined (program and general revenue combined) increased slightly by 2.1% from FY 2016, while Total Expenses for both Activities combined increased 7.5%. This resulted in a lower positive Change In Net Position (aka, "net revenue over expenses") compared to FY 2016 (\$5.5 million compared to \$11.5 million), which means more City resources were used in FY 2017 than in FY 2016. These items are discussed in greater detail below.



Fun Fact - Total GA and BTA Program Revenue exceeded Total General Revenue in both years presented. This means a greater portion of the City's total revenue is generated by non-tax revenues (program revenue), mostly user charges, rather than by taxes (general revenue). Most people would guess the opposite.

GA General Revenue (mostly taxes) is always larger than BTA General Revenue (mostly interest earnings and miscellaneous items), because BTA includes the City's two utility activities and the Golf Course, which receive no tax revenue. General revenue always covers the greatest portion of GA expenses, which is just the opposite of BTA costs, which are always covered more from charges for services; much more.

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

| | Governmental Activities (GA) | | Business-type Activities (BTA) | | Total Activities | |
|--|---|----------------|---|----------------|-----------------------------|----------------|
| | FY 2017 | FY 2016 | FY 2017 | FY 2016 | FY 2017 | FY 2016 |
| Program Revenue: | | | | | | |
| Charges for Services | \$26,531 | \$25,661 | \$34,990 | \$34,268 | \$61,521 | \$59,929 |
| Operating grants/contrib. | 3,008 | 2,817 | 99 | 60 | 3,107 | 2,877 |
| Capital grants/contrib. | 726 | 1,587 | 387 | 535 | 1,113 | 2,122 |
| Total Program revenue | \$30,265 | \$30,065 | \$35,476 | \$34,863 | \$65,741 | \$64,928 |
| Expenses: | | | | | | |
| General government | 8,273 | 7,567 | - | - | 8,273 | 7,567 |
| Public safety | 40,824 | 39,663 | - | - | 40,824 | 39,663 |
| Public works | 8,195 | 8,805 | - | - | 8,195 | 8,805 |
| Economic development | 9,264 | 5,511 | - | - | 9,264 | 5,511 |
| Culture and recreation | 15,833 | 15,912 | - | - | 15,833 | 15,912 |
| Interest and fees | 232 | 298 | - | - | 232 | 298 |
| Wastewater | - | - | 21,237 | 19,111 | 21,237 | 19,111 |
| Solid waste collection | - | - | 11,597 | 10,542 | 11,597 | 10,542 |
| Golf course | - | - | 1,133 | 1,012 | 1,133 | 1,012 |
| Total expenses | 82,621 | 77,756 | 33,967 | 30,665 | 116,588 | 108,421 |
| Net program revenue over (under) expenses | (52,356) | (47,691) | 1,509 | 4,198 | (50,847) | (43,493) |
| General revenue | 55,636 | 54,085 | 719 | 878 | 56,355 | 54,963 |
| Change in net position - "net revenue (expenses)" | 3,280 | 6,394 | 2,228 | 5,076 | 5,508 | 11,470 |
| Net position – Oct. 1 | 145,680 | 139,286 | 125,537 | 120,461 | 271,217 | 259,747 |
| Net position – Sept. 30 | \$148,960 | \$145,680 | \$127,765 | \$125,537 | \$276,725 | \$271,217 |

Business-type Activities (BTA)

As presented in the table above, all BTA expenses were paid with program revenue, mostly charges for services, in both years, which is normal. Charges for services were essentially unchanged from the prior year, because there were no rate increases and customer growth was relatively small.

BTA expenses increased 11% for each service (wastewater, solid waste and golf), which is discussed further in the fund analysis section. No rate increases were projected in FY 2018, but rate increases are projected in future years.

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Governmental Activities (GA)

GA Revenues and Expenses - As presented in the table above, Total GA Expenses grew 6%, primarily related to Economic Development (ED), which is discussed in the Housing Fund area. Excluding ED expenses, Total GA expense growth was less than 2%.

GA program revenues paid 37% and 39% of GA expenses in FY 2017 and FY 2016, respectively. This means most GA expenses were paid with general revenue, mostly by taxes. Recovering almost 40% of GA service costs with program revenue is mostly attributable to collection of stormwater fees, fire/EMS fees (paid by Pinellas County), building permits and recreation/parks/arts fees.

While certain GA service costs can be paid with program revenue, most costs are difficult to recover through program revenue, because of collection and assessment difficulties, including services such as: parks, road maintenance and library services. These types of services are usually paid with taxes, except in limited situations such as toll roads, or through partial charges such as park facility rentals, because program revenues are not as practical to assess and collect. The extent of cost recovery also depends on each government's revenue structure and policies.



Fun Fact - Of Total FY 2017 GA revenue (program and general revenue combined), 24% came from property taxes and 31% came from charges for services, which is similar to the prior year. This indicates these revenues' significance for funding Governmental Activities and that property taxes is not the primary GA revenue source.

GA Charges for Services - As presented in the table below, Total GA Charges for Services increased \$870,000 or about 3%. Most of the increase was due to payments from Pinellas County for Fire and EMS services (Public Safety), due to approved budget increases.

Construction services fees generated \$600,000 less revenue (Economic Development), due to a reduction in development activities, which had reached a record level in the prior year and would have been difficult to sustain. Culture and Recreation charges increased, due mostly to increased program participation and a variety of small rate increases.

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

| Major Function | FY 2017 | FY 2016 | <u>Increase (Decrease)</u> | |
|------------------------|----------|----------|----------------------------|---------|
| | | | \$ | % |
| General Government | \$3,241 | \$3,172 | \$69 | 2.2% |
| Public Safety | 9,975 | 9,057 | 918 | 10.1% |
| Public Works | 5,849 | 5,869 | (20) | 0.0% |
| Economic Development | 2,390 | 2,921 | (531) | (18.2%) |
| Culture and Recreation | 5,076 | 4,642 | 434 | 9.4% |
| Total | \$26,531 | \$25,661 | \$870 | 3.4% |

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GA General Revenue - Total GA General Revenue (mostly taxes) pays approximately 66% of GA Expenses and is summarized in the table below. Of all GA General Revenue, only property taxes can be increased by the City, because tax rates are set at their maximum or the City does not control the revenue source, as with State Shared Revenue.

The property tax millage rate did not change from FY 2016, but property tax revenue increased, due to increases in taxable values related to continued improvement in the economy. Even with the revenue increase, FY 2017 total taxable values were \$678 million lower than in FY08 (the highest level in the past ten years), which shows the significant impact of the Great Recession and subsequent slow recovery.

The percentage of taxable value to assessed value declined to 67% in FY17 from 70% in FY08, which is the result of higher exemptions, especially an additional homestead exemption and the Save Our Homes exemption, which was made "portable" between homesteads since FY08. More information on property values and exemptions is available in Schedule H of the Statistical Section.

Local Option Sales Tax revenue and State Shared revenue (mostly sales taxes) increased, because of continued improvement in the economy. CST continued to fall, albeit more slowly, due mostly to changes in customer behavior, including a shift away from cable services toward less expensive Internet-based options. Changes in cable and fiber providers likely contributed to the decrease, due to increased competition and bundling of services at lower costs. A continued decline in CST is likely.

Governmental Activities (GA) Major General Revenue (\$ in millions)

| Major General Revenues | FY 2017 | FY 2016 | Increase (Decrease) | |
|-----------------------------------|---------|---------|---------------------|------|
| | | | \$ | % |
| Property Tax | \$21.0 | \$19.3 | \$1.7 | 8.8% |
| Utility Tax and Franchise Tax | 14.2 | 14.1 | 0.2 | 1.4% |
| Sales Tax (local option) | 8.3 | 8.1 | 0.2 | 2.5% |
| Communications Services Tax (CST) | 2.9 | 2.9 | 0.0 | 0.0% |
| Shared Revenue (State) | 8.5 | 8.2 | 0.3 | 3.7% |
| Total | \$54.9 | \$52.6 | \$2.3 | 4.4% |



Major GA General Revenues increased 4.4% compared to a 5% increase last year, due mostly to continued economic improvement, which created higher property values and generated higher sales taxes. Most GA General Revenue is discussed in more detail in the General Fund section, which is where it is originally recorded.

GA Expenses - The following graph presents GA expenses for the past five years by Function, which is useful in identifying larger trends.

A "Function" is a group 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 five years, due budget reductions made during the Great Recession and slow recovery.

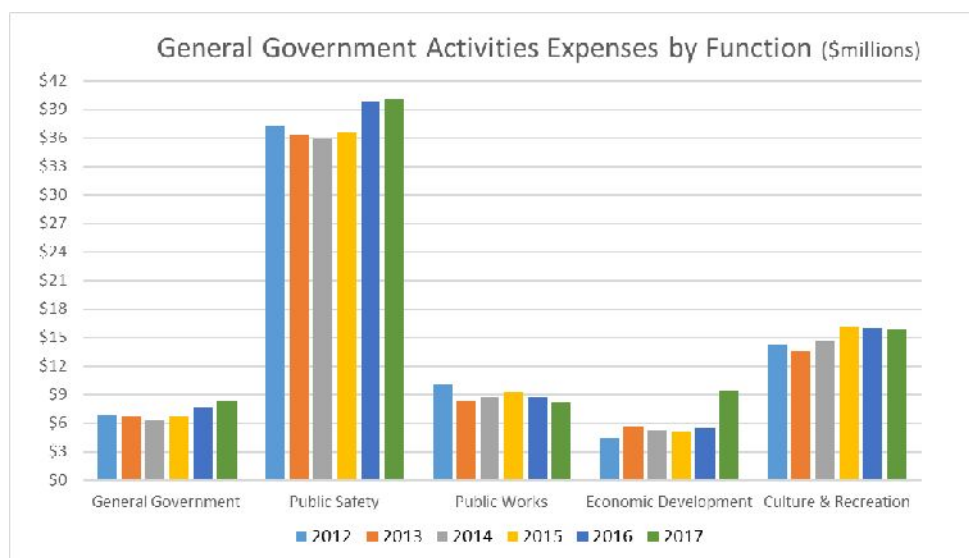
About half of total GA expenses relate to Public Safety activities, which is normal for the City. Most of the increase in Public Safety expenses is related to an increase in the net pension liability and expense of and additional police and fire personnel based on the long-term public safety staffing plan. Public Safety salaries and benefits also increased, due to new labor agreements.

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Most of the increase in General Government expenses related to normal salary, normal benefit cost increases and selected one-time wage compression adjustments that were made after several years of salary freezes in order to remain competitive in the labor market.



GA “Net” Expenses - The GASB requires a presentation of GA “net expenses”, which are total GA expenses minus related program revenue (non-tax revenue), mostly charges for services. This presentation shows the percentage of total expenses paid with general revenue, mostly taxes.

The table below summarizes the financial statement presentation of net expenses. Based on the table, about 63% of total GA expenses were paid with general revenue, which means 37% of total GA expenses were paid with program revenue, mostly charges for services, which is slightly different than last year (60% and 40%, respectively).

Governmental Activities - FY 2017 “Net” Expense (\$ in millions)

| Function | Total Expense | Program Revenue | Net Expense | Net Expense as a % of Total Expense |
|------------------------|---------------|-----------------|---------------|-------------------------------------|
| General Government | \$8.3 | \$3.4 | \$4.9 | 59% |
| Public Safety | 40.8 | 11.5 | 29.3 | 72% |
| Public Works | 8.2 | 6.0 | 2.2 | 27% |
| Economic Development | 9.3 | 4.0 | 5.3 | 57% |
| Culture and Recreation | 15.8 | 5.4 | 10.4 | 66% |
| Total | \$82.4 | \$30.3 | \$52.1 | 63% |

It is difficult to pay for most GA expenses with program revenue, because many GA services are not the types of services where fees are practical or efficient to charge and collect, such as police investigations, fire suppression, library and general government administration. Some GA services lend themselves to recovery through user charges, such as recreation, special duty police services and building permitting.

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Based on the table above, the Public Safety Function (police and fire rescue activities) reported the lowest program revenue as a percentage of expenses, which is normal and means the Public Safety Function requires more general revenue (mostly taxes) to support their operations. The vast majority of Public Safety Program Revenue is related to Fire/EMS revenues paid by Pinellas County for fire services provided to unincorporated areas of the Largo Fire District and for county-wide EMS.

The Public Works Function reported the highest percentage of program revenue, which is mostly related to stormwater user fees, which pays for all stormwater operating expenses and small capital improvements.

The Economic Development Function also reported a relatively high percentage of program revenue, which is mostly due to building permits, building inspections and housing grants.

Business-type Activities (BTA) – Three enterprise funds comprise all BTA: Wastewater (collection, treatment and disposal), Solid Waste collection (garbage, brush, bulk items and recyclables) and a Golf Course. Individual fund information is presented in the Proprietary Fund financial statements.

Key financial metrics for BTA include:

- Total BTA program revenue was approximately the same as in the prior year, because there were no user 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 \$1.5 million lower than the prior year (38%), due mostly to higher repair and maintenance costs. Several planned maintenance projects were conducted this year to repair and “tighten-up” the collection system (\$1 million extra) as part of an ongoing effort to reduce inflow and infiltration in the collection system.
- Golf course revenue was \$100,000 higher than the prior year, due to better weather, enhanced marketing and other golf course closures in Pinellas County. The Golf Course has continued to cover all of its normal operating expenses, except for depreciation and the General Fund administrative charge, which has been waived for several years.

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

Governmental Fund reporting focuses on “*major funds*” (larger funds) and measures short-term flows of financial resources, like cash. This is different from the “big-picture” focus on Governmental Activities, which measures the flow of economic resources using the accrual basis of accounting.

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

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

Fund Balance – The following graph presents the General Fund's fund balance categories for the past ten years, which starts at approximately the beginning of the Great Recession.

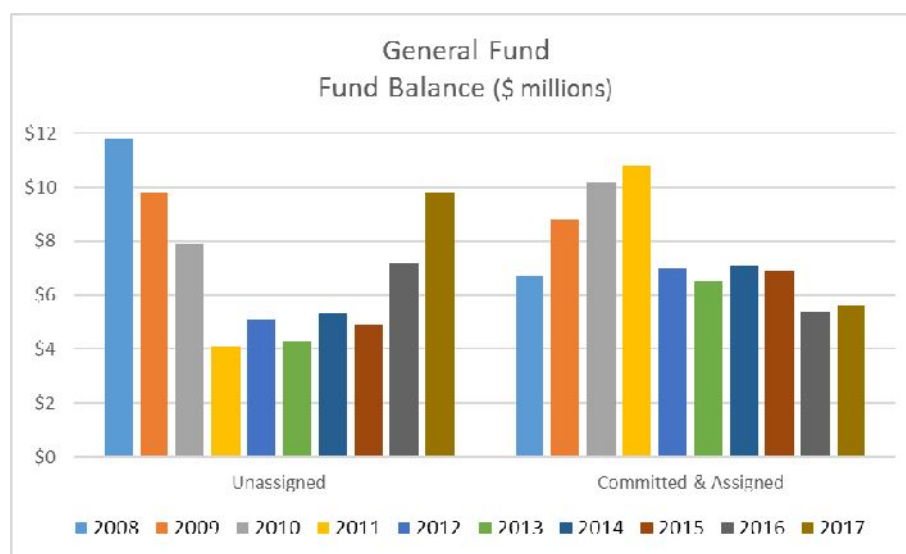
- **Committed & Assigned** - A large part of the Committed & Assigned fund balance is appropriated to balance each following year's budget, because budgeted expenditures usually exceeded estimated revenues. This amount is not available for additional appropriations unless the subsequent year's budget is amended.

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- On a positive note, the amount appropriated for the following year's budget has decreased since FY 2011. This means there is a smaller difference between the following year's budgeted revenues and budgeted expenditures, which resulted from several years of budget reductions during the recession and subsequent slow recovery.



At year end, \$1.7 million was committed for the FY 2018 budget compared to \$1.9 million at the end of the prior year, which is 2.2% and 2.8% of the budgeted expenditures, respectively. The reduction in the amount committed for next year's budget means that next year's budget is closer to being balanced, which is a positive development. Most of the fund balance committed for the following year's budget is never used, because of normal employee turnover and prudent management.



The amount committed for the following year's budget is relatively low compared to prior years and is also below the average annual under-expenditure percentage of 4%-5% of the total budget. This means the amount committed will likely not be expended and can be carried forward to the next year.

Part of the Committed & Assigned fund balance is also for outstanding purchase orders (PO's) of \$1.6 million at the end of FY 2017 compared to \$1.2 million at the end of FY 2016. Outstanding PO's reflect a claim against the current year's budget and most PO's are usually filled shortly after year end.

Approximately \$2 million was also assigned for earned, but unpaid, vacation leave at the end of the last two years. Unpaid vacation leave is recorded as a liability and as an expense in proprietary funds and at the government-wide reporting level, but it cannot be recorded as a liability and expenditure in governmental funds that use the modified accrual basis of accounting; therefore, an "assignment" is recorded to reflect the potential impact on fund balance if the amounts were paid-out early in next year.

Unassigned fund balance - The Unassigned fund balance is sometimes called a "rainy day" or emergency reserve. This amount is available to appropriate, if needed, to compensate for revenue shortfalls, expenditure increases, disasters or to seize unexpected opportunities.

The Unassigned fund balance has declined significantly from its highest level in FY 2008; however, it increased by \$2.6 million in FY 2017 and by \$2.3 million in FY 2016, which are positive developments.

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The unassigned fund balance has declined significantly since FY 2008, which has reduced the City capability to compensate for unexpected events, such as natural disasters. The main cause of the FY 2017 increase was related to a one-time legal settlement of \$1 million (an additional \$600,000 will be recorded in FY 2018).

Of the \$2.6 million increase in FY 2017, \$1 million (38%) was due to a one-time legal settlement. The FY 2016 increase was due to revenues increasing more than expenditures and a \$1.2 million decrease in the amount appropriated to balance the following year's budget.



The Unassigned fund balance increased significantly in FY 2017 and FY 2016, which are positive developments. Based on current projections, a question remains as to whether the unassigned fund balance can be maintained and grown even more before the next recession occurs.

Fund Balance Policy - The City Commission adopted a General Fund balance policy in FY 2016, which establishes a minimum level and a target level (desired level) for "Unrestricted" fund balance. The Unrestricted fund balance is defined by the Government Finance Officers Association (GFOA) as a combination of the committed, assigned and unassigned fund balances. Florida Statutes set no minimum fund balance requirement, except that total fund balance must not be negative.

The GFOA's Unrestricted fund balance minimum target level is based on maintaining two months of budgeted expenditures (2months/12months) in the Unrestricted fund balance, which equals approximately 17% of annual expenditures. The Unrestricted fund balance is most useful for managing cash flow, but is usually not all available for appropriation if needed, unless established commitments or assignments can be removed, which is not always possible.



Since much of the Unrestricted fund balance may not be available for appropriation, because it is already committed or assigned, the Unrestricted fund balance is less useful as a measurement of an available emergency or "rainy day" fund.

The Unassigned fund balance is completely available for appropriation, so it is a better measurement of an emergency fund. The most common methods of determining and evaluating the sufficiency of an Unrestricted or Unassigned fund balance are:

- As an absolute dollar amount ("pick a number", such as \$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

Note: As with the Unrestricted fund balance, any "projected" ending fund balance cannot be appropriated, because the actual amount is unknown.



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

Answer: Defining a "one size fits all" fund balance policy is impossible, because each governments' fiscal characteristics are different.

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Factors to consider when establishing a fund balance policy, include:

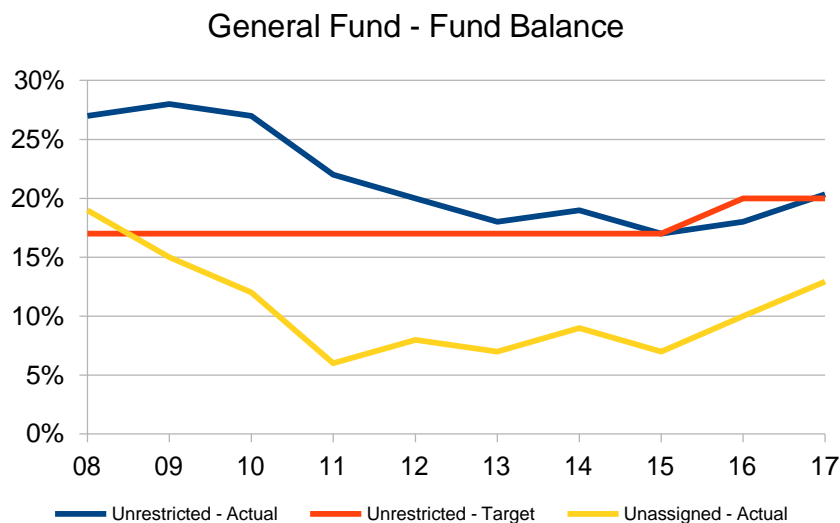
- Stability of revenues and the ability and willingness to raise revenues, if needed
- Ability and willingness to reduce expenditures, if needed
- Ability to borrow and repay debt (debt capacity)
- Economic stability
- Environmental, systemic or unique disaster risks
- An organization's tendency toward risk aversion

Factors that were considered in developing the City's General Fund's fund balance policy, included:

- General Fund revenues are relatively stable and diversified
- The Property tax millage rate could be increased, because it is less than the legal limit
- The General Fund pays no debt service costs and debt could be issued
- Many expenditures are variable, so spending could be reduced
- The City maintains an average level of risk aversion

The following graph presents the fiscal year-end "Unrestricted" and "Unassigned" fund balances as a percentage of the next year's budgeted expenditures, which usually produces the lowest percentage that could be appropriated, if needed. The earlier years presented correspond roughly to the start of the "Great Recession". The graph also presents the fund balance policy's target level.

Both actual fund balances are higher than the previous year, which is good news, but both also remain lower than FY 2008. This means there is still less flexibility to handle unforeseen events than in FY 2008.



Theory of Relativity - Department budgets have become relatively much "tighter" since FY 2008, due to many years of budget cuts. For example, many of the service and cost reductions made during and after the Great Recession have not been restored, such as the reduced Library hours and staffing, reduced parks maintenance and other staffing reductions.

This means the flexibility to cut expenditures, if needed, has declined unless services are reduced significantly. Therefore, the General Fund is reporting a weaker fund balance in several ways: relative to earlier budgets; as a percentage of the next year's budget; in total absolute dollars; and relative to the

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moderate level of inflation over the past ten years. In other words, even if the unassigned fund balance were to return to the FY 2008 dollar or percentage levels, it would still be relatively lower than it was in FY 2008.

Significant fund balance improvements have been made over the past two fiscal years; however, the City is not as well prepared to face the next recession or an emergency compared to FY 2008. If future budget reductions are required, they will have to be larger and will have to be made sooner than in the past, because there is less flexibility to make gradual reductions with a lower fund balance to appropriate.

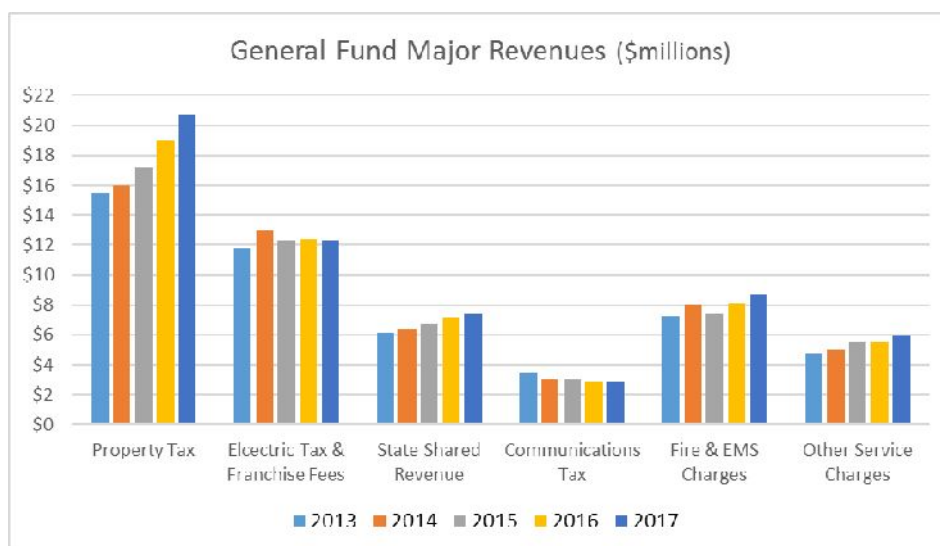
It must be noted that any normal level of Unrestricted or Unassigned fund balance is usually unable to compensate for every economic downturn or disaster, especially the larger ones. An Unrestricted or Unassigned fund balance is just one tool to provide temporary fiscal stability until unusual conditions improve or to provide time for corrective and restorative actions to be taken in a rational manner.



Long-term projections indicate that the General Fund's Unrestricted and Unassigned fund balances will remain relatively low over the next five years.

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

The graph's main message is there has been low or no growth in most major revenues over the last five years, except in property taxes, which has made it difficult to maintain service levels, because most costs have been increasing.



Property tax revenue increased \$1.7 million or 9%, due to an increase in taxable values, which includes some new construction and annexations. The millage rate remained constant at 5.37 mills. This was the fourth taxable value increase since 2008 and indicates the economy continues to improve; however, FY 2017 taxable values were still \$700 million lower than in FY 2008 (15% lower) even including new construction and annexations, which shows the significant impact of the Great Recession and slow recovery.

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Of all major revenues, only property tax and service charges can be increased by the City. State legislation has also been passed and more is proposed that limits property tax revenue growth. All other revenues are uncontrollable, because rates are set at the maximum level or revenue is determined by agreement or law.

Electric utility taxes and franchise fees have been essentially flat over the past three years, which is partly related to a decline in fuel prices and lower consumption, both of which reduced the tax base. Other major factors that reduce the tax base include: weather variations (milder or harsher winters and summers), greater voluntary energy conservation (turning-up the air and turning-down the heat), more residential and commercial solar installations and replacement of less efficient equipment, especially air conditioners and major appliances like TV's, washing machines, clothes dryers and water heaters.



Any revenue source that is "flat", is actually declining in relative terms, because of normal inflation and service level increases. Also, some major costs may increase differently than normal inflation, including employee healthcare, insurance and fuel.

State Shared revenues increased \$200,000 or 3%, due to continued economic improvement, which generated higher sales taxes. The increase, while still a positive development, was only half as much last year, which indicates the economy has begun to level-off.

Fire and EMS revenue from the County increased \$600,000 or 7%, due mostly to renegotiation of the service contract and an approved increase in the budget, partly due to additional positions authorized by the public safety staffing plan. This revenue paid approximately 50% of the General Fund's Fire Rescue costs in FY 2017 and has been the third largest General Fund revenue source for many years.

Communications Services Tax (CST) was essentially flat (really a decline in relative terms), due partly to increased price competition, new service providers entering the market and lower charges related to bundling of services, all of which reduced the CST tax base. Many customers also continue to "cut the cord" for land-line based services, due to the increase in Internet-based communications services at lower costs. Almost all Florida governments have experienced similar CST revenue declines, based on a review of state disbursements, so this is not a problem that is just affecting the City of Largo.



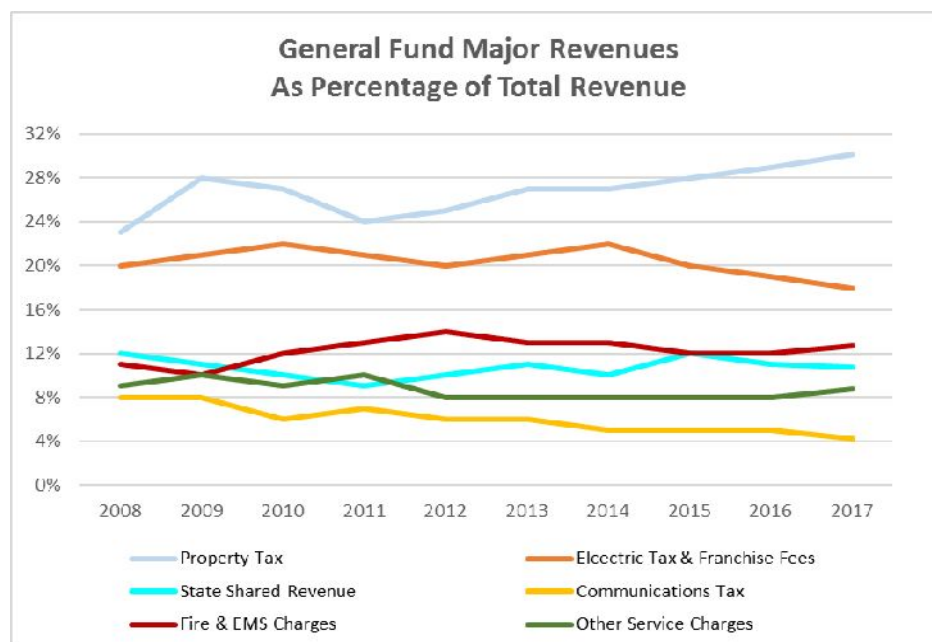
FY 2017 CST revenue is \$500,000 lower than in FY13, or 15%. Part of the decline is due to the receipt of additional "one-time" revenue generated in the earlier years from a State audit; however, CST revenue has declined even after adjusting for the additional audit revenue. Current projections do not indicate any future growth; therefore, this revenue will continue to decline relative to the budget.

Major Revenue Diversification. The following graph presents the General Fund's Major Revenues as a percentage of total General Fund revenue for the past ten years, which helps to identify trends in reliance on each revenue. There have been some changes over the past ten years.

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Property tax reliance has increased over the past several years from 23% of total revenue to 30%, because property tax is one of the few controllable General Fund revenues. The millage rate was increased gradually from 3.65 in FY 2008 to 5.37 in FY 2017 in response to a decline in taxable values, slow or no growth in other revenues and rising costs.

With a ten mill cap and increased State restrictions, the City has less flexibility to increase the millage rate now than in FY 2008, 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.

Reliance on Electric Utility Tax and Franchise Fees has dropped by about 2 percentage points and reliance on State Shared Revenue has declined about 1 percentage point. These revenues are not controllable by the City, because of statutory rate caps and economic constraints.

Reliance on Fire/EMS service charges has grown by 2 percentage points, due to growth in the Fire/EMS budget and contractual changes, which has increased the revenue received from Pinellas County. Reliance on other Service Charges has remained close to 9% of total revenue with some fluctuation between years, even though services charges are adjusted periodically based on an evaluation of the cost of providing services, elasticity of demand, competition and market conditions.

Even with the changes over the past ten years, the General Fund's major revenues remain relatively diversified. Current projections indicate that greater reliance will have to be placed on Property Taxes in the future, because it is one of the few revenues that can be controlled by the City.



Fun Fact - Combining Fire/EMS Service Charges and Other Service Charges makes Total Service Charges the second largest General Fund revenue source in FY 2017 at 22%, pushing it just ahead of Electric Utility and Franchise taxes at 18%. Total Service Charges were tied for the second largest source in FY 2008 at 20%.

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General Fund Expenditures. The following table compares the General Fund's expenditures and encumbrances to the final budget.

General Fund – FY 2017

Expenditures & Encumbrances Compared to the Final Budget (\$ in thousands)

| Department | Expend. | Encumb. | Total Expended & Encumbered | Final Budget | \$ Variance Under (Over) | % Variance Under (Over) | Expenditures Re-budgeted in FY 2018 |
|--------------------|-----------------|----------------|-----------------------------------|-----------------|-----------------------------------|----------------------------------|---|
| Police | \$21,381 | \$91 | \$21,472 | \$21,552 | 80 | 0.4% | |
| Fire Rescue | 17,221 | 67 | 17,288 | 18,193 | 905 | 5.0% | |
| Rec., Parks & Arts | 10,208 | 1,783 | 10,991 | 12,617 | 1,626 | 12.9% | \$460 |
| Public Works | 3,986 | 147 | 4,133 | 4,405 | 272 | 6.2% | |
| Library | 3,579 | 24 | 3,603 | 3,603 | 421 | 10.5% | |
| Information Tech. | 2,976 | 104 | 3,080 | 3,428 | 348 | 10.2% | |
| Community Develop. | 2,295 | 52 | 2,349 | 2,698 | 349 | 12.9% | |
| Administration | 2,224 | 86 | 2,310 | 2,422 | 112 | 4.6% | |
| General Operating | 310 | 224 | 534 | 480 | (54) | (11.3%) | \$31 |
| Finance | 781 | 1 | 782 | 805 | 23 | 2.9% | |
| Human Resources | 556 | - | 556 | 581 | 25 | 4.3% | |
| Legislative | <u>336</u> | <u>8</u> | <u>344</u> | <u>356</u> | <u>12</u> | <u>3.4%</u> | |
| Total | <u>\$65,855</u> | <u>\$1,587</u> | <u>\$67,442</u> | <u>\$71,561</u> | <u>\$4,119</u> | <u>5.8%</u> | |



The Police department reported an under-budget amount of less than one-half of 1%, due largely to over-time costs incurred for Hurricane Irma close to year-end. When under- budget amounts are small, unexpected expenditures can cause departments to exceed budgets, especially if unexpected expenditures are incurred late in the year.

Year-end encumbrances reduce the amount of fund balance that is carried-forward and are combined with expenditures to determine each departments' total budget variance. Amounts re-budgeted to the following year are listed in a separate column, because they also reduce the unencumbered fund balance carried-forward to the next year.

Most General Fund departments typically under-spend their budgets by 4%-5%. The majority of budget variances are related to personnel savings, due to normal personnel vacancies. The Total Budget Variance of 5.8% was mostly generated through position vacancies and is slightly smaller than the prior year's variance of 6.1%.

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Budget variances greater than 10% are discussed below.

- General Operating (11.3% over budget) – All of the \$54,000 over-budget amount was caused by the issuance of an emergency purchase order (PO) for \$220,000 very near year-end related to FEMA required debris monitoring services as the result of Hurricane Irma, which struck Largo in early September. Only \$100,000 of the PO was expended and the remaining \$120,000 of the unexpended PO was cancelled in FY 2018; therefore, the \$54,000 over budget amount was not realized. A new PO for \$50,000 was issued in FY 2018 for any additional debris monitoring costs that might be incurred and will be charged to the FY 2018 budget.
- All debris monitoring costs were able to be absorbed in the FY 2017 GO Department budget, because repairs and maintenance costs were under-budget by \$30,000, utilities were under-budget by \$66,000 and the new website costs were under-budget by \$20,000.
- Recreation, Parks & Arts (12.9% under budget) – Most of the variance was related to the following items: An FDOT grant for median beatification in the amount of \$445,000 was re-budgeted to FY 2018; four parking lot resurfacing projects totaling \$310,000 were deferred and will be re-budgeted at a later date; grounds maintenance costs were under-expended by \$141,000, due to contractor non-performance; department -wide utility costs were under-budget by \$119,000; summer campy programing was reduced by 2 weeks, due to changes in the school year, which resulted in personnel cost savings of \$ 340,000; and a \$50,000 FRDAP grant for the Whitesell Complex was not received, so the project was cancelled.
- Library (10.5% under budget) - Most of the variance was related to personnel savings of \$200,000 due to normal position vacancies; \$33,000 was related to utility savings; and \$10,000 was related to contractual building maintenance savings.
- Information Technology (10.2% under budget) - Most of the variance was related to the following items: personnel turnover of \$100,000; software service agreement savings of \$60,000; desktop device replacement savings of \$60,000; and a Enterprise Asset Management software cost savings of \$50,000.
- Community Development (13% under budget) - Most of the variance was related to extended personnel vacancies, including the planning manager, support specialist and office administrator, totaling \$260,000 and the Special Magistrate service costs were under budget by \$30,000.

Local Option Sales Tax Fund (Major Fund). The one-cent Local Option Sales Tax was originally approved for a ten year period beginning in February 1990 and has been extended three time through voter referendum. “Penny Three” began in FY 2011 and will expire on December 31, 2019 (FY 2020) and Penny Four will begin on January 1, 2020.

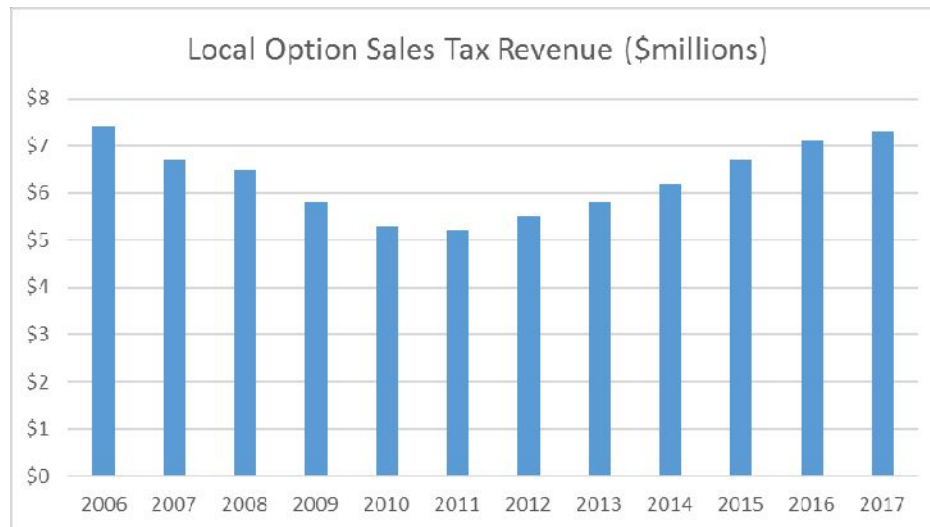
Local Option Sales Tax (LOST) revenue can be expended to: finance, design and construct or improve infrastructure; acquire land; and purchase public safety vehicles with a life expectancy of at least five years. LOST revenue cannot be used for operating costs.

The following graph presents LOST revenue for the past twelve years, including the highest year ever recorded in FY 2006. Revenue declined significantly from FY 2006 to FY 2011, due to the Great Recession and slow recovery, but has been gradually increasing as the economy improved.

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FY 2017 LOST revenue was \$300,000 below budget (4%), but was above the prior year's revenue by \$200,000 (3%), which was the sixth year of increases, albeit a smaller increase than previous years' increases. The economy continues to improve, but has begun to plateau. FY 2017 LOST revenue of \$7.3 million was still just below the highest annual amount ever received of \$7.4 million in FY06, which shows the significant lack of growth over the past twelve years.

Initial ten-year revenue projections for the City's share of "Penny Three" were \$90 million, but new estimates are closer to \$70 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 LOST Fund expenditures during the year.

LOST Fund – FY 2017 Expenditure Summary

| | |
|---|--------------------|
| Debt Service – Community Center & Highland Rec. | \$3,535,000 |
| Fire Station #43 Construction | 3,363,000 |
| Police Date 911 Systems | 402,000 |
| Roadway Improvements | 429,000 |
| Public Safety Vehicles | 1,691,000 |
| Other Projects | <u>405,000</u> |
| Total expenditures | <u>\$9,825,000</u> |

The LOST Fund's fund balance decreased by \$2 million to \$8 million, because revenue was less than expenditures, which was anticipated and budgeted. The LOST Fund's fund balance varies, due to normal variability in capital spending and is projected to be totally expended over the last three years of "Penny Three", which end on December 31, 2019.

The LOST Fund's fund balance is a good example of a fund balance that could be maintained close to zero, because the LOST Fund pays no operating costs and the cost of related capital expenditures is relatively easy to project, including debt service payments. Some fund balance is usually maintained to cover normal fluctuations in project costs, which may require additional appropriations.

Housing Assistance Funds. The City administers five housing assistance Funds, three of which are Major Funds (SHIP, HOME and CDBG). Housing assistance is offered citywide, but is primarily provided in the City's Target Area.

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The City prides itself on leveraging its housing resources by partnering with Pinellas County, non-profits and developers. Housing assistance, includes: Eviction Protection and Rental Start-up Fee/Utility Connection Deposits, Owner-Occupied/Rental Housing Rehabilitation, Down Payment Assistance,

Housing/Fair Housing Counseling, Legal Assistance, Homeless Services, Chore Services for Seniors, Public Facilities Improvements, AHD for First-Time Homeowners and other assistance programs.

Information from all funds is presented in the following table to highlight the City's efforts. Additional information on the City's housing programs is available at: largo.com/departments/index.php?fDD=14-0

| Housing Assistance Funds (\$ in thousands) | | | | | | | |
|--|----------|----------|----------|--------|--------|------------|------------|
| | SHIP | HOME | CDBG | NSP2 | PCH | Total 2017 | Total 2016 |
| Revenues & transfers | \$ 848 | \$ 443 | \$ 795 | \$ 0 | \$ 8 | \$ 2,086 | \$ 1,714 |
| Expenditures & transfers | 668 | 443 | 795 | 0 | 0 | 1,906 | 1,625 |
| Net Revenue (Expenditures) | 180 | 0 | 0 | 0 | 8 | 188 | 89 |
| Beginning fund balance | 563 | 0 | 0 | 0 | (4) | 559 | 470 |
| Ending fund balance | \$ 743 | \$ 0 | \$ 0 | \$ 0 | \$ 4 | \$ 747 | \$ 559 |
| Loans Outstanding - 9/30 | \$ 5,822 | \$ 3,391 | \$ 2,377 | \$ 116 | \$ 728 | \$ 12,434 | \$ 12,152 |

The down payment assistance program is available citywide for households whose income is below 80% of the median income. Recipients must live in the City or are purchasing a home within the City through Largo's down payment assistance programs.

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.

The NSP2 and PCH Funds have no revenues projected, except principal and interest from loan repayments. The HOME Fund receives revenue from Pinellas County and loan repayments. CDBG Fund revenue is primarily from the Federal Government (HUD) and partially from loan repayments.

A fund balance is usually not maintained in HOME, CDBG, PCH or NSP2, because revenue is received on a reimbursement basis after expenditures are made. Loan repayments can generate a temporary fund balance when loan repayments cannot be fully expended before year end.

"ENTERPRISE" FUNDS DISCUSSION and ANALYSIS (Individual fund, "small-picture" focus)

Enterprise Fund reporting generally focuses on "major funds" (larger funds), but the City only has three enterprise funds, so all three funds are discussed below. Enterprise funds use the same basis of accounting as Business-type Activities at the Government-wide level (accrual), which measures the flow of economic resources and is similar to private sector financial reporting.

The City has reported the same two major funds for several decades, plus one non-major fund, the Golf Course. These funds comprise all of the Business-type Activities reported at the Government-wide level.

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| Selected Elements | Enterprise Funds (\$ millions) | | | | | |
|---|--------------------------------|---------|-------------|--------|-------------|---------|
| | Wastewater | | Solid Waste | | Golf Course | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Operating Revenue | \$22.9 | \$22.6 | \$11.2 | \$10.8 | \$1.0 | \$0.8 |
| Operating Expenses | \$20.4 | \$18.7 | \$11.7 | \$10.6 | \$1.1 | \$1.0 |
| Operating Income (Loss) | \$2.5 | \$3.9 | (\$0.5) | \$0.2 | (\$0.1) | (\$0.2) |
| Change in Net Position | \$2.6 | \$4.1 | (\$0.3) | \$0.6 | (\$0.1) | (\$0.1) |
| Ending Net Position | \$111.7 | \$109.1 | \$13.4 | \$13.7 | \$2.3 | \$2.4 |
| Ending Unrestricted Net Position | \$23.0 | \$10.6 | \$6.7 | \$6.4 | \$0.3 | \$0.2 |

Wastewater Fund - The Wastewater Fund rate structure was changed during FY 2017, but no new revenue was generated by the changes. The 3,000 gallon minimum included in the residential rate was reduced to 0 gallons and the 8,000 maximum was increased to 10,000 gallons to create greater equity between residential rate payers and which brought the residential rate structure more in line with surrounding utilities.

A 20% rate increase is projected in FY 2020, which will be the first increase since FY 2007. Rates have remained steady despite slightly rising costs, due primarily to: three years of salary freezes; a delay in constructing several large Consent Order projects, which resulted in significant debt service savings compared to the costs projected at the last rate increase; and collection system improvements, which have reduced flows and the related collection and treatment costs.

The increase in unrestricted net position is due to additional draws that made on the State Loan during the year for capital expenditures that made during the prior year, which were temporarily financed (paid for) through the fund's unrestricted net position. The State Loan is a reimbursement-based loan, so funds cannot be requested until amounts are expended and loan reimbursement may take several months.

Solid Waste Fund - The last Solid Waste rate increase was in FY 2007 and a 15% rate increase is projected in FY 2019. Rates have remained steady despite slightly rising personnel and operating costs, due primarily to: three years of salary freezes; an increase in the residential recycling rate primarily related to a shift to single-stream collection instead of separated curb-side collection, which reduced tipping fees and collection costs; improved route management; and no tipping fee increases from the County, which comprise about 30% of the Fund's operating costs.

Golf Course - The Golf Course's net position decrease (loss) of \$84,000 was lower than prior year's loss of \$145,000, due to a \$130,000 revenue increase and only a \$50,000 expense increase from the prior year. Several factors contributed to the revenue increase, including excellent weather, increased marketing efforts and other golf course closures in the area. The Golf Course reported a positive cash flow of \$64,000, which means that all of its cash related expenses were covered.

The normal administrative charge to the Golf Course from the General Fund for administrative services, such as HR, IT and Finance services, is still being waived in light of the continued weakness in the golfing industry, which provides additional operating funds for the Gold Course. A rate increase will likely be required over the next five years, subject to operating results, capital replacements and market constraints.

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CAPITAL ASSETS, INFRASTRUCTURE AND DEBT

Capital assets. The City's investment in capital assets is summarized in the table below for the past two fiscal years. No significant changes are reported in Governmental Activities, but significant changes were reported in Business-type Activities related to three Consent Order projects in the Wastewater Fund, which will eliminate overflows, eliminate risks associated with using chlorine gas and improve processing.

The three Wastewater projects are expected to be completed in FY 2018, including: Wet Weather, Headworks and Disinfection and Effluent Pumping. Total costs will be approximately \$80 million.

Capital assets are depreciated using the straight-line method over each asset's estimated useful life and comparing total accumulated depreciation to the capital assets' total cost shows that all assets are less than 50% depreciated, in total (38% GA and 46% BTA). Provisions have been made to replace all major capital assets in the City's Capital Improvements Program and Long-term Financial Plan, which are available on the City's web site. Additional information on capital assets can be found in Note IV.C.

| <u>Capital Assets</u> | Activities (\$ millions) | | | | | |
|-----------------------------------|--------------------------|-------|---------------|-------|-------|-------|
| | Governmental | | Business-type | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$25 | \$27 | \$3 | \$3 | \$28 | \$30 |
| Construction in progress | 8 | 10 | 100 | 76 | 108 | 86 |
| Buildings and improvements | 77 | 75 | 7 | 4 | 84 | 79 |
| Improvements other than buildings | 64 | 59 | 150 | 145 | 214 | 204 |
| Machinery and equipment | 41 | 40 | 23 | 21 | 64 | 61 |
| Intangible | 1 | - | - | - | 1 | - |
| Total capital assets | 216 | 211 | 283 | 249 | 499 | 460 |
| Less accumulated depreciation | (81) | (75) | (131) | (126) | (212) | (201) |
| Net capital assets | \$135 | \$136 | \$152 | \$123 | \$287 | \$259 |

Long-term liabilities. The cornerstone of the City's financial condition is its debt policy. Details on all long-term debt is included in Note IV.F.

The following table presents total long-term debt and total future interest payments for Governmental Activities and Business-type Activities (Wastewater Enterprise Fund).

The City has adopted a "pay-as-you-go" policy for most capital purchases, including for most infrastructure. Borrowing is only used for large, infrequent capital projects after considering many factors, including the ability to repay the debt and elated assets' useful lives.

The City has no general obligation debt outstanding. All outstanding debt is 100% secured by pledged revenue from the "Penny for Pinellas" (LOST) or wastewater system revenues.

Governmental Activities' debt was issued in FY 2011 for construction of the Community Center and in FY 2012 for construction of the Highland Recreation Center. Both loans are secured and repaid with Local Option Sales Tax revenue. New Business-type Activities debt was issued in FY 2016 for construction of the three wastewater projects mentioned in the Capital Assets section above.

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| | Activities (\$ millions) | | | | | |
|---|--------------------------|--------|---------------|--------|---------|--------|
| | Governmental | | Business-type | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| <u>Long-term Liabilities</u> | | | | | | |
| Community Center | \$3.0 | \$4.1 | \$ - | \$ - | \$3.0 | \$4.1 |
| Highland Recreation Complex | 5.6 | 7.7 | | - | 5.6 | 7.7 |
| Wastewater Improvements | - | - | 63.4 | 24.3 | 63.4 | 24.3 |
| Net Pension Liability | 37.6 | 39.6 | - | - | 37.6 | 39.6 |
| Compensated Absences (vacation) | 2.6 | 2.5 | 0.5 | 0.5 | 3.1 | 3.0 |
| Other Post-employment Benefit (health care) | 5.7 | 5.1 | 1.3 | 1.2 | 7.0 | 6.3 |
| Other | 2.0 | 1.6 | - | - | 2.0 | 1.6 |
| Total Long-term Debt | \$56.5 | \$60.6 | \$65.2 | \$26.0 | \$121.7 | \$86.6 |
| Total future interest payments (dependent on final Consent Order Project costs) | \$0.3 | \$0.5 | \$4.3 | \$2.3 | \$4.6 | \$2.8 |



Fun Fact- The final payment on the Community Center loan and Highland Recreation Center loan will be made in December 2019, which is the end of the tenth year of, "Penny Three" (third ten-year local option sales tax).

The City has received wastewater loan authorization from the Florida Department of Environmental Protection loan program (DEP) to borrow 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. Loan draws are taken after construction payments are made, which helps reduce the cost of borrowing compared to issuing bonds where proceeds are fully "funded" when the bonds are issued.

The City's DEP loans include lower than market interest rates of between 0.46% and 1.07%, depending on each loan segment, and will be repaid over 18 years. Low interest rates plus the fact that most outstanding debt will be retired by the time new debt payments begin means that no wastewater rate increases are required to service the new debt.



Fun Fact - The average interest rate on the DEP loans is approximately 0.75% and estimated savings over conventional borrowing is at least \$10 million, net of all borrowing costs.

Another indicator of the City's conservative debt policy debt is the amount of debt outstanding compared to the cost of the City's capital assets. A relatively small percentage of capital assets are financed, even though the percentage increased from the prior year for Business-type Activities (wastewater), 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.

City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

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

| | Activities (\$ millions) | | | | | |
|------------------------------|--------------------------|--------|---------------|--------|--------|--------|
| | Governmental | | Business-type | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net capital assets | \$ 135 | \$ 136 | \$ 152 | \$ 123 | \$ 287 | \$ 259 |
| Less related loans payable | -8 | -12 | -64 | -24 | -72 | -36 |
| Equity in net capital assets | \$ 127 | \$ 124 | \$ 88 | \$ 99 | \$ 215 | \$ 223 |
| Equity in net capital assets | 94% | 92% | 58% | 80% | 75% | 86% |

A long-term liability and related expense was also recorded for Compensated Absences (unpaid vacation leave) at year end. Compensated absences may or may not result in additional payments, depending on whether unused leave is taken by employees or is paid at separation.

The City does not pay any portion of retirees' healthcare insurance costs; however, retirees are allowed to remain on the City's healthcare plan by paying the same premiums charged to current employees, which results in an "implicit" subsidy that must be recorded, even though no retiree premium payments are ever made. The estimated subsidized cost of retiree healthcare premiums is recorded as Other Post-Employment Benefits. Other long-term liability are listed in Note IV.F.

Pension Liabilities. According to a recent article from Reuters, ten years from the Great Recession, many US local Government's pension plans are still worse for the wear. That includes the City of Largo. "Some just cannot grow their way out of it (financial trouble). We have had several years of stellar returns and it barely improved the underfunding situation," said Mikhail Foux, municipal credit analyst at Barclays, NY.

In 2007, a year before the crisis began, the median pension plan funded level was 92% for state plans and 97% for local plans, according to Wilshire Funding Studies. That fell to 68% for states and 72% for local governments by 2016, according to the most recent data. A lower funded ratio indicates the overall soundness of a pension plan is weaker and more money is required to meet future obligations.

The following table presents information for the City's Police and Fire Pension Plan.

| Report Date | Funded Ratio | (Deficit) millions | Required Contribution | |
|-----------------|--------------|--------------------|-----------------------|----------|
| | | | \$ millions | % of Pay |
| October 1 | | | | |
| 1999 (1) | 122.7% | \$ 10.3 | \$ 0 | 0.0% |
| 2011 (2) | 59.4% | \$ (52.7) | \$ 5.1 | 36.7% |
| Last five years | | | | |
| 2012 | 67.3% | \$ (43.9) | \$ 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% |

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

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

City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

The funded ratio trend has been mostly downward since FY 2000, because investment earnings have been below the assumed rate of return. Changes made to actuarial assumptions over the past ten years have also decreased the funded ratio, including: reducing the investment return assumption and increasing participants' life expectancies, which more accurately reflects participants' actual years in retirement.

The long-term goal of any pension plan is to reach a 100% funded ratio, which is when plan assets equal plan liabilities; however, funded ratios above or below 100% are normal in the short-term. The most important factor about a funded ratio is the trend, because it shows whether progress is being made toward fully funding the Plan. The trend for the City's pension plan over the past ten years has been mostly downward.

A new GASB reporting standard required any unfunded pension liabilities (aka, net pension liabilities) or surpluses (over-funding) to be recorded in the financial statements for the first time in FY 2015. Previously, net pension liabilities and surpluses were only disclosed in the notes. The new standard is intended to more prominently report pension obligations, including additional note disclosures.

The new GASB standard didn't significantly change how the pension liability was calculated, because the plan's actuary was already using the valuation method required by the GASB. Recording the Pension Plan's net pension liability in the City's government-wide financial statements created a negative GA unrestricted net position in FY 2015, FY 2016 and FY 2017. The City's \$38 million net pension liability was created mostly by extraordinary investment losses and lower investment gains over the past decade, which have been experienced by most pension plans throughout the country. A summary of the pension liability based on the new reporting standards follows.

Governmental Activities (GA) Net Pension Liability – Prior Year and Current Year

| Actuarial Valuation Date | Total Pension Assets | Total Pension Liability | Net Pension Liability | Unrestricted GA Net Position Without Net Pension Liability | Unrestricted GA Net (Deficit) With Net Pension Liability |
|--------------------------|----------------------|-------------------------|-----------------------|--|--|
| 10/01/16 | \$127 million | \$165 million | (\$38 million) | \$19 million | (\$19 million) |
| 10/01/15 | \$121 million | \$161 million | (\$40 million) | \$19 million | (\$21 million) |
| 10/01/14 | \$123 million | \$155 million | (\$32 million) | \$12 million | (\$20 million) |

An Actuarial Valuation Report is prepared every year; however, since the Report is sometimes issued after the CAFR is completed, the City has elected to use the immediately prior Actuarial Valuation Report to ensure information is consistent between years. Pension liabilities are long-term liabilities that are subject to change, so using a prior year's report is permissible under GAAP. This means pension information included in the CAFR will always be one fiscal year in arrears of the latest Actuarial Valuation Report.

As of the report dated 10/01/16, the City's required pension contribution increased to 32.3% from 29.8%, which was mostly related to actuarial experience losses (certain actual amounts were different than the assumptions). The funded ratio also decreased to 74% from 77%, which means the pension plan had accumulated about 74 cents of assets for every \$1 of liabilities.

City of Largo, Florida

Management's Discussion and Analysis

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Question: What is the net pension liability's effect on the City?

Answer: The City's is reporting a weaker financial "position" by recording the net pension liability in the financial statements, which was the intent of the new GASB standard.

Recording the net pension liability caused a negative Net Position in the City's Governmental Activities (negative equity or deficit); however, the net pension liability actually existed previously, was disclosed in the Notes and was calculated similarly, even though it was not recorded in the financial statements. Therefore, recording the net pension liability did not change the City's underlying financial "condition", it is just more visible in the financial statements now.

The net pension liability is unique, because it changes mostly based on investment performance and actuarial experience, which is why the net pension liability wasn't required to be recorded in the financial statement previously. The net pension liability may or may not require the use of future assets, as would be the case for a normal liability.



One way to demonstrate the fiscal impact of the \$38 million net pension liability is, if the net pension liability was \$0 (fully funded), the City's required pension contribution would decline from 32.32% of pay to 15.72%, which is a reduction of \$2.6 million annually.

In other words, the 15.72% contribution is the "normal cost" of providing current year benefits for current employees. The additional 16.60% of pay (32.32%-15.72%) is the cost of funding the net pension liability. So, the City's contribution would decline by over 50% if the plan was fully funded (no net pension liability).

The new pension reporting standard was issued in response significant, permanent and fundamental changes in the nature of pension plan liabilities, including lower projected investment returns, which reduces revenue; longer participant lives, which increase costs; and greater funding volatility, due to more volatile investment conditions. These changes have created unprecedented under-funding in local government pension plans throughout the country, which is likely to continue for the foreseeable future.

Additional information on the Pension Plan can be found in Note V.C and in the Required Supplementary Information located after the Notes. Pension Plan Actuarial reports are available at: <http://www.largo.com/departments/?structureid=1>



Progress was made on reducing the net pension liability's growth by making pension benefit changes in FY 2013, including: increasing contributions from all employees and reducing benefits for new employees.

The City's net pension liability and required pension contribution are slightly higher than average for most Florida public safety pension plans. Total pension costs were 6% of the total General Fund Budget.



Fun Fact - Police officers and firefighters are the only City employees who participate in a defined benefit pension plan. All other retirement plan eligible employees participate in defined contribution plans.

City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

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.

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 four relatively positive fiscal years in a row has provided welcomed relief from years of budget cuts and service reductions. Whether economic conditions can continue to improve as they have is anyone's guess, because the economy continues to be partially supported by artificial stimuli.

After the most derisive presidential campaign in modern history, the country is hardly united and moving in the same direction. What happens in Washington over the next few years is also anyone's guess.

The Federal Reserve is finally increasing interest rates; however, 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 the City's pension contributions, because 30% of Plan investments are fixed income securities. 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 eight years of "recovery", it has been said that the US is closer to the next recession than the last recession, because the ongoing recovery's length is highly unusual. The housing market is very strong, but many homes remain in foreclosure or "under-water". Personal income growth has been weak, the labor participation rate remains below average and many of the new jobs are lower paying. Auto sales have cooled and the negative effects of looser credit is emerging in the form of increasing loan defaults.

Unemployment figures are somewhat misleading, because many people simply stopped looking for work and are not counted as unemployed, others are employed in marginal jobs and many of those who took "early retirement" would have preferred to keep working. The main questions are: Where are all the good jobs; Where is the growth in wages; and Can everyone who has retired afford to stay retired?

All of the above factors were considered in preparing the City's FY 2018 budget, as much as possible, given the number of unusual conditions that exist and the large degree of uncertainty surrounding the future. It is vital for the City to maintain constant awareness in this unprecedented economic period.

Next Year's Budget and Rates. The FY 2018 property tax rate was increased from 5.37 mills to 5.7413, which was above the "rolled-back" rate and was also above the maximum millage rate that could be adopted with a simple majority vote. The new rate, plus growth in taxable values of 8%, are projected to generate an additional \$3.5 million of revenue above the amount budgeted in FY 2017.

The property tax increase 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.

This was the fifth straight year of property value growth following five straight years of declines. The FY 2018 millage rate remains well beneath the statutory cap of 10 mills, as well as remaining competitive.

Most major revenues are projected to exhibit moderate growth over the next five years. The General Fund budget is usually balanced with fund balance, because estimated expenditures usually exceed estimated revenues; however, the FY 2018 structural imbalance of \$1.7 million or 2.2% of expenditures, was one of the lowest in many years, which is a very positive development.

City of Largo, Florida

Management's Discussion and Analysis

September 30, 2017

Stormwater, Wastewater and Solid Waste fees will not be increased in FY 2018. A wastewater rate re-structure was implemented in FY 2017, but total revenue remained the same and wastewater rates remain highly competitive. The next projected rate increases are: Solid Waste, FY 2019, 15%; Wastewater, FY 2020, 20%; and Stormwater, FY 2022, 20%, which are subject to change.

Long-term Projections. Most of the City's tax rates are set at the maximum levels allowed by law, except for property taxes, so growth is entirely dependent on growth in the tax base. The Local Option Sales tax was renewed through referendum in November 2017 for a ten-year period beginning on January 1, 2020, which will significantly shape capital spending over the next decade. The City is projected to receive \$100 million over the fourth ten-year period of the sales tax.

Pension funding will increase about \$900,000 annually beginning in FY 2018, largely because of a reduction in the assumed rate of return from 7.5% to 6.75%. Pension funding remains highly dependent on investment returns. Cost reductions from pension benefit reductions made in 2013 will not be realized for several years.

The Legislature, Governor and voters continue to express a strong desire for lower local taxes, even though Florida has one of the lowest total tax burdens of all 50 states and additional cost-laden state mandates are passed every year. Additional tax exemptions were passed in 2012, including: doubling the homestead exemption to \$50,000 (except for public school taxes); imposing a valuation increase cap of 10% on non-homestead properties; making the Save Our Homes exemption portable; and providing a new \$25,000 exemption for tangible personal property, which will restrict revenue growth.

An additional \$25,000 homestead exemption (except for public school taxes) is slated for the November 2018 ballot, which would affect tax revenue in FY 2020; it is expected to pass.

Fund balances are projected to remain at historic low levels, including in the General Fund, which reduces the City's operating flexibility. Lower fund balances reduce the potential to compensate for revenue declines, which will require more service reductions sooner if revenues decline.

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

Despite many consecutive years of budget reductions, the City has adequately maintained or replaced City facilities and infrastructure and the City's workforce is well trained and productive, albeit smaller than it once was at just over 914 Full-time Equivalent positions (one FTE = 2,080 hours). 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 in the future.

ADDITIONAL INFORMATION

Additional information is available on the City's website, at: 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

CITY OF LARGO, FLORIDA
Statement of Net Position
September 30, 2017

| | Primary Government | | |
|---|--------------------------------|---------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and investments | \$ 51,900,292 | \$ 35,016,508 | \$ 86,916,800 |
| Receivables | | | |
| Taxes | 1,831,795 | - | 1,831,795 |
| Interest | 455,056 | 502,764 | 957,820 |
| Accounts, net | 3,085,008 | 5,876,167 | 8,961,175 |
| Intergovernmental | 1,766,719 | 60,218 | 1,826,937 |
| Prepaid items and inventories | 615,601 | 647,280 | 1,262,881 |
| Restricted cash and investments | - | 7,946,353 | 7,946,353 |
| Other assets | 1,029,060 | - | 1,029,060 |
| Notes and loans receivable | 12,435,533 | - | 12,435,533 |
| Capital assets, net | | | |
| Land | 25,536,110 | 2,824,038 | 28,360,148 |
| Building and improvements | 86,832,404 | 39,334,237 | 126,166,641 |
| Machinery and equipment | 14,203,367 | 9,883,581 | 24,086,948 |
| Intangible Assets | 836,150 | 32,449 | 868,599 |
| Construction in progress | 8,025,318 | 99,821,394 | 107,846,712 |
| Total assets | 208,552,413 | 201,944,989 | 410,497,402 |
| Deferred outflows of resources | | | |
| Pension contributions paid in advance | 5,373,176 | - | 5,373,176 |
| Deferred outflows - pension plan | 5,183,535 | - | 5,183,535 |
| Total deferred outflows of resources | 10,556,711 | - | 10,556,711 |
| Liabilities | | | |
| Accounts and accrued interest payable | 2,184,116 | 8,607,978 | 10,792,094 |
| Accrued payroll and vacation | 1,390,838 | 202,671 | 1,593,509 |
| Due to other governments | 189,797 | 1,216,295 | 1,406,092 |
| Unearned revenue and deposits | 7,099,190 | 125,078 | 7,224,268 |
| Noncurrent liabilities | | | |
| Due within one year | 5,427,173 | 729,201 | 6,156,374 |
| Due in more than one year | 13,408,378 | 63,298,217 | 76,706,595 |
| Net pension liability | 37,639,501 | - | 37,639,501 |
| Total liabilities | 67,338,993 | 74,179,440 | 141,518,433 |
| Deferred inflows of resources | | | |
| Business tax collected in advance | 207,305 | - | 207,305 |
| Deferred inflows - pension plan | 2,602,735 | - | 2,602,735 |
| Total deferred inflows of resources | 2,810,040 | - | 2,810,040 |
| Net position | | | |
| Net investment in capital assets | 126,872,641 | 88,411,431 | 215,284,072 |
| Restricted for: | | | |
| Wastewater purposes | - | 9,113,320 | 9,113,320 |
| Capital funded by local sales tax | 8,035,754 | - | 8,035,754 |
| Economic development | 14,848,026 | - | 14,848,026 |
| Public Works | 13,964,230 | - | 13,964,230 |
| Recreation, parks, arts, public safety | 3,899,884 | - | 3,899,884 |
| Unrestricted | (18,660,444) | 30,240,798 | 11,580,354 |
| Total net position | \$ 148,960,091 | \$ 127,765,549 | \$ 276,725,640 |

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, 2017

| 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 | \$ 8,272,562 | \$ 3,241,113 | \$ 127,652 | \$ - | \$ (4,903,797) | \$ - | \$ (4,903,797) |
| Public safety | 40,824,240 | 9,975,567 | 1,482,712 | - | (29,365,961) | - | (29,365,961) |
| Public works | 8,195,381 | 5,848,749 | 7,712 | 127,249 | (2,211,671) | - | (2,211,671) |
| Economic development | 9,263,379 | 2,389,602 | 1,263,370 | 321,004 | (5,289,403) | - | (5,289,403) |
| Culture and recreation | 15,833,494 | 5,075,868 | 127,096 | 277,638 | (10,352,892) | - | (10,352,892) |
| Interest and fees | 231,542 | - | - | - | (231,542) | - | (231,542) |
| Total governmental activities | 82,620,598 | 26,530,899 | 3,008,542 | 725,891 | (52,355,266) | - | (52,355,266) |
| Business-Type Activities | | | | | | | |
| Wastewater | 21,237,388 | 22,899,807 | 37,898 | 387,195 | - | 2,087,512 | 2,087,512 |
| Solid Waste | 11,596,391 | 11,118,291 | 60,218 | - | - | (417,882) | (417,882) |
| Golf Course | 1,133,075 | 971,741 | 1,050 | - | - | (160,284) | (160,284) |
| Total Business-Type Activities | 33,966,854 | 34,989,839 | 99,166 | 387,195 | - | 1,509,346 | 1,509,346 |
| Total primary government | \$ 116,587,452 | \$ 61,520,738 | \$ 3,107,708 | \$ 1,113,086 | (52,355,266) | 1,509,346 | (50,845,920) |
| General revenues: | | | | | | | |
| Property tax | | | | | 21,025,777 | - | 21,025,777 |
| Utility tax | | | | | 8,440,054 | - | 8,440,054 |
| Sales tax | | | | | 8,283,289 | - | 8,283,289 |
| Communication services tax | | | | | 2,870,558 | - | 2,870,558 |
| Franchise taxes | | | | | 5,711,599 | - | 5,711,599 |
| State shared revenue | | | | | 8,461,742 | - | 8,461,742 |
| Investment earnings | | | | | 469,168 | 443,450 | 912,618 |
| Miscellaneous | | | | | 537,996 | 275,708 | 813,704 |
| Special Item: Loss on sale of City property | | | | | (1,766,817) | - | (1,766,817) |
| Extraordinary Item: Supreme Court settlement | | | | | 1,602,462 | - | 1,602,462 |
| Total general revenues and special and extraordinary items | | | | | 55,635,828 | 719,158 | 56,354,986 |
| Change in net position | | | | | 3,280,562 | 2,228,504 | 5,509,066 |
| Net position - beginning | | | | | 145,679,529 | 125,537,045 | 271,216,574 |
| Net position - ending | | | | | \$ 148,960,091 | \$ 127,765,549 | \$ 276,725,640 |

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

CITY OF LARGO, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2017

| | General | Local Option Sales Tax | SHIP |
|--|----------------------|-----------------------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 14,325,201 | \$ 7,554,341 | \$ 748,124 |
| Accrued interest | 123,165 | 54,283 | 6,648 |
| Receivables | | | |
| Taxes | 1,831,795 | - | - |
| Accounts, billed | - | - | - |
| Accounts, unbilled | - | - | - |
| Special assessments | - | - | - |
| Due from other governments | 612,676 | 638,360 | - |
| Grants | 28,944 | - | - |
| Other | 1,710,240 | - | 2,634 |
| Due from other funds | 175,127 | 343,000 | - |
| Property held for resale | - | - | - |
| Other assets | 76,763 | - | - |
| Notes and loans receivable | - | - | 5,822,416 |
| Total assets | <u>\$ 18,883,911</u> | <u>\$ 8,589,984</u> | <u>\$ 6,579,822</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 895,735 | \$ 521,515 | \$ 12,809 |
| Accrued payroll | 1,288,310 | - | 1,394 |
| Due to other governments | 18,566 | - | 512 |
| Due to other funds | - | - | - |
| Deposits | 24,747 | - | - |
| Unearned revenue | 387,477 | 32,715 | - |
| Total liabilities | <u>2,614,835</u> | <u>554,230</u> | <u>14,715</u> |
| Deferred inflows | | | |
| Business tax collected in advance | 207,305 | - | - |
| Unavailable revenue | 568,117 | - | 5,822,416 |
| Total deferred inflows | <u>775,422</u> | <u>-</u> | <u>5,822,416</u> |
| Fund balances | | | |
| Nonspendable | 59,062 | - | - |
| Restricted | - | 8,035,754 | 742,691 |
| Assigned | 5,638,395 | - | - |
| Unassigned | 9,796,197 | - | - |
| Total fund balances | <u>15,493,654</u> | <u>8,035,754</u> | <u>742,691</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 18,883,911</u> | <u>\$ 8,589,984</u> | <u>\$ 6,579,822</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> |
|---------------------|---------------------|---|---|
| \$ - | \$ - | \$ 23,602,869 | \$ 46,230,535 |
| - | - | 222,312 | 406,408 |
| - | - | - | 1,831,795 |
| - | - | 568,957 | 568,957 |
| - | - | 488,017 | 488,017 |
| - | - | 14,604 | 14,604 |
| - | - | 91,699 | 1,342,735 |
| 147,507 | 215,006 | - | 391,457 |
| 1,093 | 2,497 | 24,780 | 1,741,244 |
| - | - | 189,000 | 707,127 |
| - | - | 829,060 | 829,060 |
| - | - | - | 76,763 |
| 3,391,272 | 2,377,272 | 844,573 | 12,435,533 |
| <u>\$ 3,539,872</u> | <u>\$ 2,594,775</u> | <u>\$ 26,875,871</u> | <u>\$ 67,064,235</u> |
| | | | |
| \$ 100,028 | \$ 79,968 | \$ 235,923 | \$ 1,845,978 |
| 854 | 4,043 | 72,140 | 1,366,741 |
| 5,883 | - | 164,836 | 189,797 |
| 41,635 | 133,492 | 532,000 | 707,127 |
| - | - | 668 | 25,415 |
| 3,391,472 | 2,377,272 | 354,800 | 6,543,736 |
| <u>3,539,872</u> | <u>2,594,775</u> | <u>1,360,367</u> | <u>10,678,794</u> |
| | | | |
| - | - | - | 207,305 |
| - | - | 518,304 | 6,908,837 |
| - | - | 518,304 | 7,116,142 |
| | | | |
| - | - | - | 59,062 |
| - | - | 24,821,867 | 33,600,312 |
| - | - | 175,333 | 5,813,728 |
| - | - | - | 9,796,197 |
| - | - | 24,997,200 | 49,269,299 |
| <u>\$ 3,539,872</u> | <u>\$ 2,594,775</u> | <u>\$ 26,875,871</u> | <u>\$ 67,064,235</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, 2017

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

| | |
|--|-----------------------|
| Ending fund balance - governmental funds | \$ 49,269,299 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 135,191,108 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds. | 32,545 |
| 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. | 3,988,221 |
| Deferred outflows of resources from pension expenses subsequent to measurement date of net pension liability. | 5,373,176 |
| Net deferred outflows of resources resulting from net pension liability | 2,580,800 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (8,610,375) |
| 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. | (45,802,051) |
| Special assessment liens receivable are not financial resources in the current period and therefore are reported as deferred revenues in the funds. | 28,531 |
| Unavailable revenue is not a financial resource in the current period and therefore is not reported as such in the funds. | 6,908,837 |
| Net position of governmental activities | <u>\$ 148,960,091</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, 2017

| | <u>General</u> | <u>Local Option Sales Tax</u> | <u>SHIP</u> |
|------------------------------------|----------------------|-----------------------------------|-------------------|
| Revenues | | | |
| Taxes | \$ 32,642,366 | \$ 7,263,530 | \$ - |
| Licenses and permits | 5,723,838 | - | - |
| Intergovernmental | 10,146,005 | 263,219 | 527,012 |
| Charges for services | 14,769,087 | - | - |
| Fines | 403,111 | - | - |
| Interfund charges | 3,297,864 | - | - |
| Contributions and donations | 46,806 | - | - |
| Investment earnings | 154,933 | 51,663 | 14,791 |
| Other | 1,490,709 | 182,336 | 306,472 |
| Total revenues | <u>68,674,719</u> | <u>7,760,748</u> | <u>848,275</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 7,072,513 | - | - |
| Public safety | 38,512,103 | - | - |
| Public works | 3,933,036 | - | - |
| Economic development | 2,225,307 | - | 668,677 |
| Culture and recreation | 12,563,097 | - | - |
| Capital outlay | 1,548,814 | 6,289,883 | - |
| Debt service: | | | |
| Principal | - | 3,288,343 | - |
| Interest | - | 246,523 | - |
| Total expenditures | <u>65,854,870</u> | <u>9,824,749</u> | <u>668,677</u> |
| Net change in fund balances | 2,819,849 | (2,064,001) | 179,598 |
| Fund balance - beginning | <u>12,673,805</u> | <u>10,099,755</u> | <u>563,093</u> |
| Fund balance - ending | <u>\$ 15,493,654</u> | <u>\$ 8,035,754</u> | <u>\$ 742,691</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> |
|----------------|----------------|---|---|
| \$ - | \$ - | \$ 705,365 | \$ 40,611,261 |
| - | - | 1,465,796 | 7,189,634 |
| 443,303 | 502,598 | 1,480,418 | 13,362,555 |
| - | - | 5,674,650 | 20,443,737 |
| - | - | - | 403,111 |
| - | - | - | 3,297,864 |
| - | - | 161,499 | 208,305 |
| - | 11,164 | 167,821 | 400,372 |
| - | 281,022 | 153,767 | 2,414,306 |
| <u>443,303</u> | <u>794,784</u> | <u>9,809,316</u> | <u>88,331,145</u> |
| - | - | - | 7,072,513 |
| - | - | 160,083 | 38,672,186 |
| - | - | 3,998,507 | 7,931,543 |
| 443,303 | 781,284 | 1,836,369 | 5,954,940 |
| - | - | 264,981 | 12,828,078 |
| - | 13,500 | 3,367,020 | 11,219,217 |
| - | - | - | 3,288,343 |
| - | - | - | 246,523 |
| <u>443,303</u> | <u>794,784</u> | <u>9,626,960</u> | <u>87,213,343</u> |
| - | - | 182,356 | 1,117,802 |
| - | - | 24,814,844 | 48,151,497 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,997,200</u> | <u>\$ 49,269,299</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, 2017

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

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 1,117,802 |
| 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. | 1,411,328 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. | (2,242,429) |
| 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. | 635,733 |
| 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. | 3,288,343 |
| 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. | (628,494) |
| 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. | (301,721) |
| Change in net position of governmental activities (statement of activities) | <u>\$ 3,280,562</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
General Fund
Year Ended September 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|-------------------------|----------------------|---|
| REVENUES | | | | |
| Taxes | \$ 32,547,500 | \$ 32,547,500 | \$ 32,642,366 | \$ 94,866 |
| Licenses and permits | 5,906,500 | 5,906,500 | 5,723,838 | (182,662) |
| Intergovernmental | 11,148,800 | 11,173,200 | 10,146,005 | (1,027,195) |
| Charges for services | 14,439,100 | 14,532,300 | 14,769,087 | 236,787 |
| Fines | 366,000 | 366,000 | 403,111 | 37,111 |
| Interfund charges | 3,322,100 | 3,322,100 | 3,297,864 | (24,236) |
| Contributions and donations | 98,300 | 98,300 | 46,806 | (51,494) |
| Investment earnings | 175,000 | 175,000 | 154,933 | (20,067) |
| Other | 314,000 | 314,000 | 1,490,709 | 1,176,709 |
| Total revenues | <u>68,317,300</u> | <u>68,434,900</u> | <u>68,674,719</u> | <u>239,819</u> |
| EXPENDITURES | | | | |
| General government | 7,779,700 | 7,828,990 | 7,072,513 | 756,477 |
| Public safety | 39,165,100 | 39,446,151 | 38,512,103 | 934,048 |
| Public works | 4,231,000 | 4,289,336 | 3,933,036 | 356,300 |
| Economic development | 2,545,000 | 2,619,131 | 2,225,307 | 393,824 |
| Culture and recreation | 14,722,600 | 15,203,465 | 12,563,097 | 2,640,368 |
| Capital outlay | 1,822,800 | 2,173,691 | 1,548,814 | 624,877 |
| Total expenditures | <u>70,266,200</u> | <u>71,560,764</u> | <u>65,854,870</u> | <u>5,705,894</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,948,900)</u> | <u>(3,125,864)</u> | <u>2,819,849</u> | <u>5,945,713</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 11,400 | 11,400 | - | (11,400) |
| Total other financing uses | <u>11,400</u> | <u>11,400</u> | <u>-</u> | <u>(11,400)</u> |
| Net change in fund balance | <u>\$ (1,937,500)</u> | <u>\$ (3,114,464)</u> | <u>2,819,849</u> | <u>\$ 5,934,313</u> |
| Fund Balance - beginning | | | <u>12,673,805</u> | |
| Fund Balance - ending | | | <u>\$ 15,493,654</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, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|-----------------------------------|----------------------------|-------------------------|---------------------|---|
| REVENUES | | | | |
| Taxes | \$ 7,575,000 | \$ 7,575,000 | \$ 7,263,530 | \$ (311,470) |
| Intergovernmental | 756,000 | 756,000 | 263,219 | (492,781) |
| Investment earnings | 50,000 | 50,000 | 51,663 | 1,663 |
| Other | 150,000 | 150,000 | 182,336 | 32,336 |
| Total revenues | <u>8,531,000</u> | <u>8,531,000</u> | <u>7,760,748</u> | <u>(770,252)</u> |
| EXPENDITURES | | | | |
| Capital outlay | 11,282,600 | 12,479,472 | 6,289,883 | 6,189,589 |
| Debt service | | | | |
| Principal | 3,220,000 | 3,220,000 | 3,288,343 | (68,343) |
| Interest | 330,000 | 330,000 | 246,523 | 83,477 |
| Total expenditures | <u>14,832,600</u> | <u>16,029,472</u> | <u>9,824,749</u> | <u>6,204,723</u> |
| Net change in fund balance | <u>\$ (6,301,600)</u> | <u>\$ (7,498,472)</u> | <u>(2,064,001)</u> | <u>\$ 5,434,471</u> |
| Fund Balance - beginning | | | <u>10,099,755</u> | |
| Fund Balance - ending | | | <u>\$ 8,035,754</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 810,300 | \$ 810,300 | \$ 527,012 | \$ (283,288) |
| Investment earnings | 10,000 | 10,000 | 14,791 | 4,791 |
| Other | 190,000 | 190,000 | 306,472 | 116,472 |
| Total revenues | <u>1,010,300</u> | <u>1,010,300</u> | <u>848,275</u> | <u>(162,025)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic development | 1,010,300 | 1,199,066 | 668,677 | 530,389 |
| Total expenditures | <u>1,010,300</u> | <u>1,199,066</u> | <u>668,677</u> | <u>530,389</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (188,766)</u> | 179,598 | <u>\$ 368,364</u> |
| Fund Balance - beginning | | | <u>563,093</u> | |
| Fund Balance - ending | | | <u>\$ 742,691</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|----------------------------|-------------------------|----------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 262,300 | \$ 483,300 | \$ 443,303 | \$ (39,997) |
| Total revenues | <u>262,300</u> | <u>483,300</u> | <u>443,303</u> | <u>(39,997)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic development | 262,300 | 541,815 | 443,303 | 98,512 |
| Total expenditures | <u>262,300</u> | <u>541,815</u> | <u>443,303</u> | <u>98,512</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (58,515)</u> | <u>-</u> | <u>\$ 58,515</u> |
| Fund Balance - beginning | | | <u>-</u> | |
| Fund Balance - ending | | | <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, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|-----------------------------------|----------------------------|-------------------------|----------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 982,700 | \$ 982,700 | \$ 502,598 | \$ (480,102) |
| Investment earnings | 5,000 | 5,000 | 11,164 | 6,164 |
| Other | 150,000 | 150,000 | 281,022 | 131,022 |
| Total revenues | <u>1,137,700</u> | <u>1,137,700</u> | <u>794,784</u> | <u>(342,916)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic development | 1,137,700 | 1,259,032 | 781,284 | 477,748 |
| Capital outlay | - | - | 13,500 | (13,500) |
| Total expenditures | <u>1,137,700</u> | <u>1,259,032</u> | <u>794,784</u> | <u>464,248</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (121,332)</u> | - | <u>\$ 121,332</u> |
| Fund Balance - beginning | | | - | |
| Fund Balance - ending | | | <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, 2017

| | Business-type Activities-Enterprise Funds | | | | Internal Service Funds |
|--|--|----------------------------|-----------------------------|-----------------------|-------------------------------|
| | Wastewater Utility | Solid Waste Utility | Nonmajor Golf Course | Total | |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 27,432,512 | \$ 6,778,276 | \$ 486,458 | \$ 34,697,246 | \$ 5,989,018 |
| Accrued interest receivable | 365,707 | 61,052 | 4,555 | 431,314 | 48,648 |
| Accounts receivable, billed, net | 1,897,670 | 1,213,931 | - | 3,111,601 | 35,165 |
| Accounts receivable, unbilled, net | 2,039,749 | 665,551 | - | 2,705,300 | - |
| Other receivables | 59,266 | 60,218 | - | 119,484 | 237,021 |
| Inventories, at cost | 645,021 | - | 2,259 | 647,280 | 118,612 |
| Other assets | - | - | - | - | 620,226 |
| Total current assets | 32,439,925 | 8,779,028 | 493,272 | 41,712,225 | 7,048,690 |
| Noncurrent assets | | | | | |
| Restricted-Cash and investments | 7,946,353 | - | - | 7,946,353 | - |
| Restricted-Accrued interest receivable | 71,450 | - | - | 71,450 | - |
| Capital assets | | | | | |
| Land and improvements | 1,573,206 | 375,000 | 875,832 | 2,824,038 | - |
| Buildings and improvements | 5,706,785 | 402,726 | 1,218,146 | 7,327,657 | - |
| Improvements other than buildings | 148,204,332 | 72,463 | 2,036,487 | 150,313,282 | 86,746 |
| Machinery and equipment | 9,383,262 | 12,612,408 | 502,539 | 22,498,209 | 519,918 |
| Intangible assets | 23,260 | 11,199 | - | 34,459 | 13,784 |
| Less accumulated depreciation | (121,557,366) | (6,732,377) | (2,633,597) | (130,923,340) | (378,207) |
| Construction in progress | 99,818,391 | 3,003 | - | 99,821,394 | - |
| Capital assets, net | 143,151,870 | 6,744,422 | 1,999,407 | 151,895,699 | 242,241 |
| Total noncurrent assets | 151,169,673 | 6,744,422 | 1,999,407 | 159,913,502 | 242,241 |
| Total assets | 183,609,598 | 15,523,450 | 2,492,679 | 201,625,727 | 7,290,931 |
| Deferred outflows | | | | | |
| Total deferred outflows | - | - | - | - | - |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 7,190,779 | 1,397,401 | 15,599 | 8,603,779 | 316,490 |
| Accrued payroll and vacation | 336,267 | 185,978 | 21,721 | 543,966 | 67,812 |
| Long-term debt, current portion | 387,906 | - | - | 387,906 | - |
| Other | 35,835 | - | - | 35,835 | - |
| Total current liabilities | 7,950,787 | 1,583,379 | 37,320 | 9,571,486 | 384,302 |
| Noncurrent liabilities | | | | | |
| Unearned revenue | - | - | 93,442 | 93,442 | 558,565 |
| Estimated claims payable | - | - | - | - | 2,030,000 |
| Compensated absences | 62,776 | 67,278 | 20,096 | 150,150 | 10,581 |
| Other post employment benefits | 751,000 | 445,000 | 72,000 | 1,268,000 | - |
| Long-term debt | 63,096,362 | - | - | 63,096,362 | - |
| Total noncurrent liabilities | 63,910,138 | 512,278 | 185,538 | 64,607,954 | 2,599,146 |
| Total liabilities | 71,860,925 | 2,095,657 | 222,858 | 74,179,440 | 2,983,448 |
| Deferred inflows | | | | | |
| Total deferred inflows | - | - | - | - | - |
| Net Position | | | | | |
| Net investment in capital assets | 79,667,603 | 6,744,421 | 1,999,407 | 88,411,431 | 242,241 |
| Restricted | 9,113,320 | - | - | 9,113,320 | - |
| Unrestricted | 22,967,750 | 6,683,372 | 270,414 | 29,921,536 | 4,065,242 |
| Total net position | \$ 111,748,673 | \$ 13,427,793 | \$ 2,269,821 | 127,446,287 | \$ 4,307,483 |
| Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds. | | | | 319,262 | |
| NET POSITION BUSINESS-TYPE ACTIVITIES | | | | <u>\$ 127,765,549</u> | |

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, 2017

| | Business-type Activities - Enterprise Funds | | | | Internal Service Funds |
|--|--|--------------------------------|---------------------------------|---------------------|-----------------------------------|
| | Wastewater Utility | Solid Waste Utility | Nonmajor Golf Course | Total | |
| Operating revenues | | | | | |
| Charges for services | \$ 21,212,418 | \$ 10,805,450 | \$ 915,591 | \$ 32,933,459 | \$ 13,795,123 |
| Charges for effluent water | 1,608,311 | - | - | 1,608,311 | - |
| Sales of reclaimed materials | 71,473 | 299,762 | - | 371,235 | - |
| Pro shop sales | - | - | 43,250 | 43,250 | - |
| Other | 721 | 60,218 | - | 60,939 | - |
| Total operating revenues | 22,892,923 | 11,165,430 | 958,841 | 35,017,194 | 13,795,123 |
| Operating expenses | | | | | |
| Personnel services | 6,392,554 | 3,494,902 | 428,589 | 10,316,045 | 1,331,519 |
| Cost of goods sold | - | - | 10,391 | 10,391 | 790,274 |
| Contractual services | 792,889 | 3,253,823 | 15,440 | 4,062,152 | 538,460 |
| Supplies | 1,741,938 | 626,279 | 135,674 | 2,503,891 | 49,924 |
| Repairs and maintenance | 1,789,069 | 102,540 | 89,899 | 1,981,508 | 45,449 |
| Utilities | 2,029,538 | 58,070 | 92,274 | 2,179,882 | 9,387 |
| Professional services | 494,646 | 17,725 | 1,494 | 513,865 | 341,554 |
| Fuel | 74,379 | 435,671 | 5,717 | 515,767 | 8,154 |
| Charges by the Fleet Services Fund | 124,400 | 910,464 | 4,000 | 1,038,864 | 24,000 |
| Charges by the General Fund | 1,831,247 | 888,417 | - | 2,719,664 | 144,500 |
| Charges by the Risk Management | 256,400 | 132,700 | 19,400 | 408,500 | 19,400 |
| Fund Depreciation and amortization | 4,656,842 | 1,647,337 | 186,159 | 6,490,338 | 36,017 |
| Claims | - | - | - | - | 2,295,279 |
| Insurance | - | - | - | - | 8,443,612 |
| Other | 251,745 | 120,066 | 72,931 | 444,742 | 69,541 |
| Total operating expenses | 20,435,647 | 11,687,994 | 1,061,968 | 33,185,609 | 14,147,070 |
| Operating income or (loss) | 2,457,276 | (522,564) | (103,127) | 1,831,585 | (351,947) |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 392,190 | 46,466 | 4,794 | 443,450 | 40,265 |
| Gain or loss on disposal of capital assets | 129,231 | 172,472 | - | 301,703 | 10,590 |
| Grants | 38,032 | - | - | 38,032 | 6,635 |
| Debt service costs | (788,447) | - | - | (788,447) | - |
| Other | (6,211) | 90 | 13,905 | 7,784 | (62) |
| Net non-operating revenues (expenses) | (235,205) | 219,028 | 18,699 | 2,522 | 57,428 |
| Income or (loss) before transfers and contributions | 2,222,071 | (303,536) | (84,428) | 1,834,107 | (294,519) |
| Transfers and contributions | | | | | |
| Capital contributions - impact fees | 387,195 | - | - | 387,195 | - |
| Total transfers and contributions | 387,195 | - | - | 387,195 | - |
| Change in net position | 2,609,266 | (303,536) | (84,428) | 2,221,302 | (294,519) |
| Total net position - beginning | 109,139,407 | 13,731,329 | 2,354,249 | 125,224,985 | 4,602,002 |
| Total net position - ending | \$ 111,748,673 | \$ 13,427,793 | \$ 2,269,821 | \$ 127,446,287 | \$ 4,307,483 |
| Change in Net Position of Proprietary Funds | | | | \$ 2,221,302 | |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds | | | | 7,202 | |
| CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | | <u>\$ 2,228,504</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, 2017

| | <u>Business-type Activities-Enterprise Funds</u> | | | | <u>Internal Service Funds</u> |
|--|--|----------------------------|-----------------------------|----------------------|-------------------------------|
| | <u>Wastewater Utility</u> | <u>Solid Waste Utility</u> | <u>Nonmajor Golf Course</u> | <u>Total</u> | |
| Operating activities | | | | | |
| Cash received from customers | \$ 23,489,063 | \$ 10,864,383 | \$ 1,052,793 | \$ 35,406,239 | \$ 13,339,876 |
| Cash received from internal departments | - | - | - | - | 1,474,100 |
| Cash paid to employees | (6,297,573) | (3,443,554) | (416,327) | (10,157,454) | (913,681) |
| Cash paid to vendors | (10,515,371) | (5,375,732) | (503,678) | (16,394,781) | (13,554,389) |
| Cash paid for internal services | (2,087,647) | (1,021,117) | (19,400) | (3,128,164) | (200,467) |
| Net cash provided by (used in) operating activities | <u>4,588,472</u> | <u>1,023,980</u> | <u>113,388</u> | <u>5,725,840</u> | <u>145,439</u> |
| Non-capital financing activities | | | | | |
| Cash received from grant agencies | 38,032 | - | - | 38,032 | 6,635 |
| Net Cash provided by (used in) non capital financing activities | <u>38,032</u> | <u>-</u> | <u>-</u> | <u>38,032</u> | <u>6,635</u> |
| Capital and related financing activities | | | | | |
| Contributed capital and grants | 387,195 | - | - | 387,195 | - |
| Loan proceeds | 39,422,325 | - | - | 39,422,325 | - |
| Sale of capital assets | 129,673 | 172,472 | - | 302,145 | 64,692 |
| Acquisition of capital assets | (33,876,030) | (1,095,802) | (52,360) | (35,024,192) | (166,572) |
| Debt issuance costs | (788,447) | - | - | (788,447) | - |
| Principal repayment on long-term debt | (292,774) | - | - | (292,774) | - |
| Interest payments on long-term debt | (38,782) | - | - | (38,782) | - |
| Net cash provided by (used in) capital and related financing activities | <u>4,943,160</u> | <u>(923,330)</u> | <u>(52,360)</u> | <u>3,967,470</u> | <u>(101,880)</u> |
| Investing activities | | | | | |
| Investment earnings | 326,419 | 33,715 | 3,462 | 363,596 | 31,461 |
| Net cash provided by investing activities | <u>326,419</u> | <u>33,715</u> | <u>3,462</u> | <u>363,596</u> | <u>31,461</u> |
| Net increase (decrease) in cash and cash equivalents/investments | <u>9,896,083</u> | <u>134,365</u> | <u>64,490</u> | <u>10,094,938</u> | <u>81,655</u> |
| Cash and cash equivalents/investments | | | | | |
| Beginning of year | <u>25,482,782</u> | <u>6,643,911</u> | <u>421,968</u> | <u>32,548,661</u> | <u>5,907,363</u> |
| End of year | <u>\$ 35,378,865</u> | <u>\$ 6,778,276</u> | <u>\$ 486,458</u> | <u>\$ 42,643,599</u> | <u>\$ 5,989,018</u> |
| Reconciliation of operating income (loss) to net cash provided by/(used in) operating activities | | | | | |
| Operating income (loss) | \$ 2,457,276 | \$ (522,564) | \$ (103,127) | \$ 1,831,585 | \$ (351,947) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Other revenue/(expenses) | 21,956 | 12,751 | 13,905 | 48,612 | 29,735 |
| Depreciation and amortization | 4,656,842 | 1,647,337 | 186,159 | 6,490,338 | 36,017 |
| (Increase) decrease in assets and increase (decrease) in liabilities | | | | | |
| Accounts receivable | (177,389) | (315,960) | - | (493,349) | (22,463) |
| Inventories | 2,950 | - | 2,264 | 5,214 | 17,349 |
| Prepaid expenses and other assets | - | - | - | - | 2,021 |
| Accounts payable | (2,471,318) | 151,068 | (12,199) | (2,332,449) | (64,391) |
| Accrued payroll and vacation | 94,981 | 51,348 | 12,262 | 158,591 | (22,310) |
| Deposits | 3,174 | - | - | 3,174 | - |
| Unearned revenue | - | - | 14,124 | 14,124 | 43,428 |
| Estimated claims payable | - | - | - | - | 478,000 |
| Total adjustments | <u>2,131,196</u> | <u>1,546,544</u> | <u>216,515</u> | <u>3,894,255</u> | <u>497,386</u> |
| Net cash provided by (used in) operating activities | <u>\$ 4,588,472</u> | <u>\$ 1,023,980</u> | <u>\$ 113,388</u> | <u>\$ 5,725,840</u> | <u>\$ 145,439</u> |

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, 2017

| | Pension Trust Funds |
|--|--------------------------------|
| Assets | |
| Cash and investments | \$ 29,508,513 |
| Accrued interest receivable | 5,223 |
| Due from other funds | 60,353 |
| Investments, at fair value: | |
| Loans receivable | 1,416,982 |
| U.S. Treasury & U.S. Agency securities | 9,187,756 |
| Corporate bonds | 4,252,915 |
| Mutual funds | 79,492,853 |
| Common stock | 59,877,335 |
| Total assets | <u>183,801,930</u> |
| Liabilities | |
| Due to employee investment accounts | 12,706,713 |
| Due to other funds | 60,361 |
| Unearned revenue | 1,028 |
| Total liabilities | <u>12,768,102</u> |
| Net position | |
| Restricted for | |
| Pension benefits | <u>171,033,828</u> |
| Total net position | <u><u>\$ 171,033,828</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, 2017

| | Pension Trust Funds |
|---|--------------------------------|
| Additions | |
| Contributions | |
| Employer | \$ 5,290,964 |
| Plan members | 2,367,532 |
| State | 1,247,930 |
| Forfeitures | 95,315 |
| Service buy back | 51,592 |
| Interest on loan paybacks | 44,363 |
| Total contributions | <u>9,097,696</u> |
| Investment earnings | |
| Net increase (decrease) in investment value | 17,296,526 |
| Interest and dividends | 2,314,568 |
| | <u>19,611,094</u> |
| Less investment costs | <u>(622,677)</u> |
| Net investment earnings | <u>18,988,417</u> |
| Net additions | <u>28,086,113</u> |
| Deductions | |
| Benefits | 11,272,834 |
| Refund of contributions | 33,559 |
| Administrative | 154,935 |
| Forfeitures | 120,722 |
| Insurance | 61,984 |
| Total deductions | <u>11,644,034</u> |
| Change in net position | 16,442,079 |
| Total net position - beginning | <u>154,591,749</u> |
| Total net position - ending | <u><u>\$ 171,033,828</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017



| | | |
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City of Largo, Florida

Notes to Financial Statements

September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Largo 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 2017.

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, 2017

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 of Largo, Florida (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) 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, 2017

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, 2017

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. 11).

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, 2017

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, 2017

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, 2017

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, 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 \$5,000, except for land. Infrastructure assets are defined as assets with an initial, individual cost of more than \$100,000. 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 \$409,191 was recorded during the current fiscal year.

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

| Capital Asset Class | Estimated Useful Lives (years) |
|-------------------------------------|---------------------------------------|
| Infrastructure | 30 - 50 |
| Buildings and building improvements | 10 - 40 |
| Improvements other than buildings | 20 - 30 |
| Machinery and heavy equipment | 10 - 30 |
| Vehicles | 5 - 7 |
| Intangible assets | 5 - 10 |
| Office and computer equipment | 3 - 5 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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, 2017

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 \$49,861,214 of restricted net position, of which \$9,113,320 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 (equally binding) passed by majority vote. 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, 2017

(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, 2017

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 | \$ 8,560,708 |
| Plus: Accrued interest payable | 49,667 |
| Net adjustment to decrease <i>Fund Balance - total governmental funds</i> to arrive at <i>Net Position - governmental activities</i> | <u>\$ 8,610,375</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.

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 | \$ 11,219,217 |
| Add: Capital outlay of internal service funds | 89,322 |
| Less: Amount of capital outlay related to expenditures under threshold | (678,984) |
| Capital Outlay related to capital expenditures | 10,629,555 |
| Less: Depreciation expense | (9,218,227) |
| Net adjustment to increase <i>Net Changes in Fund Balances - total governmental funds</i> to arrive at <i>Changes in Net Position of Governmental Activities</i> | <u>\$ 1,411,328</u> |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 | \$ 2,242,429 |
| Net adjustment to decrease <i>Net Changes in Fund Balances</i> - total governmental funds to arrive at <i>Changes in Net Position of Governmental Activities</i> | <u>\$ 2,242,429</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 | \$ 631,013 |
| Add: Change in utility grants receivable: | 3,844 |
| Add: Change in special assessments receivable | 876 |
| Net adjustment to increase <i>Net Changes in Fund Balances</i> - total governmental funds to arrive at <i>Changes in Net Position of Governmental Activities</i> | <u>\$ 635,733</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:

| | |
|--|---------------------|
| Debt principal repayment | \$ 3,288,343 |
| Net adjustment to increase <i>Net Changes in Fund Balances</i> - total governmental funds to arrive at <i>Changes in Net Position of Governmental Activities</i> | <u>\$ 3,288,343</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 | \$ (7,916) |
| Add: Adjustment to long-term compensated absences | (106,559) |
| Add: Change in accrued interest | 14,981 |
| Less: Adjustment for OPEB liability | <u>(529,000)</u> |
| Net adjustment to increase <i>Net Changes in Fund Balances</i> - total governmental funds to arrive at <i>Changes in Net Position of Governmental Activities</i> | <u>\$ (628,494)</u> |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 2017. 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 | \$ | 153,600 |
| SHIP | | 221,000 |
| Construction Services Fund | | 167,400 |
| Stormwater | | 102,300 |
| Program Special Revenue | | 121,300 |

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, 2017.

New Accounting Pronouncements. The GASB issued Statements No. 74, Financial reporting for postemployment benefit plans other than pension plans, No. 77, Tax abatement disclosure, No. 78 Pensions provided through certain multiple-employer defined benefit pension plans, No. 80 Blending requirements for certain component units - an amendment of GASB Standard No. 14 and No. 82 Pension issues- an amendment of GASB Standards No. 67, No. 68 and No. 73 effective for reporting periods beginning after June 15, 2016. The Statements address improving the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and assessing accountability; assessing how tax abatements affect financial position and results of operations, including the ability to raise resources in the future; and the presentation of payroll-related measures in issues in presentation of required supplementary information with relation to pensions.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

Future Accounting Pronouncements. The Governmental Accounting Board has issued statements that will become effective in FY 2018. The statements address:

- Accounting and financial reporting for postemployment benefits other than pensions, and
- Omnibus - issues related to blending component units, goodwill, fair value measurement and application and post employment benefits, and
- Certain debt extinguishment issues, and
- Irrevocable split-interest agreements, and

The City of Largo is currently evaluating the effects that these statements will have in its FY 2018 financial statements.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

City of Largo

As of September 30, 2017 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 | \$ 10,022 | \$ 14,015 | \$ - | \$ 24,037 | 25.7% | 1 |
| US GSE (1) | | | | | | |
| FHLB | - | 5,969 | 7,912 | 13,881 | 14.8% | 1 |
| FFCB | - | 2,980 | 6,972 | 9,952 | 10.7% | 1 |
| Certificates of Deposit | 14,500 | 7,000 | 15,000 | 36,500 | 39.0% | N/A |
| Demand Deposits (3) | 9,194 | - | - | 9,194 | 9.8% | N/A |
| | <u>\$ 33,716</u> | <u>\$ 29,964</u> | <u>\$ 29,884</u> | <u>\$ 93,564</u> | <u>100.0%</u> | |
| % of Total | <u>36.0%</u> | <u>32.0%</u> | <u>32.0%</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 (\$493,523)

(3) Total balance reflects actual bank balances at September 30, 2017

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, 2017

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, 2017

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, 2017, the carrying amount of the City's deposits with financial institutions was \$47,561,372 and the total of the bank balances was \$47,734,918. 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, 2017 |
|---|--|---|
| U.S. Treasury Obligations | 50% | 25.7% |
| U.S. Agencies and Instrumentalities | 40% | 25.5% |
| Time Deposits and Savings Accounts (Public Depositories) | 40% | 39.0% |
| Checking Accounts (Public Depositories) | 20% | 9.8% |
| Government Investment Pools | 20% | 0.0% |
| Money Market Funds | 20% | 0.0% |
| % of Total | | 100% |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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

At September 30, 2017, the General and Executive Management 401(a) Plans invested in the following cash and investments:

| | Balance at 09/30/17 | Credit Rating | General | Executive | Concentration Total | Fair Value Level |
|--|------------------------|---------------|---------|-----------|------------------------|---------------------|
| Investments Measured at Net Asset Value (NAV) | | | | | | |
| Mutual Funds | | | | | | |
| Domestic Common Stock Funds | \$ 15,813,156 | Not Reported | 36.2% | 58.1% | 37.8% | N/A |
| International Common Stock Funds | 2,413,855 | | 5.7% | 6.6% | 5.8% | N/A |
| Fixed Income Fund (Bonds) | 1,581,768 | Not Reported | 3.4% | 8.0% | 3.8% | N/A |
| Asset Allocation (Stocks & Fixed Inc.) | 11,384,396 | | 28.6% | 10.3% | 27.2% | N/A |
| Other | 350,983 | | 0.9% | 0.7% | 0.8% | N/A |
| Total Investments Measured at NAV | 31,544,158 | | | | | |
| Investments at Amortized Cost | | | | | | |
| Cash and Cash Equivalents | 10,282,450 | Not Reported | 25.3% | 16.3% | 24.6% | N/A |
| Total Investments Measured at Amortized Cost | 10,282,450 | | 100.0% | 100.0% | 100.0% | |
| Total Cash & Investments | \$ 41,826,608 | | | | | |

Per Fiduciary Statement of Net Assets:

| | |
|---------------------------------|---------------|
| Executive Employees' Retirement | \$ 3,117,614 |
| General Employees' Retirement | 38,708,994 |
| Total Cash & Investments | \$ 41,826,608 |

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.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 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, 2017

Police Officers' and Firefighters' Retirement

At September 30, 2017, the Police Officers' and Firefighter's Retirement System invested in the following cash and investments:

| | Balance at 09/30/17 | Credit Rating (Moody's) | Weighted Average Maturity (Years) | Concentration | Fair Value Level |
|---|------------------------|-------------------------------|--|---------------|------------------------|
| Investments at Fair Value Level | | | | | |
| U.S. Treasury Securities | | | 4.65 | | |
| U.S. Treasury Bonds | \$ 366,470 | Aaa | | 0.26% | 1 |
| U.S. Treasury Notes | 3,134,439 | Aaa | | 2.24% | 1 |
| U.S. Government Sponsored Agencies | | | 13.39 | | |
| Federal Home Loan Mortgage Corp. | 2,196,272 | Aaa | | 1.57% | 2 |
| Federal National Mortgage Assoc. | 3,230,643 | Aaa | | 2.31% | 2 |
| Government National Mortgage Assoc. | 259,932 | Aaa | | 0.19% | 2 |
| Corporate Obligations | | | 6.15 | | |
| Bonds | 234,091 | Aa3 | | 0.17% | 1 |
| Bonds | 301,620 | A1 | | 0.22% | 1 |
| Bonds | 258,031 | A2 | | 0.18% | 1 |
| Bonds | 284,769 | A3 | | 0.20% | 1 |
| Bonds | 727,237 | Baa1 | | 0.52% | 1 |
| Bonds | 800,336 | Baa2 | | 0.57% | 1 |
| Bonds | 1,392,579 | Baa3 | | 1.00% | 1 |
| Bonds | 25,551 | Ba1 | | 0.02% | 1 |
| Bonds | 166,461 | Ba2 | | 0.12% | 1 |
| Bonds | 62,240 | B1 | | 0.04% | 1 |
| Domestic Common Stock | 58,640,562 | | | 41.91% | 1 |
| Foreign Common Stock | 1,236,773 | | | 0.88% | 1 |
| Total Investments at Fair Value Level | 73,318,006 | | | | |
| Investments at Net Asset Value (NAV) | | | | | |
| Real Estate Investment Trusts | 11,376,530 | | | 8.13% | N/A |
| Mutual Funds | | | | | |
| Domestic Common Stock Funds | 1,624,104 | | | 1.16% | N/A |
| Foreign Common Stock Funds | 23,432,757 | | | 16.76% | N/A |
| Fixed Income Funds | 11,246,815 | | | 8.04% | N/A |
| Balanced Funds (Stocks & Fixed) | 268,490 | | | 0.19% | N/A |
| Total Investments at NAV | 47,948,696 | | | | |
| Investments at Amortized Cost | | | | | |
| Stable Value Fund | 10,459,612 | | | 7.47% | |
| Government Money Market | 8,181,792 | | | 5.85% | N/A |
| Total Investments at Amortized Cost | 18,641,404 | | | | |
| Total Cash & Investments | \$ 139,908,106 | | | 100.00% | |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017

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, 2017, the cash balance in the fund was \$584,658.

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 | \$ 1,832 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,832 |
| Interest | 123 | 54 | 7 | - | - | 437 | 61 | 276 | 958 |
| Accounts | - | - | - | - | - | 3,937 | 1,897 | 1,092 | 6,926 |
| Intergovernmental | 613 | 638 | - | - | - | - | - | 92 | 1,343 |
| Grants | 29 | - | - | 148 | 215 | - | - | - | 392 |
| Other | 1,710 | - | 3 | 1 | 2 | 59 | 60 | 276 | 2,111 |
| Notes | - | - | 5,822 | 3,391 | 2,377 | - | - | 845 | 12,435 |
| Total receivables | \$ 4,307 | \$ 692 | \$ 5,832 | \$ 3,540 | \$ 2,594 | \$ 4,433 | \$ 2,018 | \$ 2,581 | \$ 25,997 |

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, 2017

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, 2017 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------|---------------|-------------------|
| Governmental activities: | | | | |
| Non-depreciable capital assets: | | | | |
| Land | \$ 27,350,542 | \$ - | \$ 1,814,432 | \$ 25,536,110 |
| Construction in progress | 10,375,576 | 7,868,642 | 10,218,900 | 8,025,318 |
| Total non-depreciable capital assets | 37,726,118 | 7,868,642 | 12,033,332 | 33,561,428 |
| Depreciable/Amortizable capital assets: | | | | |
| Building | 74,978,681 | 2,320,462 | 502,861 | 76,796,282 |
| Improvements other than buildings | 59,388,426 | 4,602,169 | - | 63,990,595 |
| Machinery and equipment | 39,789,990 | 5,287,549 | 3,551,738 | 41,525,801 |
| Intangible | - | 894,970 | - | 894,970 |
| Total depreciable/amortizable capital assets | 174,157,097 | 13,105,150 | 4,054,599 | 183,207,648 |
| Less accumulated depreciation/amortization for: | | | | |
| Building | 21,251,580 | 2,515,541 | 120,103 | 23,647,018 |
| Improvements other than buildings | 27,742,567 | 2,564,888 | - | 30,307,455 |
| Machinery and equipment | 26,671,273 | 4,114,994 | 3,463,833 | 27,322,434 |
| Intangible | - | 58,820 | - | 58,820 |
| Total accumulated depreciation/amortization | 75,665,420 | 9,254,243 | 3,583,936 | 81,335,727 |
| Net depreciable/amortizable capital assets | 98,491,677 | 3,850,907 | 470,663 | 101,871,921 |
| Net governmental activities capital assets | \$ 136,217,795 | \$ 11,719,549 | \$ 12,503,995 | \$ 135,433,349 |

City of Largo, Florida
Notes to Financial Statements
September 30, 2017

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------|------------|-------------------|
| Business-type Activities | | | | |
| Non-depreciable capital assets: | | | | |
| Land | \$ 2,824,038 | \$ - | \$ - | \$ 2,824,038 |
| Construction in progress | 76,050,472 | 36,271,422 | 12,500,500 | 99,821,394 |
| Total non depreciable capital assets | 78,874,510 | 36,271,422 | 12,500,500 | 102,645,432 |
| Depreciable/amortizable capital assets | | | | |
| Building and improvements | 4,469,504 | 2,858,153 | - | 7,327,657 |
| Improvements other than buildings | 144,912,382 | 5,411,768 | 10,866 | 150,313,284 |
| Machinery and equipment | 21,238,113 | 2,927,611 | 1,667,517 | 22,498,207 |
| Intangible | - | 34,459 | - | 34,459 |
| Total depreciable/amortizable capital assets | 170,619,999 | 11,231,991 | 1,678,383 | 180,173,607 |
| Less accumulated depreciation/amortization for: | | | | |
| Building and improvements | 2,048,651 | 149,410 | - | 2,198,061 |
| Improvements other than building | 112,164,353 | 3,955,156 | 10,866 | 116,108,643 |
| Machinery and equipment | 11,897,940 | 2,383,762 | 1,667,076 | 12,614,626 |
| Intangible | - | 2,010 | - | 2,010 |
| Total accumulated depreciation/amortization | 126,110,944 | 6,490,338 | 1,677,942 | 130,923,340 |
| Net depreciable/amortizable capital assets | 44,509,055 | 4,741,653 | 441 | 49,250,267 |
| Net business type activities capital assets | 123,383,565 | 41,013,075 | 12,500,941 | 151,895,699 |

2. Depreciation and amortization expense

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

| Governmental activities | | Business-type activities | |
|---|--------------|--------------------------|--------------|
| General government | \$ 1,518,319 | Wastewater | \$ 4,656,842 |
| Economic development | 1,815,544 | Solid waste | 1,647,337 |
| Public safety | 2,282,347 | Golf course | 186,159 |
| Public works | 1,271,322 | | - |
| Culture and recreation | 2,330,695 | | - |
| Internal service funds charged to various functions | 36,016 | | - |
| Total depreciation/amortization expense | \$ 9,254,243 | | \$ 6,490,338 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

3. Construction commitments

The City has active construction projects as of September 30, 2017. 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:

| | Incurred | Remaining Commitment |
|---|----------------------|---------------------------------|
| WRF Influent Pumping & Headworks improvements | \$ 26,770,611 | \$ 2,280,740 |
| Lake Avenue sanitary system improvements | 1,475,643 | 705,269 |
| Wet weather monitoring & pumping system | 44,957,329 | 650,285 |
| Clearwater-Largo Road district improvements | 551,262 | 3,669,771 |
| Trotter Road reconstruction design | 614,062 | 5,869,367 |
| Total | \$ 74,368,907 | \$ 13,175,432 |

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

| Receivable Fund | Payable Fund | Total Amount | Purpose |
|---------------------------------|---------------------|---------------------|---|
| General (major) | CDBG (major) | \$ 133,492 | Awaiting receipt of housing-related receivable |
| General (major) | HOME (major) | 41,635 | 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 |
| | | \$ 707,127 | |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

E. Leases

Operating Leases

The City leases office and other equipment under non-cancelable operating leases. Total costs for such leases were \$100,063 for the year ended September 30, 2017. The future minimum lease payments for these leases are as follows:

| Year Ending Sept. 30 | Amount |
|----------------------|-------------------|
| 2018 | \$ 101,980 |
| 2019 | 80,244 |
| Total | <u>\$ 182,224</u> |

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 \$10,861,059 State Revolving Loan Fund #2 (SRL#2) loan issued in October, 1997 and 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 October 2017 and November 2035, respectively. The total outstanding balance of the SRL #2 bonds of \$1,089,477 was paid in full on October 3, 2016. Principal and interest paid for the current year and net revenues were \$1,103,178 and \$8,484,906 respectively. The SRL#3 loan agreement was for drawdowns totaling \$73,216,406 and is for wet weather improvements. The total amount borrowed as of September 30, 2017 is \$62,501,952 including capitalized interest and a 2% loan service cost. Repayments on the loan begin in November 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 \$6,272,273. For the current year, principal and interest paid were \$2,597,677 and total Penny for Pinellas sales tax revenues were \$7,263,530.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 \$3,270,752. For the current year, principal and interest paid were \$1,339,441 and total half-cent sales tax revenues were \$5,100,536.

For governmental activities, compensated absences are paid by the fund where related salaries are incurred, primarily the General Fund. The Risk Fund (an internal service fund) pays estimated claims payable and City Commissioner 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 |
|--|-------------------|--------------------------|---------------------------|---------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Chase Bank (Loan Option Sales Tax Fund) Interest rate 1.72%. Balance Due January 1, 2020. | \$ 4,540 | \$ - | \$ 1,270 | \$ 3,270 | \$ 1,292 |
| Chase Bank (Local Option Sales Tax Fund) Interest rate 1.71%. Balance Due January 1, 2020. | 3,182 | - | 890 | 2,292 | 905 |
| TD Bank (Loan Option Sales Tax Fund) Interest rate 3.443%. Balance Due January 1, 2020 | 4,127 | - | 1,129 | 2,998 | 1,168 |
| Net pension liability | 39,602 | 13,771 | 15,733 | 37,640 | - |
| Compensated absences | 2,451 | 2,164 | 2,062 | 2,553 | 2,062 |
| Other Post-employment Benefits Payable | 5,136 | 529 | - | 5,665 | - |
| Property/Liability and Workers Compensation | 1,480 | 705 | 215 | 1,970 | - |
| City Commissioner/ Police Chief annuity payable | 102 | - | 14 | 88 | - |
| Total Governmental activities debt | <u>\$ 60,620</u> | <u>\$ 17,169</u> | <u>\$ 21,313</u> | <u>\$ 56,476</u> | <u>\$ 5,427</u> |
| Business-type Activities | | | | | |
| Chase Bank (Local Option Sales Tax Fund) Interest rate 1.71%. Balance Due January 1, 2020 | \$ 1,364 | \$ - | \$ 381 | \$ 983 | \$ 388 |
| State revolving loan #2; Interest rate 2.63%. Collateralized by sewer net revenue Balance due October 15, 2017. | 1,090 | - | 1,090 | - | - |
| State revolving loan #3; Interest rates 1.07%, 0.46% and 0.43% Collateralized by sewer net revenue (Includes debt issuance costs) Balance due November 15, 2035 | 21,902 | 40,600 | - | 62,502 | - |
| Compensated absences | 470 | 362 | 341 | 491 | 341 |
| Other Post-employment Benefits Payable | 1,150 | 118 | - | 1,268 | - |
| Net business-type activities debt | <u>\$ 25,976</u> | <u>\$ 41,080</u> | <u>\$ 1,812</u> | <u>\$ 65,244</u> | <u>\$ 729</u> |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

Other long-term liabilities, such as compensated absences and other post employment benefits payable, are typically liquidated by the individual fund to which the liability is directly associated.

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 |
|-----------------------------|--------------------|-------------------|-----------------------|
| 2018 | 3,365,011 | 169,607 | 3,534,618 |
| 2019 | 3,443,696 | 90,922 | 3,534,618 |
| 2020 | 1,752,000 | 15,308 | 1,767,308 |
| Total | \$ 8,560,707 | \$ 275,837 | \$ 8,836,544 |

Business-type Activities Debt Service Requirements

| FY | SRL #3 | | Chase 2011 | | Totals | | |
|-----------|---------------|--------------|------------|-----------|---------------|--------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Debt Service |
| 2018 | - | - | 387,906 | 14,319 | 387,906 | 14,319 | 402,225 |
| 2019 | 3,563,577 | 481,011 | 394,581 | 7,643 | 3,958,158 | 488,654 | 4,446,812 |
| 2020 | 3,591,452 | 453,136 | 199,830 | 1,282 | 3,791,282 | 454,418 | 4,245,700 |
| 2021 | 3,619,546 | 425,043 | - | - | 3,619,546 | 425,043 | 4,044,589 |
| 2022 | 3,647,858 | 396,730 | - | - | 3,647,858 | 396,730 | 4,044,588 |
| 2023-2027 | 18,671,799 | 1,551,142 | - | - | 18,671,799 | 1,551,142 | 20,222,941 |
| 2028-2032 | 19,413,589 | 809,352 | - | - | 19,413,589 | 809,352 | 20,222,941 |
| 2033-2037 | 9,994,130 | 117,340 | - | - | 9,994,130 | 117,340 | 10,111,470 |
| Total | \$ 62,501,951 | \$ 4,233,754 | \$ 982,317 | \$ 23,244 | \$ 63,484,268 | \$ 4,256,998 | \$ 67,741,266 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

G. Fund equity

Governmental fund balances reported on the fund financial statements at September 30, 2017 include the following:

| | General | LOST | SHIP | HOME | CDBG | Nonmajor Funds | Total |
|--|---------------|--------------|------------|------|------|----------------|---------------|
| Nonspendable | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Deposits | 39,360 | - | - | - | - | - | 39,360 |
| Prepaid | 2,028 | - | - | - | - | - | 2,028 |
| Receivables | 17,674 | - | - | - | - | - | 17,674 |
| Property held for resale | | | | | | | - |
| Restricted | | | | | | | |
| Capital improvements and public works | - | 8,035,754 | - | - | - | 17,587,188 | 25,622,942 |
| Economic development | - | - | 742,691 | - | - | 3,510,128 | 4,252,819 |
| Public safety programs | - | - | - | - | - | 367,058 | 367,058 |
| Youth and adult library/ recreation programs | - | - | - | - | - | 1,010,288 | 1,010,288 |
| Parkland dedication | - | - | - | - | - | 2,347,208 | 2,347,208 |
| Assigned | | | | | | | |
| Subsequent year's operations | 3,289,458 | - | - | - | - | - | 3,289,458 |
| Accrued employee benefits | 2,348,937 | - | - | - | - | - | 2,348,937 |
| Other purposes | - | - | - | - | - | 175,330 | 175,330 |
| Unassigned | 9,796,197 | - | - | - | - | - | 9,796,197 |
| | \$ 15,493,654 | \$ 8,035,754 | \$ 742,691 | \$ - | \$ - | \$ 24,997,200 | \$ 49,269,299 |

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, 2017 are as follows:

| | |
|------------------------------|---------------|
| Major governmental funds | |
| General | \$ 1,588,758 |
| Local Option Sales Tax | 5,202,761 |
| SHIP | 236,858 |
| Total Major Funds | 7,028,377 |
| Non-major governmental funds | 8,919,698 |
| Total Encumbrances | \$ 15,948,075 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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, 2017, 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 it wasn't practical to recognize a portion as "due within one year" on the statement of net position.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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:

| | Workers Compensation | Property and Liability | Total |
|---|---------------------------------|-----------------------------------|--------------|
| Claims reserve, September 30, 2015 | \$ 1,315,000 | \$ 245,000 | \$ 1,560,000 |
| Plus: Incurred claims and reserve adjustments | 180,000 | 185,000 | 365,000 |
| Less: Paid claims and reserve adjustments | (355,000) | (90,000) | (445,000) |
| 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 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

B. 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.

C. 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, 2017, the City abated property taxes totaling \$13,087 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.

D. 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, 2017, additional draw downs totaling \$5,712,688 have been received by the City resulting in a new loan principle balance of \$66,527,423 as of March 31, 2018.

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 the City continued to incur costs after September 30, 2017 related to removal of the debris and repair of City infrastructure. Total storm related costs to the City are estimated to be approximately \$2,000,000, including additional staff time, for which the City is in the process of applying for Federal Emergency Management Agency assistance.

E. 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.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 require 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, 2017

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2017

| | Executive Employees' Retirement | General Employees' Retirement | Police Officers' and Firefighters' Retirement | General Employees' Disability | Total |
|--|--|--|--|--|-----------------------|
| Assets | | | | | |
| Cash and investments | \$ 703,759 | \$ 9,578,692 | \$ 18,641,404 | \$ 584,658 | \$ 29,508,513 |
| Accrued interest receivable | - | - | - | 5,223 | 5,223 |
| Due from other funds | - | - | - | 60,353 | 60,353 |
| Loans receivable | - | 1,416,982 | - | - | 1,416,982 |
| U.S. Treasury & U.S. Agency securities | - | - | 9,187,756 | - | 9,187,756 |
| Corporate bonds | - | - | 4,252,915 | - | 4,252,915 |
| Mutual funds | 2,413,855 | 29,130,302 | 47,948,696 | - | 79,492,853 |
| Common stock | - | - | 59,877,335 | - | 59,877,335 |
| Total assets | <u>3,117,614</u> | <u>40,125,976</u> | <u>139,908,106</u> | <u>650,234</u> | <u>183,801,930</u> |
| Liabilities | | | | | |
| Due to employee investment accounts | - | 60,509 | 12,646,204 | - | 12,706,713 |
| Due to other funds | - | 60,361 | - | - | 60,361 |
| Unearned revenue | - | - | 1,028 | - | 1,028 |
| Total liabilities | <u>-</u> | <u>120,870</u> | <u>12,647,232</u> | <u>-</u> | <u>12,768,102</u> |
| Net position | | | | | |
| Restricted for | | | | | |
| Pension benefits | <u>3,117,614</u> | <u>40,005,106</u> | <u>127,260,874</u> | <u>650,234</u> | <u>171,033,828</u> |
| Total net position | <u>\$ 3,117,614</u> | <u>\$ 40,005,106</u> | <u>\$ 127,260,874</u> | <u>\$ 650,234</u> | <u>\$ 171,033,828</u> |

City of Largo, Florida
Notes to Financial Statements
September 30, 2017

Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended September 30, 2017

| | Executive Employees' Retirement | General Employees' Retirement | Police Officers' and Firefighters' Retirement | General Employees' Disability | Total |
|---|--|--|--|--|----------------|
| ADDITIONS | | | | | |
| Contributions | | | | | |
| Employer | \$ 95,058 | \$ 1,070,660 | \$ 4,125,246 | \$ - | \$ 5,290,964 |
| Plan members | 63,372 | 1,070,660 | 1,233,500 | - | 2,367,532 |
| State | - | - | 1,247,930 | - | 1,247,930 |
| Forfeitures | - | 34,954 | - | 60,361 | 95,315 |
| Service buy back | - | 12,974 | 38,618 | - | 51,592 |
| Interest on loan paybacks | - | 44,363 | - | - | 44,363 |
| Total contributions | 158,430 | 2,233,611 | 6,645,294 | 60,361 | 9,097,696 |
| Investment earnings | | | | | |
| Net increase (decrease) in investment value | 330,399 | 4,094,157 | 12,874,566 | (2,596) | 17,296,526 |
| Interest and dividends | - | - | 2,307,564 | 7,004 | 2,314,568 |
| | 330,399 | 4,094,157 | 15,182,130 | 4,408 | 19,611,094 |
| Less investment costs | - | (28,223) | (594,454) | - | (622,677) |
| Net investment earnings | 330,399 | 4,065,934 | 14,587,676 | 4,408 | 18,988,417 |
| Net additions | 488,829 | 6,299,545 | 21,232,970 | 64,769 | 28,086,113 |
| DEDUCTIONS | | | | | |
| Benefits | - | 2,855,890 | 8,416,944 | - | 11,272,834 |
| Refund of contributions | - | - | 33,559 | - | 33,559 |
| Administrative | - | - | 154,935 | - | 154,935 |
| Forfeitures | - | 120,722 | - | - | 120,722 |
| Insurance | - | - | - | 61,984 | 61,984 |
| Total deductions | - | 2,976,612 | 8,605,438 | 61,984 | 11,644,034 |
| Change in net position | 488,829 | 3,322,933 | 12,627,532 | 2,785 | 16,442,079 |
| Total net position - beginning | 2,628,785 | 36,682,173 | 114,633,342 | 647,449 | 154,591,749 |
| Total net position - ending | \$ 3,117,614 | \$ 40,005,106 | \$ 127,260,874 | \$ 650,234 | \$ 171,033,828 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 | 29 |
| Total plan membership | 455 | 473 |

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

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

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

- 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, 2017 were \$4,125,246 and \$1,272,118, respectively. The City's contribution was made in accordance with actuarially determined contribution requirements ascertained through an actuarial valuation performed at October 1, 2016 (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 \$1,247,930. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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.

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 the

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

same as those used to compute the total pension liability.

The following information and assumptions were used in the most recent actuarial valuation.

| | |
|---|--------------------------------------|
| Valuation Date | October 1, 2015 |
| Contribution Rates as a % of payroll | |
| Employer (and State) | 39.88% |
| Plan Members | 8% |
| Actuarial Cost Method (Funding) | Entry Age Normal |
| Amortization Method | Level Percent, Closed |
| Mortality Rates | RP-2000 Generational Mortality Table |
| Remaining amortization period | 30 years |
| Asset valuation method | Market Value (Fair value) |
| Actuarial assumptions | |
| Investment rate of return | 7.5% |
| Projected salary increases | 5% |
| Includes inflation and other general increases at | 3% |
| 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.

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%.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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, 2016:

| Asset Class | Target Allocation | Actual Allocation |
|------------------------|-------------------|-------------------|
| Domestic equities | | |
| Small Cap Blend | 10.0% | 11.9% |
| Small Cap Growth | 20.0% | 21.3% |
| Small Cap Value | 20.0% | 20.5% |
| International equities | | |
| Developed markets | 5.0% | 2.7% |
| Emerging Markets | 7.5% | 9.2% |
| Fixed income | 30.0% | 24.9% |
| 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, 2016 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Weighted Average |
|------------------------|--|---------------------|
| Domestic equities | | |
| Small Cap Blend | 10.70% | 0.54% |
| Small Cap Growth | 10.90% | 2.18% |
| Small Cap Value | 10.50% | 2.10% |
| International equities | | |
| Developed markets | 9.70% | 0.49% |
| Emerging Markets | 12.40% | 0.93% |
| Fixed income | 4.40% | 0.44% |
| Real estate | 9.30% | 0.35% |
| Total | | 7.03% |

Rate of return. For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.09%. The

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 7.5% 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 (7.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|--|--|--|
| Balance at of September 30, 2015 | \$ 160,834,858 | \$ 121,233,244 | \$ 39,601,614 |
| Changes for the year | | | |
| Service cost | 2,778,149 | - | 2,778,149 |
| Interest | 11,915,555 | - | 11,915,555 |
| Difference between actual & expected experience | (1,057,151) | - | (1,057,151) |
| Contributions - employer | - | 3,460,575 | (3,460,575) |
| Contributions - employer (through state) | - | 1,187,377 | (1,187,377) |
| Contributions - member | - | 1,207,817 | (1,207,817) |
| Net investment income | - | 9,877,031 | (9,877,031) |
| Benefit payments | (9,359,155) | (9,359,155) | - |
| Refunds | (118,729) | (118,729) | - |
| Administrative expense | - | (134,134) | 134,134 |
| Other | - | - | - |
| Net changes | 4,158,669 | 6,120,782 | (1,962,113) |
| Balance at of September 30, 2016 | \$ 164,993,527 | \$ 127,354,026 | 37,639,501 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

Sensitivity of the Net Pension Liability to changes in discount rate. The following table presents the plan's net pension liability of the Plan's current fiscal year of September, 20, 2017, calculated using a single discount rate of 7.5%, 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):

| 1% Decrease 6.50% | Current Single Discount Rate Assumption 7.50% | 1% Increase 8.50% |
|----------------------|--|----------------------|
| \$ 55,310,537 | \$ 37,639,501 | \$ 22,854,334 |

Pension expense, Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2017 the City recognized pension expense of \$5,381,092. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows or Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ 921,304 |
| Net difference between projected and actual earnings on pension plan investments | 5,183,535 | 1,681,431 |
| Employer contributions made subsequent to the measurement date | 5,373,176 | - |
| Total | \$ 10,556,711 | \$ 2,602,735 |

Deferred outflows of resources related to the Plan, including \$5,373,176 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 | |
| 2018 | \$ 712,705 |
| 2019 | 794,035 |
| 2020 | 1,284,924 |
| 2021 | (210,864) |
| 2022 and thereafter | - |
| | \$ 2,580,800 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 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:

| | FY2016 | FY2017 |
|--|---------------|---------------|
| Active employees (vested and non-vested) | 472 | 494 |
| Disabled participants currently receiving benefits | 11 | 13 |
| Total | 483 | 507 |

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

| | Class I | Class II | Class III |
|-----------------|--|--|----------------------------|
| 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.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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.

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:

| | FY2016 | FY2017 |
|---|---------------|---------------|
| Active employees (vested and non-vested) | 499 | 538 |
| Retired and terminated members maintaining balances | 481 | 162 |
| Total | 980 | 700 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 2017, actual contributions were \$1,070,660 from employees and \$1,070,660 from the City, excluding roll-over dollars from other plans, if any. There was no outstanding employer liability at year end.

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.

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 \$63,372 from employees and \$95,058 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.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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 \$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:

| | Market Value |
|-------------------------------------|---------------------|
| Net plan assets, October 1, 2016 | \$ 30,617,111 |
| Employee contributions | 1,250,132 |
| Employer contributions | 6,742 |
| Rollover contributions | 269,356 |
| Earnings (loss) | 3,359,055 |
| Distributions | (2,106,229) |
| Net plan assets, September 30, 2017 | \$ 33,396,167 |

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

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, 2016 | \$ 93,521 |
| Employee Contributions | - |
| Earnings/(Loss) | 226 |
| Distributions | (21,314) |
| Net Plan Assets, September 30, 2017 | <u>\$ 72,433</u> |

7. Other Post-employment Benefits Payable (OPEB)

At September 30, 2009, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers 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, 2017.

Plan Description. The City participates in a single-employer 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 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.

Funding Policy. Premium contribution requirements are negotiated between the City and union representatives.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

Membership. There are 34 retired participants and dependents receiving health benefits. For FY 2017, the City's implicit contribution was \$281,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

| | 2016 | 2017 |
|--|--------------|--------------|
| Annual Required Contribution | \$ 1,175,000 | \$ 1,227,000 |
| Interest on Net OPEB Obligation | 224,000 | 251,000 |
| Adjustment to Annual Required Contribution | (485,000) | (544,000) |
| Annual OPEB Cost (Expense) | 914,000 | 934,000 |
| Contributions Made | (229,000) | (281,000) |
| Interest on Employer Contributions | (5,000) | (6,000) |
| Increase in Net OPEB Obligation | 680,000 | 647,000 |
| Net OPEB Obligation-Beginning of Year | 5,606,000 | 6,286,000 |
| Net OPEB Obligation-End of Year | \$ 6,286,000 | \$ 6,933,000 |

A summary of key information is, as follows:

| Year Ended | Cost | Cost Contributed by City | Net OPEB Obligation |
|------------|------------|--------------------------|---------------------|
| 9/30/2015 | \$ 897,000 | 26% | \$ 5,606,000 |
| 9/30/2016 | 914,000 | 26% | 6,286,000 |
| 9/30/2017 | 934,000 | 31% | 6,933,000 |

Funded Status and Funding Progress. The actuarial valuation date is October 1, 2015. As of September 30, 2017, the actuarial accrued liability for implicit benefits was \$7,308,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,308,000. The annual covered payroll for active employees covered by the plan was \$33,826,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, years of participation in the plan prior to reaching medicare eligibility and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Largo, Florida

Notes to Financial Statements

September 30, 2017

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, with 2.75% of the rate being attributed to inflation. The initial healthcare trend rate was 8%, reduced by decrements to an ultimate rate of 5.5% after five years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2017 was 13 years.

City of Largo, Florida
Required Supplementary Information
September 30, 2017

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

| | 2015 | 2016 | 2017 |
|--|------------------|------------------|-------------------|
| Service cost | \$ 2,575 | \$ 2,572 | \$ 2,778 |
| Interest | 11,080 | 11,499 | 11,916 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (427) | - | (1,057) |
| Changes of assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (7,325) | (7,965) | (9,478) |
| Other | 5 | - | - |
| Net change in total pension liability | 5,908 | 6,106 | 4,159 |
| Total pension liability-beginning | 148,821 | 154,729 | 160,835 |
| Total pension liability-ending | 154,729 | 160,835 | \$ 164,994 |
| Plan fiduciary net position | | | |
| Contributions-employer | \$ 4,591 | \$ 5,025 | \$ 4,648 |
| Contributions-employee | 706 | 940 | 1,208 |
| Net investment income | 10,838 | 497 | 9,877 |
| Benefit payments, including refunds of employee contributions | (7,325) | (7,965) | (9,478) |
| Administrative expense | (154) | (149) | (134) |
| Other | - | - | - |
| Net change in fiduciary net position | 8,656 | (1,652) | 6,121 |
| Plan fiduciary net position-beginning | 114,230 | 122,885 | 121,233 |
| Plan fiduciary net position-ending | 122,886 | 121,233 | 127,354 |
| Net pension liability | \$ 31,843 | \$ 39,602 | \$ 37,640 |
| Plan fiduciary net position as a percentage of the total pension liability | 79.42% | 75.38% | 77.19% |
| Covered employee payroll | 12,456 | 13,311 | 13,660 |
| Net pension liability as a percentage of covered payroll | 255.64% | 297.51% | 275.55% |

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, 2017

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

| | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 4,987 | 5,025 | \$ 4,648 | \$ 5,373 |
| Contributions in relation to the actuarially determined contribution | 4,591 | 5,025 | 4,648 | 5,373 |
| Contribution deficiency (excess) | 396 * | - | - | - |
| Covered-employee payroll | 12,456 | 13,311 | 13,660 | 15,419 |
| Contributions as a percentage of covered-employee payroll | 36.9% | 37.8% | 34.0% | 34.8% |

* Contribution deficiency in 2014 reflects excess contributions in 2013

Notes to Schedule:

Valuation Date: October 1, 2015

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:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | Market Value |
| Inflation | 3.0% |
| Salary Increases | 5.0% including inflation |
| Investment Rate of Return | 7.5% |
| Retirement Age | Experience-based table of rates that are specific to type of eligibility condition. |
| Mortality | RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. |

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, 2015 Actuarial Valuation Report dated January 8, 2016.

City of Largo, Florida
Required Supplementary Information
September 30, 2017

POLICE OFFICERS AND FIREFIGHTERS PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS

| | 2015 | 2016 | 2017 |
|--------------------------------------|-------------|-------------|-------------|
| Annual money-weighted rate of return | 10.66% | 0.33% | 9.09% |

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, 2017

POST-EMPLOYMENT HEALTH BENEFIT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ in thousands)

| Year Ended September 30 | ARC | % Contributed | Annual OPEB Cost | % Contributed |
|-------------------------|--------|---------------|------------------|---------------|
| 2014 | \$ 912 | 20% | \$ 707 | 25% |
| 2015 | 1,126 | 21% | 897 | 26% |
| 2016 | 1,175 | 20% | 914 | 26% |
| 2017 | 1,227 | 23% | 934 | 31% |

POST-EMPLOYMENT HEALTH BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS (\$ in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Percentage of Covered Payroll (b-a) / (c) |
|--------------------------|-------------------------------|-----------------------------|--------------------|--------------------|---------------------|---|
| 10/01/11 | \$ - | \$ 7,199 | \$ 7,199 | - | \$ 25,040 | 28.8% |
| 10/01/13 | - | 5,645 | 5,645 | - | 35,150 | 16.1% |
| 10/01/15 | - | 7,308 | 7,308 | - | N/A | N/A |

Notes to Schedule:

Methods and Assumptions Used to Determine OPEB Liability:

| | |
|---------------------------|---|
| Actuarial Cost Method | Projected unit credit |
| Actuarial Cost Method | 15-year open period; level-dollar payment |
| Investment Rate of Return | 4.0% per annum (includes inflation at 2.75% per annum) |

Healthcare Cost Trend Rate(s):

| | |
|--------------------|---|
| Insurance Premiums | |
| Select Rates | 8.0% for 2015/2016, graded to 5.50% for 2020/2021 |
| Ultimate Rate | 5.0% per annum |

Other Information:

Notes See Discussion of Valuation results in the October 1, 2015 Actuarial Valuation Report dated January 9, 2016

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CITY OF LARGO, FLORIDA
Largo Community Redevelopment Agency
Balance Sheet
September 30, 2017

Assets

| | |
|--------------------------|---------------------|
| Cash and investments | \$ 3,180,404 |
| Receivables | |
| Accrued interest | 28,392 |
| Property held for resale | 829,060 |
| Total assets | <u>\$ 4,037,856</u> |

Liabilities

| | |
|--------------------|----------------|
| Accounts payable | \$ 12,257 |
| Accrued payroll | 1,562 |
| Due to other funds | 532,000 |
| Total liabilities | <u>545,819</u> |

Fund balances

| | |
|--|---------------------|
| Restricted | 3,492,037 |
| Total fund balances | <u>3,492,037</u> |
| Total liabilities and fund balances | <u>\$ 4,037,856</u> |

CITY OF LARGO, FLORIDA
Largo Community Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2017

Revenues

| | |
|----------------------------------|----------------|
| Taxes | \$ 320,636 |
| Intergovernmental | 321,004 |
| Investment earnings | 21,953 |
| Sale of property held for resale | - |
| Other | 47,615 |
| Total revenues | <u>711,208</u> |

Expenditures

| | |
|----------------------|----------------|
| Current: | |
| Economic development | 311,239 |
| Capital outlay | 146,313 |
| Total expenditures | <u>457,552</u> |

| | |
|-----------------------------------|---------|
| Net change in fund balance | 253,656 |
|-----------------------------------|---------|

| | |
|---------------------------------|----------------------------|
| Fund balance - beginning | <u>3,238,381</u> |
| Fund balance - ending | <u><u>\$ 3,492,037</u></u> |

CITY OF LARGO, FLORIDA
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2017

| | Original Budget | Final Budget | Actual | Final Budget Variances Positive (Negative) |
|--|----------------------------|-----------------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 32,547,500 | \$ 32,547,500 | \$ 32,642,366 | \$ 94,866 |
| Licenses and permits | 5,906,500 | 5,906,500 | 5,723,838 | (182,662) |
| Intergovernmental | 11,148,800 | 11,173,200 | 10,146,005 | (1,027,195) |
| Charges for services | 14,439,100 | 14,532,300 | 14,769,087 | 236,787 |
| Fines | 366,000 | 366,000 | 403,111 | 37,111 |
| Interfund charges | 3,322,100 | 3,322,100 | 3,297,864 | (24,236) |
| Contributions and donations | 98,300 | 98,300 | 46,806 | (51,494) |
| Investment earnings | 175,000 | 175,000 | 154,933 | (20,067) |
| Other | 314,000 | 314,000 | 1,490,709 | 1,176,709 |
| Total revenues | <u>68,317,300</u> | <u>68,434,900</u> | <u>68,674,719</u> | <u>239,819</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 2,361,600 | 2,370,024 | 2,119,689 | 250,335 |
| Community Development | 2,545,000 | 2,619,131 | 2,225,307 | 393,824 |
| Finance | 799,600 | 805,100 | 780,742 | 24,358 |
| Fire Rescue | 17,819,600 | 17,922,316 | 17,163,793 | 758,523 |
| General Operating | 389,900 | 388,522 | 336,547 | 51,975 |
| Human Resources | 580,500 | 580,536 | 556,156 | 24,380 |
| Information Technology | 3,074,900 | 3,110,483 | 2,724,379 | 386,104 |
| Legislative | 354,900 | 356,025 | 336,010 | 20,015 |
| Library | 3,409,600 | 3,432,714 | 3,064,087 | 368,627 |
| Police | 21,345,500 | 21,523,835 | 21,348,310 | 175,525 |
| Public Works | 4,231,000 | 4,289,336 | 3,933,036 | 356,300 |
| Recreation, Parks & Arts | 11,531,300 | 11,989,051 | 9,718,000 | 2,271,051 |
| Capital outlay | 1,822,800 | 2,173,691 | 1,548,814 | 624,877 |
| Total expenditures | <u>70,266,200</u> | <u>71,560,764</u> | <u>65,854,870</u> | <u>5,705,894</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,948,900)</u> | <u>(3,125,864)</u> | <u>2,819,849</u> | <u>5,945,713</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 11,400 | 11,400 | - | (11,400) |
| Total other financing sources (uses) | <u>11,400</u> | <u>11,400</u> | <u>-</u> | <u>(11,400)</u> |
| Net change in fund balance | <u>\$ (1,937,500)</u> | <u>\$ (3,114,464)</u> | <u>2,819,849</u> | <u>\$ 5,934,313</u> |
| Fund balance - beginning | | | <u>12,673,805</u> | |
| Fund balance - ending | | | <u>\$ 15,493,654</u> | |



CITY OF LARGO, FLORIDA
Nonmajor Governmental Funds
September 30, 2017

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 Governmental Funds
September 30, 2017

| | County Gas Tax | Transportation Impact Fee | Multimodal Impact Fee | Construction Services | Stormwater |
|--|---------------------|------------------------------|--------------------------|--------------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 4,371,956 | \$ 3,869,429 | \$ 486,402 | \$ 3,663,293 | \$ 4,361,939 |
| Receivables | | | | | |
| Accrued interest | 51,559 | 34,324 | 4,290 | 33,337 | 37,708 |
| Accounts, billed | - | - | - | - | 568,957 |
| Accounts, unbilled | - | - | - | - | 488,017 |
| Special assessments | 14,604 | - | - | - | - |
| Due from other governments | 87,989 | - | - | - | 2,468 |
| Other | - | - | - | 4,344 | - |
| Due from other funds | - | - | - | - | - |
| Property held for resale | - | - | - | - | - |
| Notes and loans receivable | - | - | - | - | - |
| Total assets | <u>\$ 4,526,108</u> | <u>\$ 3,903,753</u> | <u>\$ 490,692</u> | <u>\$ 3,700,974</u> | <u>\$ 5,459,089</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 12,990 | \$ 45,080 | \$ - | \$ 10,801 | \$ 145,340 |
| Accrued payroll | - | - | - | 23,412 | 47,166 |
| Due to other governments | - | 18,818 | 146,018 | - | - |
| Due to other funds | - | - | - | - | - |
| Deposits | - | - | - | 668 | - |
| Unearned revenue | 28,531 | - | - | - | - |
| Total liabilities | <u>41,521</u> | <u>63,898</u> | <u>146,018</u> | <u>34,881</u> | <u>192,506</u> |
| Deferred inflows | | | | | |
| Unavailable revenue | - | - | - | - | - |
| Total deferred inflows | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances | | | | | |
| Restricted | 4,484,587 | 3,839,855 | 344,674 | 3,666,093 | 5,266,583 |
| Assigned | - | - | - | - | - |
| Total fund balances | <u>4,484,587</u> | <u>3,839,855</u> | <u>344,674</u> | <u>3,666,093</u> | <u>5,266,583</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 4,526,108</u> | <u>\$ 3,903,753</u> | <u>\$ 490,692</u> | <u>\$ 3,700,974</u> | <u>\$ 5,459,089</u> |

| Community Redevelopment Agency | PCH | Program Special Revenue | Parkland Dedication | Neighborhood Stabilization Program 2 | Total Nonmajor Special Revenue Funds |
|--------------------------------------|-------------------|-------------------------------|------------------------|--|--|
| \$ 3,180,404 | \$ 2,829 | \$ 1,546,977 | \$ 2,119,640 | \$ - | \$ 23,602,869 |
| 28,392 | - | 13,912 | 18,790 | - | 222,312 |
| - | - | - | - | - | 568,957 |
| - | - | - | - | - | 488,017 |
| - | - | - | - | - | 14,604 |
| - | - | 1,242 | - | - | 91,699 |
| - | 658 | - | 19,778 | - | 24,780 |
| - | - | - | 189,000 | - | 189,000 |
| 829,060 | - | - | - | - | 829,060 |
| - | 728,323 | - | - | 116,250 | 844,573 |
| <u>\$ 4,037,856</u> | <u>\$ 731,810</u> | <u>\$ 1,562,131</u> | <u>\$ 2,347,208</u> | <u>\$ 116,250</u> | <u>\$ 26,875,871</u> |
| | | | | | |
| \$ 12,257 | \$ - | \$ 9,455 | \$ - | \$ - | \$ 235,923 |
| 1,562 | - | - | - | - | 72,140 |
| - | - | - | - | - | 164,836 |
| 532,000 | - | - | - | - | 532,000 |
| - | - | - | - | - | 668 |
| - | 210,019 | - | - | 116,250 | 354,800 |
| <u>545,819</u> | <u>210,019</u> | <u>9,455</u> | <u>-</u> | <u>116,250</u> | <u>1,360,367</u> |
| | | | | | |
| - | 518,304 | - | - | - | 518,304 |
| - | 518,304 | - | - | - | 518,304 |
| | | | | | |
| 3,492,037 | 3,487 | 1,377,343 | 2,347,208 | - | 24,821,867 |
| - | - | 175,333 | - | - | 175,333 |
| <u>3,492,037</u> | <u>3,487</u> | <u>1,552,676</u> | <u>2,347,208</u> | <u>-</u> | <u>24,997,200</u> |
| <u>\$ 4,037,856</u> | <u>\$ 731,810</u> | <u>\$ 1,562,131</u> | <u>\$ 2,347,208</u> | <u>\$ 116,250</u> | <u>\$ 26,875,871</u> |

CITY OF LARGO, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2017

| | County Gas Tax | Transportation Impact Fee | Multimodal Impact Fee | Construction Services | Stormwater |
|------------------------------------|---------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ 154,904 | \$ - | \$ - |
| Licenses and permits | - | - | - | 1,465,796 | - |
| Intergovernmental | 1,044,602 | - | - | - | 16,150 |
| Charges for services | - | - | - | - | 5,663,693 |
| Contributions and donations | - | - | - | - | - |
| Investment earnings | 30,099 | 28,416 | 3,015 | 27,618 | 29,374 |
| Other | - | - | - | - | 98,265 |
| Total revenues | <u>1,074,701</u> | <u>28,416</u> | <u>157,919</u> | <u>1,493,414</u> | <u>5,807,482</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | - | - | - | - | - |
| Public works | 337,283 | - | - | - | 3,661,224 |
| Economic development | - | - | - | 1,525,130 | - |
| Culture and recreation | - | - | - | - | - |
| Capital outlay | 991,523 | 392,274 | - | 266,079 | 1,484,639 |
| Total expenditures | <u>1,328,806</u> | <u>392,274</u> | <u>-</u> | <u>1,791,209</u> | <u>5,145,863</u> |
| Net change in fund balances | (254,105) | (363,858) | 157,919 | (297,795) | 661,619 |
| Fund balances - beginning | <u>4,738,692</u> | <u>4,203,713</u> | <u>186,755</u> | <u>3,963,888</u> | <u>4,604,964</u> |
| Fund balances - ending | <u>\$ 4,484,587</u> | <u>\$ 3,839,855</u> | <u>\$ 344,674</u> | <u>\$ 3,666,093</u> | <u>\$ 5,266,583</u> |

| Community Redevelopment Agency | PCH | Program Special Revenue | Parkland Dedication | Neighborhood Stabilization Program 2 | Total Nonmajor Special Revenue Funds |
|---|------------|--|--------------------------------|---|---|
| \$ 320,636 | \$ - | \$ 200,840 | \$ 28,985 | \$ - | \$ 705,365 |
| - | - | - | - | - | 1,465,796 |
| 321,004 | - | 98,662 | - | - | 1,480,418 |
| - | - | 10,957 | - | - | 5,674,650 |
| - | - | 161,499 | - | - | 161,499 |
| 21,953 | - | 11,964 | 15,382 | - | 167,821 |
| 47,615 | 7,887 | - | - | - | 153,767 |
| 711,208 | 7,887 | 483,922 | 44,367 | - | 9,809,316 |
| - | - | 160,083 | - | - | 160,083 |
| - | - | - | - | - | 3,998,507 |
| 311,239 | - | - | - | - | 1,836,369 |
| - | - | 264,981 | - | - | 264,981 |
| 146,313 | - | 86,192 | - | - | 3,367,020 |
| 457,552 | - | 511,256 | - | - | 9,626,960 |
| 253,656 | 7,887 | (27,334) | 44,367 | - | 182,356 |
| 3,238,381 | (4,400) | 1,580,010 | 2,302,841 | - | 24,814,844 |
| \$ 3,492,037 | \$ 3,487 | \$ 1,552,676 | \$ 2,347,208 | \$ - | \$ 24,997,200 |

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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 1,015,000 | \$ 1,015,000 | \$ 1,044,602 | \$ 29,602 |
| Investment earnings | 45,000 | 45,000 | 30,099 | (14,901) |
| Total revenues | <u>1,060,000</u> | <u>1,060,000</u> | <u>1,074,701</u> | <u>14,701</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | 450,000 | 450,000 | 337,283 | 112,717 |
| Capital outlay | 3,286,000 | 4,500,721 | 991,523 | 3,509,198 |
| Total expenditures | <u>3,736,000</u> | <u>4,950,721</u> | <u>1,328,806</u> | <u>3,621,915</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,676,000)</u> | <u>(3,890,721)</u> | <u>(254,105)</u> | <u>3,636,616</u> |
| Net change in fund balance | <u>\$ (2,676,000)</u> | <u>\$ (3,890,721)</u> | <u>(254,105)</u> | <u>\$ 3,636,616</u> |
| Fund Balance - beginning | | | <u>4,738,692</u> | |
| Fund Balance - ending | | | <u>\$ 4,484,587</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Investment earnings | \$ 40,000 | \$ 40,000 | \$ 28,416 | \$ (11,584) |
| Total revenues | <u>40,000</u> | <u>40,000</u> | <u>28,416</u> | <u>(11,584)</u> |
| Expenditures | | | | |
| Capital outlay | <u>2,229,000</u> | <u>2,804,151</u> | <u>392,274</u> | <u>2,411,877</u> |
| Total expenditures | <u>2,229,000</u> | <u>2,804,151</u> | <u>392,274</u> | <u>2,411,877</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,189,000)</u> | <u>(2,764,151)</u> | <u>(363,858)</u> | <u>2,400,293</u> |
| Net change in fund balance | <u>\$ (2,189,000)</u> | <u>\$ (2,764,151)</u> | <u>(363,858)</u> | <u>\$ 2,400,293</u> |
| Fund Balance - beginning | | | <u>4,203,713</u> | |
| Fund Balance - ending | | | <u>\$ 3,839,855</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Taxes | \$ 200,000 | \$ 200,000 | \$ 154,904 | \$ (45,096) |
| Investment earnings | 2,000 | 2,000 | 3,015 | 1,015 |
| Total revenues | <u>202,000</u> | <u>202,000</u> | <u>157,919</u> | <u>(44,081)</u> |
| Net change in fund balance | <u>\$ 202,000</u> | <u>\$ 202,000</u> | 157,919 | <u>\$ (44,081)</u> |
| Fund Balance - beginning | | | <u>186,755</u> | |
| Fund Balance - ending | | | <u>\$ 344,674</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Licenses and permits | \$ 2,000,000 | \$ 2,000,000 | \$ 1,465,796 | \$ (534,204) |
| Investment earnings | 40,000 | 40,000 | 27,618 | (12,382) |
| Total revenues | <u>2,040,000</u> | <u>2,040,000</u> | <u>1,493,414</u> | <u>(546,586)</u> |
| Expenditures | | | | |
| Current | | | | |
| Economic development | 2,065,200 | 2,085,401 | 1,525,130 | 560,271 |
| Capital outlay | 50,800 | 270,633 | 266,079 | 4,554 |
| Total expenditures | <u>2,116,000</u> | <u>2,356,034</u> | <u>1,791,209</u> | <u>564,825</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(76,000)</u> | <u>(316,034)</u> | <u>(297,795)</u> | <u>18,239</u> |
| Net change in fund balance | <u>\$ (76,000)</u> | <u>\$ (316,034)</u> | <u>(297,795)</u> | <u>\$ 18,239</u> |
| Fund Balance - beginning | | | <u>3,963,888</u> | |
| Fund Balance - ending | | | <u>\$ 3,666,093</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, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ - | \$ - | \$ 16,150 | \$ 16,150 |
| Charges for services | 5,644,800 | 5,644,800 | 5,663,693 | 18,893 |
| Investment earnings | 20,000 | 20,000 | 29,374 | 9,374 |
| Other | 80,000 | 80,000 | 98,265 | 18,265 |
| Total revenues | <u>5,744,800</u> | <u>5,744,800</u> | <u>5,807,482</u> | <u>62,682</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | 4,168,100 | 4,409,775 | 3,661,224 | 748,551 |
| Capital outlay | 4,171,400 | 5,404,107 | 1,484,639 | 3,919,468 |
| Total expenditures | <u>8,339,500</u> | <u>9,813,882</u> | <u>5,145,863</u> | <u>4,668,019</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,594,700)</u> | <u>(4,069,082)</u> | <u>661,619</u> | <u>4,730,701</u> |
| Net change in fund balance | <u>\$ (2,594,700)</u> | <u>\$ (4,069,082)</u> | <u>661,619</u> | <u>\$ 4,730,701</u> |
| Fund Balance - beginning | | | <u>4,604,964</u> | |
| Fund Balance - ending | | | <u>\$ 5,266,583</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, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 321,500 | \$ 321,500 | \$ 320,636 | \$ (864) |
| Intergovernmental | 321,700 | 321,700 | 321,004 | (696) |
| Investment earnings | 12,000 | 12,000 | 21,953 | 9,953 |
| Other | - | - | 47,615 | 47,615 |
| Total revenues | <u>655,200</u> | <u>655,200</u> | <u>711,208</u> | <u>56,008</u> |
| Expenditures | | | | |
| Economic development | 309,700 | 491,227 | 311,239 | 179,988 |
| Capital outlay | 445,000 | 740,044 | 146,313 | 593,731 |
| Total expenditures | <u>754,700</u> | <u>1,231,271</u> | <u>457,552</u> | <u>773,719</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(99,500)</u> | <u>(576,071)</u> | <u>253,656</u> | <u>829,727</u> |
| Net change in fund balance | <u>\$ (99,500)</u> | <u>\$ (576,071)</u> | <u>253,656</u> | <u>\$ 829,727</u> |
| Fund Balance - beginning | | | <u>3,238,381</u> | |
| Fund Balance - ending | | | <u>\$ 3,492,037</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-----------------------------------|----------------------------|-------------------------|-----------------|---|
| Revenues | | | | |
| Other | \$ 7,900 | \$ 7,900 | \$ 7,887 | \$ (13) |
| Current | | | | |
| Total revenues | <u>7,900</u> | <u>7,900</u> | <u>7,887</u> | <u>(13)</u> |
| Net change in fund balance | <u>\$ 7,900</u> | <u>\$ 7,900</u> | 7,887 | <u>\$ (13)</u> |
| Fund Balance - beginning | | | <u>(4,400)</u> | |
| Fund Balance - ending | | | <u>\$ 3,487</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, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 100,000 | \$ 100,000 | \$ 200,840 | \$ 100,840 |
| Intergovernmental | 101,000 | 101,000 | 98,662 | (2,338) |
| Charges for services | 24,500 | 24,500 | 10,957 | (13,543) |
| Contributions and donations | 181,000 | 222,700 | 161,499 | (61,201) |
| Investment earnings | 20,000 | 20,000 | 11,964 | (8,036) |
| Total revenues | <u>426,500</u> | <u>468,200</u> | <u>483,922</u> | <u>15,722</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 143,200 | 192,800 | 160,083 | 32,717 |
| Economic development | 5,000 | 5,000 | - | 5,000 |
| Culture and recreation | 401,700 | 476,923 | 264,981 | 211,942 |
| Capital outlay | <u>174,000</u> | <u>230,506</u> | <u>86,192</u> | <u>144,314</u> |
| Total expenditures | <u>723,900</u> | <u>905,229</u> | <u>511,256</u> | <u>393,973</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(297,400)</u> | <u>(437,029)</u> | <u>(27,334)</u> | <u>409,695</u> |
| Other Financing Sources/(Uses) | | | | |
| Transfers out | <u>(11,400)</u> | <u>(11,400)</u> | <u>-</u> | <u>11,400</u> |
| Total other financing sources (uses) | <u>(11,400)</u> | <u>(11,400)</u> | <u>-</u> | <u>11,400</u> |
| Net change in fund balance | <u>\$ (308,800)</u> | <u>\$ (448,429)</u> | <u>(27,334)</u> | <u>\$ 421,095</u> |
| Fund Balance - beginning | | | <u>1,580,010</u> | |
| Fund Balance - ending | | | <u>\$ 1,552,676</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-----------------------------------|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 28,985 | \$ 28,985 |
| Investment earnings | <u>20,000</u> | <u>20,000</u> | <u>15,382</u> | <u>(4,618)</u> |
| Total revenues | <u>20,000</u> | <u>20,000</u> | <u>44,367</u> | <u>24,367</u> |
| Net change in fund balance | <u>\$ 20,000</u> | <u>\$ 20,000</u> | 44,367 | <u>\$ 24,367</u> |
| Fund Balance - beginning | | | <u>2,302,841</u> | |
| Fund Balance - ending | | | <u>\$ 2,347,208</u> | |

CITY OF LARGO, FLORIDA
Internal Service Funds
September 30, 2017

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 Assets
Internal Service Funds
September 30, 2017

| | Fleet Services | Risk Management | Total |
|-----------------------------------|-----------------------|------------------------|--------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 725,530 | \$ 5,263,488 | \$ 5,989,018 |
| Accrued interest receivable | 5,640 | 43,008 | 48,648 |
| Accounts receivable, billed, net | - | 35,165 | 35,165 |
| Other receivables | - | 237,021 | 237,021 |
| Inventories, at cost | 118,612 | - | 118,612 |
| Prepaid expenses and deposits | - | 620,226 | 620,226 |
| Total current assets | 849,782 | 6,198,908 | 7,048,690 |
| Capital assets | | | |
| Improvements other than buildings | 86,746 | - | 86,746 |
| Machinery and equipment | 519,918 | - | 519,918 |
| Intangible assets | 1,723 | 12,061 | 13,784 |
| Less accumulated depreciation | (377,503) | (704) | (378,207) |
| Total capital assets | 230,884 | 11,357 | 242,241 |
| Total assets | 1,080,666 | 6,210,265 | 7,290,931 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 164,947 | 151,543 | 316,490 |
| Accrued payroll and vacation | 43,982 | 23,830 | 67,812 |
| Total current liabilities | 208,929 | 175,373 | 384,302 |
| Noncurrent liabilities | | | |
| Unearned revenue | - | 558,565 | 558,565 |
| Estimated claims payable | - | 2,030,000 | 2,030,000 |
| Compensated absences | 10,581 | - | 10,581 |
| Total noncurrent liabilities | 10,581 | 2,588,565 | 2,599,146 |
| Total liabilities | 219,510 | 2,763,938 | 2,983,448 |
| Net position | | | |
| Net investment in capital assets | 230,884 | 11,357 | 242,241 |
| Unrestricted | 630,272 | 3,434,970 | 4,065,242 |
| Total net position | \$ 861,156 | \$ 3,446,327 | \$ 4,307,483 |

CITY OF LARGO, FLORIDA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2017

| | Fleet Services | Risk Management | Total |
|--|-----------------------|----------------------------|---------------------|
| Operating revenues | | | |
| Charges for services | \$ 2,359,642 | \$ 11,435,481 | \$ 13,795,123 |
| Total operating revenues | <u>2,359,642</u> | <u>11,435,481</u> | <u>13,795,123</u> |
| Operating expenses | | | |
| Personnel services | 901,654 | 429,865 | 1,331,519 |
| Cost of goods sold | 790,274 | - | 790,274 |
| Contractual services | 252,216 | 286,244 | 538,460 |
| Supplies | 47,359 | 2,565 | 49,924 |
| Repairs and maintenance | 45,449 | - | 45,449 |
| Utilities | 9,387 | - | 9,387 |
| Professional services | 2,676 | 338,878 | 341,554 |
| Fuel | 8,154 | - | 8,154 |
| Charges by the Fleet Services Fund | 24,000 | - | 24,000 |
| Charges by the General Fund | 125,200 | 19,300 | 144,500 |
| Charges by the Risk Management Fund | 19,400 | - | 19,400 |
| Depreciation and amortization | 35,313 | 704 | 36,017 |
| Claims | - | 2,295,279 | 2,295,279 |
| Insurance | - | 8,443,612 | 8,443,612 |
| Other | 38,092 | 31,449 | 69,541 |
| Total operating expenses | <u>2,299,174</u> | <u>11,847,896</u> | <u>14,147,070</u> |
| Operating income (loss) | <u>60,468</u> | <u>(412,415)</u> | <u>(351,947)</u> |
| Nonoperating revenues | | | |
| Investment earnings | 4,141 | 36,124 | 40,265 |
| Gain or loss on disposal of capital assets | 10,590 | - | 10,590 |
| Grants | 6,635 | - | 6,635 |
| Other, net | (29,797) | 29,735 | (62) |
| Total nonoperating revenues | <u>(8,431)</u> | <u>65,859</u> | <u>57,428</u> |
| Change in net position | <u>52,037</u> | <u>(346,556)</u> | <u>(294,519)</u> |
| Total net position - beginning | <u>809,119</u> | <u>3,792,883</u> | <u>4,602,002</u> |
| Total net position - ending | <u>\$ 861,156</u> | <u>\$ 3,446,327</u> | <u>\$ 4,307,483</u> |

CITY OF LARGO, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2017

| | Fleet Services | Risk Management | Total |
|---|-------------------|---------------------|---------------------|
| Operating activities | | | |
| Cash received from customers | \$ 3,397,242 | \$ 9,942,634 | \$ 13,339,876 |
| Cash received from internal departments | - | 1,474,100 | 1,474,100 |
| Cash paid to employees | (913,681) | - | (913,681) |
| Cash paid to vendors | (2,140,351) | (11,414,038) | (13,554,389) |
| Cash paid for internal services | (181,167) | (19,300) | (200,467) |
| Net cash provided by (used in) operating activities | <u>162,043</u> | <u>(16,604)</u> | <u>145,439</u> |
| Non-capital financing activities | | | |
| Cash received from granting agencies | 6,635 | - | 6,635 |
| Net cash provided by (used in) non capital financing activities | <u>6,635</u> | <u>-</u> | <u>6,635</u> |
| Capital and related financing activities | | | |
| Sale of capital assets | 64,692 | - | 64,692 |
| Acquisition of capital assets | (154,511) | (12,061) | (166,572) |
| Net cash provided by (used in) capital and related financing activities | <u>(89,819)</u> | <u>(12,061)</u> | <u>(101,880)</u> |
| Investing activities | | | |
| Investment earnings | 2,610 | 28,851 | 31,461 |
| Net cash provided by investing activities | <u>2,610</u> | <u>28,851</u> | <u>31,461</u> |
| Net increase (decrease) in cash and cash equivalents/investments | <u>81,469</u> | <u>186</u> | <u>81,655</u> |
| Cash and cash equivalents/investments | | | |
| Beginning of year | <u>644,061</u> | <u>5,263,302</u> | <u>5,907,363</u> |
| End of year | <u>\$ 725,530</u> | <u>\$ 5,263,488</u> | <u>\$ 5,989,018</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | |
| Operating income (loss) | \$ 60,468 | \$ (412,415) | \$ (351,947) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Other revenue/(expenses) | | 29,735 | 29,735 |
| Depreciation and amortization | 35,313 | 704 | 36,017 |
| (Increase)/decrease in assets and increase/(decrease) in liabilities | | | |
| Accounts receivable | 980 | (23,443) | (22,463) |
| Inventories | 17,349 | - | 17,349 |
| Prepaid expenses and other assets | - | 2,021 | 2,021 |
| Accounts payable | 59,960 | (124,351) | (64,391) |
| Accrued payroll and vacation | (12,027) | (10,283) | (22,310) |
| Unearned revenue | - | 43,428 | 43,428 |
| Estimated claims payable | - | 478,000 | 478,000 |
| Total adjustments | <u>101,575</u> | <u>395,811</u> | <u>497,386</u> |
| Net cash provided by (used in) operating activities | <u>\$ 162,043</u> | <u>\$ (16,604)</u> | <u>\$ 145,439</u> |

CITY OF LARGO, FLORIDA
Supplemental to Financial Statements
September 30, 2017

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.)

| | Districts | | |
|--|------------------|------------------------|-------------------|
| | Largo | Belleair Bluffs | High Point |
| Total Expenditures by Contractor | \$ 17,883,358 | \$ 1,829,637 | \$ 2,009,668 |
| Other Funding Sources | | | |
| EMS | 4,148,873 | 523,755 | 523,755 |
| EMS and Fire Rescue Vehicles | 230,056 | - | 3,866 |
| Tech Rescue and CME Reimbursement | 49,602 | 6,262 | 6,262 |
| State Pension | 372,728 | 124,243 | 124,243 |
| City of Belleair Bluffs | 293,754 | - | - |
| Town of Belleair | 279,797 | 279,797 | - |
| Fire Inspections Fees | 117,864 | - | - |
| Plan Review Fees | 277,063 | - | - |
| State Education Incentive | 44,265 | 5,437 | 6,151 |
| Total Other Funding Sources | 5,814,002 | 939,494 | 664,277 |
| Net Outlay by Contractor | 12,069,356 | 890,143 | 1,345,391 |
| Pinellas County Percentage of District Total | 14.68% | 64.65% | 74.97% |
| Pinellas County Share | 1,771,781 | 575,478 | 1,008,640 |
| Amount Paid to City by Pinellas County Total | 1,287,572 | 453,377 | 1,073,630 |
| Due to Pinellas County (overexpended) | \$ (484,209) | \$ (122,101) | \$ 64,990 |

CITY OF LARGO, FLORIDA
Schedule of Revenue and Expenditures and Changes in Reserves -
Largo Fire and Emergency Medical Services
Year Ended September 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|--|---------------|---------------|---|---------------|---------------|---|
| | Budget | Actual | Variance favorable (unfavorable) | Budget | Actual | Variance favorable (unfavorable) |
| Revenue | | | | | | |
| County | | | | | | |
| Fire | \$ 1,270,000 | \$ 1,287,572 | \$ 17,572 | \$ 1,464,000 | \$ 1,343,385 | \$ (120,615) |
| EMS | 4,022,100 | 4,148,873 | 126,773 | 4,291,800 | 3,241,527 | (1,050,273) |
| Capital Contribution | 756,000 | 230,056 | (525,944) | 756,000 | 416,317 | 339,683 |
| State | | | | | | |
| Pension contribution | 381,000 | 372,728 | (8,272) | 381,000 | 344,941 | (36,059) |
| Education incentive | 39,900 | 44,265 | 4,365 | 39,900 | 45,858 | 5,958 |
| Hazmat, Tech Rescue and CME restitution | 112,000 | 94,260 | (17,740) | 40,000 | 91,263 | 51,263 |
| Municipality | | | | | | |
| Belleair Bluffs mgmt. contract | 296,700 | 293,754 | (2,946) | 275,100 | 268,139 | (6,961) |
| Town of Belleair mgmt. contract | 281,200 | 279,797 | (1,403) | 250,050 | 243,770 | (6,280) |
| Current | 11,848,718 | 11,132,053 | (716,665) | 10,164,610 | 7,578,785 | (2,585,825) |
| Total revenue | 19,007,618 | 17,883,358 | (1,124,260) | 17,662,460 | 13,573,985 | (4,088,475) |
| Expenditures | | | | | | |
| General Fund | | | | | | |
| Salaries and benefits | 12,446,900 | 12,173,403 | 273,497 | 11,652,400 | 11,243,617 | 408,783 |
| Operating | 1,471,534 | 1,186,861 | 284,673 | 1,598,616 | 1,479,000 | 119,616 |
| Capital outlay | 253,180 | 55,880 | 197,300 | 305,195 | 90,580 | 214,615 |
| Local Option Sales Tax Fund | | | | | | |
| Capital outlay | 4,836,004 | 4,467,214 | 368,790 | 4,106,249 | 760,788 | 3,345,461 |
| Total expenditures | 19,007,618 | 17,883,358 | 1,124,260 | 17,662,460 | 13,573,985 | 4,088,475 |
| Excess of revenue over expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | 2017 | 2016 |
|--|--------------|-------------|
| Largo Fire Reserve | | |
| Designated fund balance at beginning of year | \$ 853,010 | \$ 846,250 |
| Expenditures | - | - |
| Additions to reserves | 209,690 | 6,760 |
| Designated fund balance at end of year | \$ 1,062,700 | \$ 853,010 |

Notes

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas.
FY 2016 reduction was \$76,932 for FY2015 overpayment, FY2017 reduction was \$25,323 for FY2016 overpayment.
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, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|------------------|------------------|--|------------------|------------------|--|
| | Budget | Actual | Variance favorable (unfavorable) | Budget | Actual | Variance favorable (unfavorable) |
| Revenue | | | | | | |
| County | | | | | | |
| Fire | \$ 683,800 | 453,377 | \$ (230,423) | \$ 360,000 | \$ 718,990 | \$ 358,990 |
| EMS | 507,700 | 523,755 | 16,055 | 127,000 | 458,451 | 331,451 |
| Capital Contribution | - | 3,866 | 3,866 | 693,000 | 445,615 | (247,385) |
| State | | | | | | |
| Pension contribution | 127,000 | 124,243 | (2,757) | 127,000 | 114,981 | (12,019) |
| Education incentive | 2,000 | 5,437 | 3,437 | 2,000 | 5,189 | 3,189 |
| Hazmat, Tech Rescue and CMERestitution | - | 6,262 | 6,262 | - | 8,138 | 8,138 |
| Municipality | | | | | | |
| Town of Belleair mgmt contract | 281,100 | 279,797 | (1,303) | 250,050 | 243,770 | (6,280) |
| Current | 337,378 | 432,900 | 95,522 | 1,053,372 | 414,657 | (638,715) |
| Total revenue | <u>1,938,978</u> | <u>1,829,637</u> | <u>(109,341)</u> | <u>2,612,422</u> | <u>2,409,791</u> | <u>(202,631)</u> |
| Expenditures | | | | | | |
| General Fund | | | | | | |
| Salaries and benefits | 1,651,600 | 1,588,279 | 63,321 | 1,628,500 | 1,466,200 | 162,300 |
| Operating | 273,639 | 230,712 | 42,927 | 285,922 | 259,626 | 26,296 |
| Capital outlay | 5,000 | - | 5,000 | 698,000 | 683,965 | 14,035 |
| Local Option Sales Tax Fund | | | | | | |
| Capital outlay | 8,739 | 10,646 | -8739 | - | - | - |
| Total expenditures | <u>1,938,978</u> | <u>1,829,637</u> | <u>109,341</u> | <u>2,612,422</u> | <u>2,409,791</u> | <u>202,631</u> |
| Excess of revenue over expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Belleair Bluffs Fire Reserve | | |
| Designated fund balance at beginning of year | \$ 154,270 | \$ 543,570 |
| Expenditures | | (389,300) |
| Additions to reserves | 7,630 | - |
| Designated fund balance at end of year | <u>\$ 161,900</u> | <u>\$ 154,270</u> |

Notes

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas.
FY 2016 reduction was \$0 for FY 2015 overpayment. FY 2017 reduction was \$0 for FY 2016 overpayment.
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, 2017 and 2016

| | 2017 | | | 2016 | | |
|--|------------------|------------------|---|------------------|------------------|---|
| | Budget | Actual | Variance favorable (unfavorable) | Budget | Actual | Variance favorable (unfavorable) |
| Revenue | | | | | | |
| County | | | | | | |
| Fire | \$ 1,054,500 | \$ 1,073,630 | \$ 19,130 | \$ 1,050,000 | \$ 1,153,733 | \$ 103,733 |
| EMS | 507,700 | 523,755 | 16,055 | 477,000 | 457,446 | (19,554) |
| State | | | | | | |
| Pension contribution | 127,000 | 124,243 | (2,757) | 127,000 | 114,981 | (12,019) |
| Education incentive | 3,100 | 6,151 | 3,051 | 3,100 | 5,893 | 2,793 |
| Hazmat, Tech Rescue and CME Restitution | - | 6,262 | 6,262 | - | 8,120 | 8,120 |
| Municipality | | | | | | |
| Current | 422,484 | 275,627 | (146,857) | 498,046 | 166,364 | (331,682) |
| Total revenue | <u>2,114,784</u> | <u>2,009,668</u> | <u>(105,116)</u> | <u>2,155,146</u> | <u>1,906,537</u> | <u>(248,609)</u> |
| Expenditures | | | | | | |
| General Fund | | | | | | |
| Salaries and benefits | 1,811,600 | 1,771,387 | 40,213 | 1,789,100 | 1,633,924 | 155,176 |
| Operating | 267,044 | 213,141 | 53,903 | 292,546 | 255,135 | 37,411 |
| Capital outlay | 12,400 | 1,400 | 11,000 | 73,500 | 17,478 | 56,022 |
| Local Option Sales Tax Fund | | | | | | |
| Capital outlay | 23,740 | 23,740 | - | - | - | - |
| Total expenditures | <u>2,114,784</u> | <u>2,009,668</u> | <u>105,116</u> | <u>2,155,146</u> | <u>1,906,537</u> | <u>248,609</u> |
| Excess of revenue over expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | 2017 | 2016 |
|--|-------------------|-------------------|
| High Point Fire Reserve | \$ 219,250 | \$ - |
| Designated fund balance at beginning of year | 272,640 | - |
| Expenditures | <u>272,640</u> | <u>219,250</u> |
| Additions to reserves | | |
| Designated fund balances at end of year | <u>\$ 491,890</u> | <u>\$ 219,250</u> |

Notes

Fire revenues are shown at gross. Actual amounts received were reduced for overpayment by the County of Pinellas. FY 2016 reduction was \$0 for FY2015 overpayment. FY2017 reduction was \$145,443 for FY 2016 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

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 Position by Component |
| Schedule B | Changes in Net Position |
| 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) | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net invested in | | | | | | | | | | |
| capital assets | \$ 104,258 | \$ 109,483 | \$ 118,176 | \$ 113,640 | \$ 113,597 | \$ 117,811 | \$ 122,265 | \$ 122,159 | \$ 124,369 | 126,873 |
| Restricted | 32,040 | 30,938 | 20,481 | 26,783 | 35,520 | 34,495 | 33,541 | 37,313 | 41,783 | 40,747 |
| Unrestricted | 18,538 | 21,894 | 24,271 | 20,745 | 11,033 | 9,690 | 11,350 | (20,187) | (20,472) | (18,660) |
| Total governmental activities net position | 154,836 | 162,315 | 162,928 | 161,168 | 160,150 | 161,996 | 167,156 | 139,285 | 145,680 | 148,960 |
| Business-type activities | | | | | | | | | | |
| Net invested in | | | | | | | | | | |
| capital assets | 49,374 | 49,992 | 50,361 | 53,805 | 58,868 | 61,381 | 65,018 | 78,180 | 99,029 | 88,411 |
| Restricted | 11,000 | 11,165 | 11,467 | 11,532 | 11,866 | 12,386 | 7,406 | 8,390 | 8,992 | 9,114 |
| Unrestricted | 28,181 | 32,670 | 36,110 | 35,308 | 32,509 | 36,621 | 42,270 | 33,892 | 17,516 | 30,241 |
| Total business-type activities net position | 88,555 | 93,827 | 97,938 | 100,645 | 103,243 | 110,388 | 114,694 | 120,462 | 125,537 | 127,766 |
| Primary government | | | | | | | | | | |
| Net invested in | | | | | | | | | | |
| capital assets | 153,632 | 159,475 | 168,537 | 167,445 | 172,465 | 179,192 | 187,283 | 200,339 | 223,398 | 215,284 |
| Restricted | 43,040 | 42,103 | 31,948 | 38,315 | 47,386 | 46,881 | 40,947 | 45,703 | 50,775 | 49,861 |
| Unrestricted | 46,719 | 54,564 | 60,381 | 56,053 | 43,542 | 46,311 | 53,620 | 13,705 | (2,956) | 11,581 |
| Total primary government net position | \$ 243,391 | \$ 256,142 | \$ 260,866 | \$ 261,813 | \$ 263,393 | \$ 272,384 | \$ 281,850 | \$ 259,747 | \$ 271,217 | 276,726 |

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) | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 7,453 | \$ 6,939 | \$ 7,556 | \$ 7,093 | \$ 6,839 | \$ 6,736 | \$ 6,311 | \$ 6,650 | \$ 7,567 | \$ 8,273 |
| Public safety | 32,378 | 32,781 | 36,766 | 37,138 | 37,160 | 36,352 | 35,695 | 36,685 | 39,663 | 40,824 |
| Public Works | 10,036 | 7,854 | 9,480 | 10,560 | 10,106 | 8,372 | 8,735 | 9,253 | 8,805 | 8,195 |
| Economic development | 4,304 | 4,614 | 3,881 | 3,301 | 4,375 | 5,603 | 5,282 | 5,121 | 5,511 | 9,264 |
| Culture and recreation | 13,888 | 14,572 | 14,957 | 14,313 | 14,202 | 13,517 | 14,714 | 16,118 | 15,912 | 15,833 |
| Interest on long-term debt | 129 | 58 | 39 | 248 | 554 | 516 | 447 | 376 | 298 | 232 |
| Total governmental activities expenses | 68,188 | 66,818 | 72,679 | 72,653 | 73,236 | 71,096 | 71,184 | 74,203 | 77,756 | 82,621 |
| Business-type activities | | | | | | | | | | |
| Wastewater | 20,025 | 19,135 | 19,853 | 20,632 | 21,093 | 17,005 | 18,647 | 18,356 | 19,111 | 21,238 |
| Solid Waste | 9,781 | 9,404 | 9,533 | 10,195 | 9,703 | 9,788 | 10,358 | 10,586 | 10,542 | 11,596 |
| Golf Course | 1,127 | 1,113 | 1,072 | 1,003 | 1,007 | 969 | 1,007 | 996 | 1,012 | 1,133 |
| Total business-type activities expenses | 30,933 | 29,652 | 30,458 | 31,830 | 31,803 | 27,762 | 30,012 | 29,938 | 30,665 | 33,967 |
| Total primary government expenses | \$ 99,121 | \$ 96,470 | \$ 103,137 | \$ 104,483 | \$ 105,039 | \$ 98,858 | \$ 101,196 | \$ 104,141 | \$ 108,421 | \$ 116,588 |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 2,865 | \$ 3,009 | \$ 2,919 | \$ 2,948 | \$ 2,874 | \$ 2,864 | \$ 3,067 | \$ 3,097 | \$ 3,172 | \$ 3,241 |
| Public safety | 7,937 | 7,780 | 8,711 | 8,812 | 9,131 | 8,093 | 8,596 | 8,282 | 9,057 | 9,976 |
| Public works | 3,444 | 3,783 | 3,834 | 3,825 | 4,050 | 4,498 | 4,541 | 4,699 | 5,869 | 5,849 |
| Economic development | 2,470 | 1,745 | 1,849 | 2,473 | 2,394 | 2,619 | 3,156 | 3,578 | 2,921 | 2,390 |
| Culture and recreation | 4,124 | 4,039 | 3,851 | 4,403 | 4,144 | 4,181 | 4,768 | 4,837 | 4,642 | 5,076 |
| Other activities | - | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 3,235 | 2,205 | 2,314 | 1,976 | 2,352 | 1,930 | 2,757 | 2,594 | 2,817 | 3,008 |
| Capital grants and contributions | 1,066 | 4,246 | 1,644 | 2,034 | 2,363 | 2,083 | 439 | 786 | 1,587 | 726 |
| Total governmental activities program revenues | 25,141 | 26,807 | 25,122 | 26,471 | 27,308 | 26,268 | 27,324 | 27,873 | 30,065 | 30,266 |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Wastewater | 23,217 | 22,210 | 22,206 | 22,253 | 22,497 | 22,970 | 22,290 | 22,514 | 22,631 | 22,900 |
| Solid Waste | 10,640 | 10,266 | 10,339 | 10,455 | 10,186 | 10,165 | 10,359 | 10,452 | 10,773 | 11,118 |
| Golf Course | 988 | 854 | 753 | 787 | 874 | 874 | 847 | 872 | 863 | 972 |
| Operating grants and contributions | 57 | 57 | 57 | 57 | 60 | 60 | 73 | 61 | 60 | 99 |
| Capital grants and contributions | 148 | 703 | 114 | 216 | 323 | 106 | 47 | 882 | 535 | 387 |
| Total business-type activities program revenues | 35,050 | 34,090 | 33,469 | 33,768 | 33,940 | 34,175 | 33,616 | 34,781 | 34,862 | 35,476 |
| Total primary government program revenues | \$ 60,191 | \$ 60,897 | \$ 58,591 | \$ 60,239 | \$ 61,248 | \$ 60,443 | \$ 60,940 | \$ 62,654 | \$ 64,927 | \$ 65,742 |

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) | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (43,047) | \$ (40,011) | \$ (47,557) | \$ (46,182) | \$ (45,928) | \$ (44,828) | \$ (43,860) | \$ (46,330) | \$ (47,691) | \$ (52,355) |
| Business-type activities | 4,117 | 4,438 | 3,011 | 1,938 | 2,137 | 6,413 | 3,604 | 4,843 | 4,197 | 1,509 |
| Total primary government net (expense)/revenue | <u>\$ (38,930)</u> | <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> |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property | \$ 16,634 | \$ 16,237 | \$ 16,318 | \$ 14,545 | \$ 14,595 | \$ 15,691 | \$ 16,568 | \$ 17,395 | \$ 19,326 | \$ 21,026 |
| Utility | 7,012 | 7,113 | 8,146 | 7,723 | 7,224 | 7,786 | 8,202 | 7,991 | 8,382 | 8,440 |
| Franchise | 5,835 | 6,304 | 6,613 | 6,104 | 5,777 | 5,639 | 6,005 | 5,989 | 5,748 | 5,712 |
| Sales (local option) | 6,892 | 6,728 | 6,257 | 6,134 | 6,437 | 6,767 | 7,143 | 7,660 | 8,066 | 8,283 |
| Communications services | 3,953 | 4,310 | 3,841 | 3,772 | 3,611 | 3,374 | 3,139 | 3,073 | 2,914 | 2,871 |
| Shared revenue | 6,716 | 6,072 | 5,999 | 6,208 | 6,771 | 6,987 | 7,372 | 7,854 | 8,168 | 8,461 |
| Investment earnings | 2,083 | 1,271 | 769 | 491 | 424 | 331 | 320 | 621 | 463 | 469 |
| Miscellaneous | (1,294) | (546) | 227 | 75 | 72 | 99 | 271 | 394 | 973 | 538 |
| Transfers in (out) | - | - | - | (175) | - | - | - | (788) | 45 | - |
| Demolition of City property | - | - | - | (455) | - | - | - | - | - | - |
| Extraordinary/Special Item | - | - | - | - | - | - | - | - | - | (164) |
| Total governmental activities | <u>47,831</u> | <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> |
| Business-type activities | | | | | | | | | | |
| Investment earnings | 1,527 | 1,031 | 796 | 554 | 376 | 278 | 313 | 657 | 496 | 443 |
| Miscellaneous | 118 | (196) | 304 | 40 | 84 | 455 | 389 | 267 | 427 | 276 |
| Transfers in (out) | - | - | - | 175 | - | - | - | - | (45) | - |
| Demolition of City property | - | - | - | - | - | - | - | - | - | - |
| Extraordinary/Special Item | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities | <u>1,645</u> | <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> |
| Total primary government | <u>\$ 49,476</u> | <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> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 4,784 | \$ 7,478 | \$ 613 | \$ (1,760) | \$ (1,017) | \$ 1,846 | \$ 5,160 | \$ 3,859 | \$ 6,394 | \$ 3,281 |
| Business-type activities | <u>5,762</u> | <u>5,273</u> | <u>4,111</u> | <u>2,707</u> | <u>2,597</u> | <u>7,146</u> | <u>4,306</u> | <u>5,767</u> | <u>5,075</u> | <u>2,228</u> |
| Total primary government | <u>\$ 10,546</u> | <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> |

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) | | | | | | | | | |
|--|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Property tax | \$ 16,634 | \$ 16,237 | \$ 16,318 | \$ 14,545 | \$ 14,595 | \$ 15,691 | \$ 16,567 | \$ 17,395 | \$ 19,326 | \$ 21,026 |
| Utility tax | 7,012 | 7,113 | 8,146 | 7,723 | 7,224 | 7,786 | 8,202 | 7,991 | 8,382 | 8,440 |
| Local Option Sales & County Gas tax | 6,892 | 6,728 | 6,257 | 6,134 | 6,437 | 6,767 | 7,143 | 7,660 | 8,066 | 8,283 |
| Communications Services tax | 3,953 | 4,310 | 3,841 | 3,772 | 3,611 | 3,374 | 3,139 | 3,073 | 2,914 | 2,871 |
| Franchise tax | 5,835 | 6,304 | 6,613 | 6,104 | 5,777 | 5,639 | 6,005 | 5,989 | 5,748 | 5,712 |
| Total | <u>\$ 40,326</u> | <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> |

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) | | | | | | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2008 | 2009 | 2010 | 2011(1) | 2012(3) | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 1,829 | \$ 1,325 | \$ 1,363 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Designated | 4,866 | 7,689 | 9,010 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Undesignated(2) | 11,851 | 9,842 | 7,908 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Nonspendable | N/A | N/A | N/A | \$ 147 | \$ 80 | \$ 56 | \$ 49 | \$ 49 | \$ 95 | \$ 59 |
| Restricted | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Committed | N/A | N/A | N/A | 411 | - | - | - | - | - | - |
| Assigned | N/A | N/A | N/A | 10,379 | 7,038 | 6,516 | 7,122 | 6,857 | 5,375 | 5,638 |
| Unassigned | N/A | N/A | N/A | 4,106 | 5,143 | 4,284 | 5,337 | 4,925 | 7,204 | 9,796 |
| Total General Fund | \$ 18,546 | \$ 18,856 | \$ 18,281 | \$ 15,043 | \$ 12,261 | \$ 10,856 | \$ 12,508 | \$ 11,831 | \$ 12,674 | \$ 15,493 |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 3,275 | \$ 3,373 | \$ 6,248 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue | 24,183 | 22,982 | 9,394 | 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 |
| Nonspendable | N/A | N/A | N/A | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | | | | | | | | | | |
| Special revenue | N/A | N/A | N/A | 21,763 | 36,926 | 24,909 | 27,686 | 31,607 | 35,324 | 33,600 |
| Capital projects | N/A | N/A | N/A | 4,939 | 4,302 | 3,493 | - | - | - | - |
| Committed | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Assigned | | | | | | | | | | |
| Special revenue | N/A | N/A | N/A | 81 | 96 | 123 | 138 | 135 | 158 | 175 |
| Capital projects | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Unassigned | N/A | N/A | N/A | - | - | - | - | (13) | (4) | - |
| Total of all other governmental funds | \$ 27,458 | \$ 26,355 | \$ 20,481 | \$ 26,783 | \$ 41,324 | \$ 28,525 | \$ 27,824 | \$ 31,729 | \$ 35,478 | \$ 33,775 |

- 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) | | | | | | | | | |
|---|---|-----------|------------|------------|------------|-------------|-----------|-----------|-----------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Total Governmental Funds: | | | | | | | | | | |
| Taxes | \$ 35,256 | \$ 34,292 | \$ 34,399 | \$ 32,482 | \$ 31,821 | \$ 33,470 | \$ 35,102 | \$ 36,150 | \$ 38,753 | \$ 40,611 |
| Licenses and permits | 7,367 | 7,033 | 7,485 | 7,502 | 7,292 | 7,262 | 8,151 | 8,617 | 7,720 | 7,190 |
| Shared | 11,220 | 9,560 | 10,576 | 10,705 | 11,997 | 10,994 | 11,071 | 12,079 | 13,371 | 13,363 |
| Charges for services | 14,730 | 15,125 | 16,038 | 16,441 | 16,864 | 16,519 | 17,476 | 17,396 | 19,109 | 20,444 |
| Fines | 740 | 591 | 481 | 567 | 456 | 429 | 424 | 405 | 390 | 403 |
| Interfund charges | 2,960 | 2,977 | 2,950 | 2,980 | 2,950 | 2,925 | 3,100 | 3,128 | 3,195 | 3,298 |
| Special assessments | 2 | 1 | 1 | 1 | 1 | 2 | 4 | 1 | - | - |
| Contributions and donations | 260 | 211 | 321 | 326 | 328 | 484 | 326 | 401 | 312 | 208 |
| Investment earnings | 1,895 | 1,174 | 726 | 530 | 450 | 299 | 289 | 557 | 417 | 400 |
| Other | 627 | 740 | 618 | 838 | 757 | 702 | 739 | 784 | 1,592 | 2,414 |
| Total revenues | \$ 75,057 | \$ 71,704 | \$ 73,595 | \$ 72,372 | \$ 72,916 | \$ 73,086 | \$ 76,682 | \$ 79,518 | \$ 84,859 | \$ 88,331 |
| Expenditures | | | | | | | | | | |
| Total Governmental Funds | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | \$ 6,654 | \$ 6,406 | \$ 6,710 | \$ 6,515 | \$ 6,110 | \$ 6,230 | \$ 5,813 | \$ 6,045 | \$ 6,747 | \$ 7,073 |
| Public safety | 29,934 | 30,848 | 33,791 | 34,359 | 34,435 | 34,255 | 33,544 | 35,417 | 36,487 | 38,672 |
| Public works | 6,413 | 6,562 | 7,104 | 7,132 | 7,305 | 7,454 | 7,333 | 7,500 | 7,239 | 7,931 |
| Economic development | 5,338 | 5,544 | 4,737 | 5,985 | 5,343 | 4,782 | 4,570 | 4,801 | 5,327 | 5,955 |
| Culture and recreation | 11,660 | 12,100 | 12,596 | 11,956 | 11,879 | 11,284 | 11,908 | 13,390 | 13,192 | 12,828 |
| Capital outlay (1) | 8,720 | 8,239 | 14,281 | 11,993 | 11,438 | 19,750 | 9,029 | 5,602 | 7,786 | 11,219 |
| Principal | 2,656 | 2,729 | 1,032 | 774 | 1,952 | 3,001 | 3,070 | 3,141 | 3,214 | 3,288 |
| Interest | 139 | 68 | 13 | 169 | 444 | 534 | 465 | 394 | 321 | 247 |
| Other debt service costs | 1 | 1 | 30 | - | 50 | - | - | - | - | - |
| Total expenditures | \$ 71,515 | \$ 72,497 | \$ 80,294 | \$ 78,883 | \$ 78,956 | \$ 87,290 | \$ 75,732 | \$ 76,290 | \$ 80,313 | \$ 87,213 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 3,542 | \$ (793) | \$ (6,699) | \$ (6,511) | \$ (6,040) | \$ (14,204) | \$ 950 | \$ 3,228 | \$ 4,546 | \$ 1,118 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Total Governmental Funds | | | | | | | | | | |
| Transfers in | - | - | 5,185 | 129 | 261 | 887 | 3,796 | 33 | 90 | - |
| Transfers out | - | - | (5,185) | (304) | (261) | (887) | (3,796) | (33) | (45) | - |
| Capital project loans | - | - | 250 | 9,750 | 17,000 | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 250 | 9,575 | 17,000 | - | - | - | 45 | - |
| Special Item – Sale of City Property | - | - | - | - | 800 | - | - | - | - | - |
| Prior Period Adjustment | - | - | - | - | - | - | - | - | - | - |
| Net Change in Fund Balances | 3,542 | (793) | (6,449) | 3,064 | 11,760 | (14,204) | 950 | 3,228 | 4,591 | 1,118 |
| Fund Balances - Beginning | 42,462 | 46,004 | 45,211 | 38,762 | 41,826 | 53,586 | 39,382 | 40,332 | 43,560 | 48,151 |
| Fund Balances - Ending | \$ 46,004 | \$ 45,211 | \$ 38,762 | \$ 41,826 | \$ 53,586 | \$ 39,382 | \$ 40,332 | \$ 43,560 | \$ 48,151 | \$ 49,269 |
| Debt service as a percentage of non-capital expenditures, excluding transfers, special items and prior period adjustments (1) | 4.5% | 4.4% | 1.6% | 1.4% | 3.6% | 5.2% | 5.3% | 5.0% | 4.9% | 4.7% |

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) | | | | | | | | | |
|------------------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Property Tax | \$ 16,634 | \$ 16,237 | \$ 16,318 | \$ 14,545 | \$ 14,595 | \$ 15,691 | \$ 16,567 | \$ 17,395 | \$ 19,326 | \$ 21,026 |
| Local Option Sales Tax | 6,524 | 5,792 | 5,319 | 5,219 | 5,508 | 5,820 | 6,195 | 6,677 | 7,055 | 7,264 |
| Impact Fees | 487 | 178 | 142 | 585 | 271 | 181 | 378 | 382 | 442 | 385 |
| Communication Tax | 3,953 | 4,311 | 3,841 | 3,772 | 3,611 | 3,374 | 3,139 | 3,073 | 2,914 | 2,871 |
| Utility Tax | | | | | | | | | | |
| Electricity | 5,736 | 5,880 | 6,860 | 6,427 | 5,894 | 6,398 | 6,764 | 6,522 | 6,849 | 6,846 |
| Water | 1,019 | 1,010 | 1,036 | 1,065 | 1,074 | 1,116 | 1,142 | 1,175 | 1,250 | 1,305 |
| Fuel | 236 | 230 | 243 | 241 | 258 | 267 | 296 | 297 | 290 | 285 |
| | <u>6,991</u> | <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> |
| Franchise Tax | | | | | | | | | | |
| Electricity | 5,597 | 6,087 | 6,412 | 5,904 | 5,574 | 5,435 | 5,782 | 5,804 | 5,546 | 5,507 |
| Gas | 238 | 216 | 202 | 200 | 203 | 205 | 223 | 178 | 202 | 204 |
| | <u>5,835</u> | <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> |
| Total | <u>\$ 40,424</u> | <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> |

SCHEDULE G

CITY OF LARGO, FLORIDA
Wastewater Charges
Last Ten Fiscal Years

| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Residential within City (1) | | | | | | | | | | |
| Fixed Cost | | | | | | | | | | |
| Single Family | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 | \$ 24.80 |
| Units (4) | - | - | 11,034 | 11,033 | 11,048 | 11,109 | 11,131 | 11,331 | 11,424 | 11,375 |
| Multi-family (duplex, triplex) | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 | 23.85 |
| Units (4) | - | - | 1,680 | 1,675 | 1,690 | 1,692 | 1,659 | 1,721 | 1,729 | 1,824 |
| High Density (apts., mobile homes, condos) | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 | 19.35 |
| Units (4) | - | - | 26,644 | 26,786 | 27,052 | 27,049 | 27,196 | 27,623 | 27,686 | 27,731 |
| Variable Charges (3) | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 |
| Residential outside City (1) | | | | | | | | | | |
| Fixed Cost | | | | | | | | | | |
| Single Family | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 |
| Units (4) | - | - | 4,876 | 4,872 | 4,863 | 4,794 | 4,784 | 4,586 | 4,510 | 4,490 |
| Multi-family (duplex, triplex) | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 |
| Units (4) | - | - | 1,250 | 1,253 | 1,263 | 1,259 | 1,255 | 1,201 | 1,195 | 1,189 |
| High Density (apts, mobile homes, condos) | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 | 24.20 |
| Units (4) | - | - | 4,563 | 4,549 | 4,488 | 4,488 | 4,488 | 4,433 | 4,420 | 4,417 |
| Variable Charges (3) | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 |
| Commercial within City | | | | | | | | | | |
| Fixed Charge (2) | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 | 24.80 |
| Units (4) | - | - | 2,431 | 2,451 | 2,429 | 2,406 | 2,664 | 2,653 | 2,689 | 2,699 |
| Variable charge (3) | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 |
| Commercial outside City | | | | | | | | | | |
| Fixed Charge (2) | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 |
| Units (4) | - | - | 1,046 | 1,012 | 983 | 984 | 978 | 973 | 972 | 970 |
| Variable charge (3) | 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).
- (2) 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.
- (3) Charge is per 1,000 gallons of potable water consumption.
- (4) Units are calculated by county software and complete fiscal year records were not available until FY 2010.

SCHEDULE H

CITY OF LARGO, FLORIDA

Assessed Value, Taxable Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Tax Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Real Property | | | | | | | | | | |
| Residential | \$ 4,166,323 | \$ 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 |
| Commercial | 1,390,125 | 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 |
| Other | 698,883 | 719,407 | 604,895 | 555,376 | 552,843 | 425,277 | 575,387 | 602,364 | 662,416 | 674,253 |
| Personal Property | 442,327 | 461,909 | 455,939 | 453,485 | 445,267 | 433,694 | 425,073 | 406,829 | 445,876 | 464,699 |
| Central Assessed Property | 938 | 487 | 520 | 512 | 560 | 570 | 602 | 962 | 977 | 1,038 |
| Total Assessed Value | 6,698,596 | 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 |
| Less Tax Exempt Value | | | | | | | | | | |
| Homestead (2) (3) | (426,716) | (772,276) | (756,055) | (700,761) | (671,498) | (637,961) | (629,278) | (626,665) | (644,290) | (653,646) |
| Save Our Home | (989,448) | (681,034) | (337,935) | (155,745) | (77,934) | (43,409) | (95,348) | (250,947) | (439,287) | (547,372) |
| Other | (560,080) | (607,333) | (578,305) | (567,845) | (565,568) | (574,550) | (596,708) | (620,477) | (746,460) | (787,045) |
| Total Taxable Value | \$ 4,722,352 | \$ 4,343,624 | \$ 3,898,071 | \$ 3,486,119 | \$ 3,306,806 | \$ 3,244,615 | \$ 3,289,066 | \$ 3,467,173 | \$ 3,724,209 | \$ 4,044,508 |
| Total Direct Tax Rate (1) | 3.6514 | 3.8448 | 4.3113 | 4.3113 | 4.5594 | 4.9999 | 5.2139 | 5.1943 | 5.3705 | 5.3705 |
| Estimated Actual Taxable Value | \$ 8,373,245 | \$ 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 |
| 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 | 70% | 68% | 70% | 71% | 72% | 72% | 71% | 70% | 67% | 67% |

Source: Pinellas County Property Appraiser

- (1) Tax rate is per \$1,000 of taxable value
- (2) Starting FY 2008 the Homestead value includes additional homestead exemption for elders (65 years and older) and disabled veterans' homestead discount.
- (3) 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 Overlapping¹ Governments
Last Ten Fiscal Years
(in Mills, Per \$1,000 Assessed Valuation)

| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Tax Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| City of Largo | | | | | | | | | | |
| General Operating | 3.6514 | 3.8448 | 4.3113 | 4.3113 | 4.5594 | 4.9999 | 5.2139 | 5.1943 | 5.3705 | 5.3705 |
| Special Operating | - | - | - | - | - | - | - | - | - | - |
| Total City of Largo | <u>3.6514</u> | <u>3.8448</u> | <u>4.3113</u> | <u>4.3113</u> | <u>4.5594</u> | <u>4.9999</u> | <u>5.2139</u> | <u>5.1943</u> | <u>5.3705</u> | <u>5.3705</u> |
| | | | | | | | | | | |
| General | 4.811 | 4.811 | 4.811 | 4.811 | 4.811 | 5.011 | 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 | 0.062 |
| Mosquito Control | - | - | - | - | - | - | - | - | - | - |
| EMS (1) | 0.583 | 0.583 | 0.583 | 0.583 | 0.851 | 0.916 | 0.916 | 0.916 | 0.916 | 0.916 |
| Total County | <u>5.456</u> | <u>5.456</u> | <u>5.456</u> | <u>5.456</u> | <u>5.724</u> | <u>5.989</u> | <u>6.254</u> | <u>6.254</u> | <u>6.254</u> | <u>6.254</u> |
| Other Authorities | | | | | | | | | | |
| School Board | 7.731 | 8.061 | 8.346 | 8.340 | 8.385 | 8.302 | 8.060 | 7.841 | 7.770 | 7.318 |
| Transit Authority (1) | 0.560 | 0.560 | 0.560 | 0.560 | 0.730 | 0.730 | 0.730 | 0.730 | 0.730 | 0.750 |
| Water Management | | | | | | | | | | |
| General | 0.387 | 0.387 | 0.387 | 0.377 | 0.393 | 0.393 | 0.382 | 0.366 | 0.349 | 0.331 |
| Anclote Basin | 0.370 | 0.360 | 0.320 | 0.260 | - | - | - | - | - | - |
| Juvenile Welfare Board | 0.738 | 0.792 | 0.792 | 0.792 | 0.834 | 0.898 | 0.898 | 0.898 | 0.898 | 0.898 |
| Planning Council | 0.017 | 0.017 | 0.013 | 0.013 | 0.013 | 0.013 | 0.016 | 0.016 | 0.016 | 0.015 |
| Total Other Authorities | <u>9.803</u> | <u>10.177</u> | <u>10.418</u> | <u>10.342</u> | <u>10.355</u> | <u>10.336</u> | <u>10.086</u> | <u>9.851</u> | <u>9.763</u> | <u>9.312</u> |
| Total All Authorities | <u>18.910</u> | <u>19.478</u> | <u>20.185</u> | <u>20.109</u> | <u>20.638</u> | <u>21.325</u> | <u>21.554</u> | <u>21.299</u> | <u>21.388</u> | <u>20.937</u> |

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
Changes Over Last Decade
(amounts expressed in thousands)

| Taxpayer | 2017 | | | 2008 | | |
|---------------------------------------|---------------|------|-----------------------------------|---------------|------|-----------------------------|
| | Taxable Value | Rank | Percentage of Total Taxable Value | Taxable Value | Rank | Percentage of Taxable Value |
| REAL PROPERTY | | | | | | |
| Weingarten Realty Investors | \$ 50,939 | 1 | 1.26% | \$ 52,170 | 1 | 1.10% |
| VR Gateway North Holdings Ltd Ptnrshp | 43,000 | 2 | 1.06% | N/A | N/A | N/A |
| Largo Medical Center, Inc. | 41,185 | 3 | 1.02% | 42,517 | 2 | 0.90% |
| CNL Retirement | 32,172 | 4 | 0.80% | 34,650 | 3 | 0.73% |
| LIV at Clearwater LLC | 29,325 | 5 | 0.73% | N/A | N/A | N/A |
| Wal-Mart Stores East LP | 29,120 | 6 | 0.72% | N/A | N/A | N/A |
| I.P. Lease Limited Partnership | 26,400 | 7 | 0.65% | 22,500 | 8 | 0.48% |
| Isram Residential Monterey Lakes LLC | 23,959 | 8 | 0.59% | N/A | N/A | N/A |
| MALF LLC | 22,815 | 9 | 0.56% | N/A | N/A | N/A |
| CEPCOT Corp. | 22,535 | 10 | 0.56% | N/A | N/A | N/A |
| Medinvest Co. LTD Partnership | N/A | N/A | N/A | 32,450 | 4 | 0.69% |
| Kimco Largo 139 Inc. | N/A | N/A | N/A | 24,464 | 5 | 0.52% |
| CH Realty IV/Largo LLC | N/A | N/A | N/A | 24,135 | 6 | 0.51% |
| Chaparral | N/A | N/A | N/A | 22,550 | 7 | 0.48% |
| Ranchero Village Co-Op Inc | N/A | N/A | N/A | 22,173 | 9 | 0.47% |
| Suntrust Equity Funding | N/A | N/A | N/A | 21,500 | 10 | 0.46% |
| Total Real Property | \$ 321,450 | | 7.95% | \$ 299,109 | | 6.34% |
| PERSONAL PROPERTY | | | | | | |
| Duke Energy Florida (1) | \$ 51,666 | 1 | 1.28% | \$ 32,256 | 1 | 0.68% |
| Largo Medical Center, Inc. | 16,027 | 2 | 0.40% | 17,770 | 4 | 0.38% |
| F&F Productions | 13,733 | 3 | 0.34% | 8,909 | 7 | 0.19% |
| Ion Media Management Company | 12,837 | 4 | 0.32% | 7,536 | 8 | 0.16% |
| Tech Data | 12,233 | 5 | 0.30% | 13,349 | 5 | 0.28% |
| Bright House Networks LLC | 10,295 | 6 | 0.25% | 20,370 | 3 | 0.43% |
| Frontier Communications | 9,398 | 7 | 0.23% | N/A | N/A | N/A |
| Publix Supermarket | 7,277 | 8 | 0.18% | N/A | N/A | N/A |
| Alere/Avee | 5,439 | 9 | 0.13% | N/A | N/A | N/A |
| Wal-Mart Stores East LP | 5,412 | 10 | 0.13% | N/A | N/A | N/A |
| Verizon Florida, LLC | N/A | N/A | N/A | 26,624 | 2 | 0.56% |
| BIC Graphics USA | N/A | N/A | N/A | 12,582 | 6 | 0.27% |
| Eva-Tone, Inc. | N/A | N/A | N/A | 6,104 | 9 | 0.13% |
| John H. Harland Co. | N/A | N/A | N/A | 5,710 | 10 | 0.12% |
| Total Personal Property | \$ 144,317 | | 3.56% | \$ 151,210 | | 3.20% |

Notes: (1) Duke Energy Florida was Progress Energy Corp. in 2008.

SCHEDULE K

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

| Fiscal Year Tax Year | 2008 2007 | 2009 2008 | 2010 2009 | 2011 2010 | 2012 2011 | 2013 2012 | 2014 2013 | 2015 2014 | 2016 2015 | 2017 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Millage rate | 3.6514 | 3.8448 | 4.3113 | 4.3113 | 4.5594 | 4.9999 | 5.2139 | 5.1943 | 5.3705 | 5.3705 |
| Gross tax levy (3) | \$ 17,243 | \$ 16,700 | \$ 16,805 | \$ 15,030 | \$ 15,077 | \$ 16,223 | \$ 17,149 | \$ 18,010 | \$ 20,001 | \$ 21,721 |
| Less: | | | | | | | | | | |
| Discounts—net of penalties(1) | 585 | 559 | 571 | 515 | 524 | 564 | 593 | 636 | 710 | 775 |
| Refunds/Other | 9 | - | 4 | 4 | 1 | 2 | 1 | 5 | 1 | 2 |
| Net tax levy | <u>\$ 16,649</u> | <u>\$ 16,141</u> | <u>\$ 16,230</u> | <u>\$ 14,511</u> | <u>\$ 14,552</u> | <u>\$ 15,657</u> | <u>\$ 16,555</u> | <u>\$ 17,369</u> | <u>\$ 19,290</u> | <u>\$ 20,944</u> |
| Taxes Collected within fiscal year of levy | | | | | | | | | | |
| Percentage of net levy | 95.5% | 95.4% | 95.1% | 95.7% | 96.4% | 97.1% | 97.6% | 97.9% | 98.2% | 98.2% |
| Amount | \$ 15,897 | \$ 15,393 | \$ 15,439 | \$ 13,882 | \$ 14,026 | \$ 15,202 | \$ 16,151 | \$ 17,002 | \$ 18,945 | \$ 20,573 |
| Collections of delinquent taxes in subsequent years (3) | 844 | 879 | 663 | 569 | 490 | 416 | 393 | 380 | 453 | N/A |
| Total collections to date | \$ 16,741 | \$ 16,272 | \$ 16,102 | \$ 14,451 | \$ 14,516 | \$ 15,618 | \$ 16,544 | \$ 17,382 | \$ 19,398 | \$ 20,573 |
| Total percentage of net levy collected to date (2) | | | | | | | | | | |
| | 100.6% | 100.8% | 99.2% | 99.6% | 99.8% | 99.8% | 99.9% | 100.1% | 100.6% | 98.2% |

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>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental activities | | | | | | | | | | |
| General obligation bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Loans payable | 3,761 | 1,032 | 250 | 9,226 | 24,274 | 21,273 | 18,204 | 15,063 | 11,849 | 8,561 |
| Internal borrowing | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 3,761 | 1,032 | 250 | 9,226 | 24,274 | 21,273 | 18,204 | 15,063 | 11,849 | 8,561 |
| Business-type activities | | | | | | | | | | |
| Sewer bonds and loans (4) | 22,181 | 19,510 | 16,731 | 13,832 | 9,061 | 6,871 | 6,477 | 3,531 | 24,364 | 63,484 |
| Total primary government | <u>\$ 25,942</u> | <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> |
| Outstanding debt as a percentage of personal income (3) | 3.1% | 2.1% | 2.0% | 2.3% | 3.6% | 2.8% | 2.0% | 2.1% | 3.1% | 7.1% |
| Governmental activities | | | | | | | | | | |
| Outstanding debt per capita (1)(3) | \$ 50 | \$ 14 | \$ 3 | \$ 119 | \$ 312 | \$ 271 | \$ 229 | \$ 187 | \$ 145 | \$ 104 |
| Business-type activities | | | | | | | | | | |
| Outstanding debt per capita (2)(3) | 222 | 185 | 158 | 128 | 99 | 61 | 57 | 31 | 216 | 580 |
| Total outstanding debt per capita (3) | <u>\$ 272</u> | <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> |

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 109,503 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 2017 year-end.

SCHEDULE M

CITY OF LARGO, FLORIDA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017
(amounts expressed in thousands)

| Government Unit | Debt | | Applicable to City of Largo | |
|--|--------------------|----------------|------------------------------------|--|
| | Outstanding | Percent | Amount | |
| City of Largo | \$ 8,561 | 100% | \$ 8,561 | |
| Subtotal, Direct Debt | \$ 8,561 | 100% | \$ 8,561 | |
| Pinellas County School Board (Overlapping) (2) | \$ 6,045 | 5.9%(1) | \$ 357 | |
| Pinellas County School Board Capital Leases (Overlapping) (2) | 6,452 | 5.9%(1) | 381 | |
| Pinellas County (Overlapping) (2) | 9,019 | 5.9%(1) | 532 | |
| Pinellas County Capital Leases (Overlapping) (2) | 438 | 5.9%(1) | 26 | |
| Subtotal, Overlapping Debt | \$ 21,954 | 5.9% | \$ 1,296 | |
| Total Direct and Overlapping Governmental Activities Debt | \$ 30,515 | | \$ 9,857 | |
| Total Direct and Overlapping Governmental Activities Debt Per Capita (2) (3) | | | \$ 120 | |

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 2016.

(2) The City of Largo is not responsible for the debt of the County or School Board.

(3) FY 2017 permanent Largo population is estimated at 81,966.

SCHEDULE N

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

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt limit (1) | \$ 4,722,353 | \$ 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 |
| Total net debt applicable to limit | <u>3,761</u> | <u>1,032</u> | <u>250</u> | <u>9,226</u> | <u>24,274</u> | <u>21,273</u> | <u>18,204</u> | <u>15,063</u> | <u>11,849</u> | <u>8,561</u> |
| Legal debt margin (1) | <u>\$ 4,718,592</u> | <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> |
| Total net debt applicable to this limit as a percentage of debt limit | <u>0.08%</u> | <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> |

Legal Debt Margin Calculation for Fiscal Year 2017

| | |
|---|---------------------|
| Assessed value | \$ 4,044,440 |
| Add back: exempt real property | <u>68</u> |
| Total assessed value | <u>\$ 4,044,508</u> |
| Debt limit (100% of total assessed value) | \$ 4,044,508 |
| Debt applicable to limit: | |
| General obligation bonds | - |
| Other notes and loans | 8,561 |
| Less: Amount set aside for repayment of general obligation debt | - |
| Total net debt applicable to limit | <u>8,561</u> |
| Legal debt margin (1) | <u>\$ 4,035,947</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)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 (3) |
|---|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Sewer revenue (excludes interest) \$ | 23,231 | \$ 22,103 | \$ 22,357 | \$ 22,259 | \$ 22,501 | \$ 22,585 | \$ 22,371 | \$ 22,680 | \$ 22,751 | \$ 23,083 |
| Interest revenue | 1,098 | 739 | 616 | 409 | 261 | 196 | 272 | 574 | 438 | 392 |
| Total revenues | 24,329 | 22,842 | 22,973 | 22,668 | 22,762 | 22,781 | 22,643 | 23,254 | 23,189 | 23,475 |
| Less total operating expenses (excludes depreciation) | (14,882) | (14,026) | (14,751) | (15,445) | (15,917) | (12,533) | (14,252) | (14,111) | (14,546) | (14,990) |
| Net revenues | 9,447 | 8,816 | 8,222 | 7,223 | 6,845 | 10,248 | 8,391 | 9,143 | 8,643 | 8,485 |
| Gulf Breeze loan (2) | | | | | | | | | | |
| Debt service charges | 1,298 | 1,297 | 1,296 | 1,297 | 1,297 | 1,298 | N/A | N/A | N/A | N/A |
| Required coverage % | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | N/A | N/A | N/A | N/A |
| Required coverage \$ | 1,623 | 1,621 | 1,620 | 1,621 | 1,621 | 1,623 | N/A | N/A | N/A | N/A |
| Remaining net revenues | 7,824 | 7,195 | 6,602 | 5,602 | 5,224 | 8,625 | 8,391 | 9,143 | 8,643 | 8,485 |
| Florida Municipal League Council Pool (1) | | | | | | | | | | |
| Debt service charges | 641 | 639 | 642 | 643 | N/A | N/A | N/A | N/A | N/A | N/A |
| Required coverage % | 1.25 | 1.25 | 1.25 | 1.25 | N/A | N/A | N/A | N/A | N/A | N/A |
| Required coverage \$ | 801 | 799 | 803 | 804 | N/A | N/A | N/A | N/A | N/A | N/A |
| Remaining net revenues | 7,023 | 6,396 | 5,799 | 4,798 | 5,224 | 8,625 | 8,391 | 9,143 | 8,643 | 8,485 |
| State loan (1996) | | | | | | | | | | |
| Debt service charges | 746 | 746 | 746 | 746 | 746 | 746 | 746 | 746 | 746 | 1,103 |
| 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 | 858 | 1,268 |
| Remaining net revenues | 6,165 | 5,538 | 4,941 | 3,940 | 4,366 | 7,767 | 7,533 | 8,285 | 7,785 | 7,217 |
| Wachovia loan (2003) | | | | | | | | | | |
| Debt service charges | 904 | 904 | 904 | 451 | N/A | N/A | N/A | N/A | N/A | N/A |
| Required coverage % | 1.25 | 1.25 | 1.25 | 1.25 | N/A | N/A | N/A | N/A | N/A | N/A |
| Required coverage \$ | 1,130 | 1,130 | 1,130 | 564 | N/A | N/A | N/A | N/A | N/A | N/A |
| Remaining net revenues | \$ 5,035 | \$ 4,408 | \$ 3,811 | \$ 3,376 | \$ 4,366 | \$ 7,767 | \$ 7,533 | \$ 8,285 | \$ 7,785 | \$ 7,217 |

Source: City of Largo Comprehensive Annual Financial Report for the Fiscal Years ended September 30, 2008 – 2017; 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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------|------------|------------|------------|------------|--------------|--------------|------------|--------------|--------------|
| Permanent population (1) | 75,441 | 74,805 | 75,268 | 77,653 | 77,836 | 78,488 | 79,431 | 80,747 | 81,587 | 81,966 |
| Fire/Sewer district population (2)(7) | 101,300 | 105,500 | 106,000 | 108,200 | 91,508 | 112,950 | 113,148 | 113,148 | 112,925 | 109,503 |
| Total Housing units (4) | 45,226 | 46,275 | 45,335 | 45,784 | 45,072 | 48,722 | 43,003 | 45,889 | 45,689 | 48,881 |
| Owner-occupied housing units (4) | 23,592 | 22,343 | 22,437 | 21,449 | 19,985 | 20,060 | 19,659 | 19,085 | 18,411 | 22,212 |
| Renter-occupied housing units (4) | 12,999 | 14,076 | 13,731 | 13,689 | 14,698 | 17,430 | 14,575 | 17,094 | 16,781 | 16,506 |
| Vacant housing units (4) | 8,636 | 9,856 | 9,167 | 10,646 | 10,389 | 11,232 | 8,769 | 9,710 | 10,497 | 10,163 |
| Personal income (expressed in thousands) (4) | \$ 846,324 | \$ 994,022 | \$ 853,798 | \$ 998,561 | \$ 923,679 | \$ 1,003,171 | \$ 1,236,439 | \$ 884,192 | \$ 1,168,878 | \$ 1,011,753 |
| Per capita personal income (1)(4) | \$ 11,218 | \$ 13,288 | \$ 11,343 | \$ 12,859 | \$ 11,867 | \$ 12,781 | \$ 15,566 | \$ 10,950 | \$ 14,327 | \$ 12,344 |
| Median family income (4) | \$ 44,131 | \$ 51,728 | \$ 48,080 | \$ 51,713 | \$ 47,401 | \$ 48,845 | \$ 48,846 | \$ 48,231 | \$ 53,827 | \$ 53,870 |
| Median age (4) | 48.4 | 50.9 | 48.6 | 46.9 | 47.6 | 46.8 | 48.2 | 49.0 | 45.1 | 50.1 |
| Public school enrollment (5) | 6,375 | 6,253 | 6,249 | 5,836 | 5,436 | 5,780 | 5,466 | 5,504 | 5,564 | 5,660 |
| Percent high school graduate or higher (4)(6) | 86.6% | 85.2% | 86.1% | 87.6% | 87.6% | 87.7% | 85.7% | 89.5% | 89.7% | 91.1% |
| Percent bachelor's degree or higher (4)(6) | 20.9% | 18.8% | 19.0% | 21.4% | 18.4% | 18.8% | 20.1% | 21.0% | 19.9% | 20.8% |
| Unemployment rate (3) | 5.5% | 10.1% | 12.4% | 11.4% | 9.4% | 7.4% | 6.4% | 5.4% | 4.6% | 4.2% |

Data Sources:

- (1) University of Florida (2017)
- (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 (2008 – 2017). Bureau of Labor Statistics (www.bls.gov) (12 month average).
- (4) United States Census Bureau (American Fact Finder) (2008); (2009); (2010); (2011); (2012); (2013); (2014); (2015); (2016).
- (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

| Employer (1) | 2017 (2) | | | 2008 (3) | | |
|-------------------------------|----------------|------|-----------------|----------------|------|-----------------|
| | Employee Count | Rank | % of Work Force | Employee Range | Rank | % of Work Force |
| Pinellas Cty Sheriff's Office | 2,682 | 1 | 6.6 | 3,000 | 1 | 8.6 |
| Tech Data | 2,012 | 2 | 5.0 | 2,500 | 2 | 7.2 |
| Largo Medical Center | 1,500 | 3 | 3.7 | 800 | 7 | 2.3 |
| Florida Suncoast Hospice | 1,100 | 4 | 2.7 | 900 | 5 | 2.6 |
| City of Largo | 899 | 5 | 2.2 | 926 | 4 | 2.7 |
| SCC Soft Computer Inc. | 800 | 6 | 2.0 | N/A | N/A | N/A |
| The Palms of Largo Complex | 770 | 7 | 1.9 | N/A | N/A | N/A |
| Publix Supermarkets Inc. | 644 | 8 | 1.6 | N/A | N/A | N/A |
| Pinellas County Schools | 500 | 9 | 1.2 | 800 | 8 | 2.3 |
| Diagnostic Clinic | 428 | 10 | 1.1 | 800 | 6 | 2.3 |
| Special Data Processing | N/A | N/A | N/A | 1,800 | 3 | 5.2 |
| Sun Coast Hospital | N/A | N/A | N/A | 650 | 9 | 1.9 |
| Suntasia Marketing, Inc. | N/A | N/A | N/A | 600 | 10 | 1.7 |

- Notes: (1) Some organizations also maintain offices outside the City of Largo with additional employees.
- (2) 2017 data came from the Community Development Department.
- (3) 2008 data came from the FY 2008 CAFR.

SCHEDULE R

CITY OF LARGO, FLORIDA
Full-time Equivalent City Governmental Employees by Function
Last Ten Fiscal Years

| FUNCTION | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Legislative | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Administration | 26.63 | 25.63 | 24.13 | 23.63 | 22.33 | 19.33 | 19.33 | 20.48 | 23.58 | 24.58 |
| Human Resources | 12.50 | 13.00 | 13.00 | 12.50 | 12.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Finance | 13.00 | 12.75 | 13.00 | 12.00 | 12.40 | 12.40 | 12.60 | 12.60 | 12.60 | 12.60 |
| Information Technology | 18.00 | 17.25 | 20.00 | 20.00 | 19.00 | 19.00 | 20.00 | 21.00 | 25.00 | 27.00 |
| Total General Government | 78.13 | 76.63 | 78.13 | 76.13 | 73.73 | 69.73 | 70.93 | 73.08 | 80.18 | 83.18 |
| Public Safety | | | | | | | | | | |
| Police | 208.25 | 207.25 | 202.25 | 201.25 | 198.80 | 195.02 | 195.27 | 197.77 | 200.81 | 203.81 |
| Fire/Rescue | 143.00 | 142.50 | 153.50 | 151.25 | 143.50 | 140.25 | 140.00 | 141.00 | 145.00 | 146.00 |
| Total Public Safety | 351.25 | 349.75 | 355.75 | 352.50 | 342.30 | 335.27 | 335.27 | 338.77 | 345.81 | 349.81 |
| Environmental Services | 87.00 | 87.00 | 87.25 | 87.25 | 88.25 | 88.25 | 88.25 | 88.10 | 87.25 | 86.25 |
| Public Works | 152.50 | 147.50 | 146.75 | 147.25 | 144.25 | 139.75 | 138.75 | 138.75 | 142.50 | 142.83 |
| Community Development | 60.75 | 60.75 | 63.25 | 63.25 | 62.25 | 61.25 | 62.25 | 64.75 | 63.75 | 66.25 |
| Cultural and Recreation | | | | | | | | | | |
| Recreation, Parks & Arts | 140.62 | 137.32 | 131.68 | 128.03 | 122.81 | 119.24 | 119.14 | 119.79 | 121.08 | 129.75 |
| Library | 55.69 | 50.95 | 48.65 | 44.65 | 41.75 | 41.40 | 41.20 | 41.70 | 41.70 | 41.20 |
| Total Cultural and Recreation | 196.31 | 188.27 | 180.33 | 172.68 | 164.56 | 160.64 | 160.34 | 161.49 | 162.78 | 170.95 |
| Total City | 925.94 | 909.90 | 911.46 | 899.06 | 875.34 | 854.89 | 855.79 | 864.94 | 882.27 | 899.27 |

Source: City of Largo Annual Budget, Fiscal Years 2008 – 2017

SCHEDULE S

CITY OF LARGO, FLORIDA
Operating Indicators by Function
Last Ten Fiscal Years

| <u>FUNCTION</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Arrests | 6,271 | 5,696 | 4,258 | 3,853 | 4,387 | 3,535 | 3,055 | 3,145 | 3,302 | 3,099 |
| Citations Processed | 27,083 | 22,780 | 21,882 | 27,460 | 23,723 | 22,984 | 23,165 | 22,369 | 19,553 | 18,610 |
| Fire/Rescue | | | | | | | | | | |
| Inspections | 3,088 | 4,709 | 4,946 | 4,762 | 4,918 | 5,294 | 4,321 | 4,230 | 3,024 | 2,666 |
| Structure fires | 101 | 141 | 150 | 167 | 102 | 70 | 71 | 53 | 45 | 41 |
| EMS incidents | 14,568 | 14,889 | 17,708 | 16,633 | 17,116 | 17,423 | 18,990 | 20,085 | 24,448 | 26,393 |
| All other incidents | 4,522 | 4,209 | 3,145 | 4,946 | 4,166 | 4,976 | 4,169 | 4,555 | 2,213 | 2,674 |
| Highways and Streets | | | | | | | | | | |
| Street repair (linear feet) | 4,530 | 1,965 | 3,000 | 4,262 | 5,010 | 4,850 | 9,807 | 8,423 | 6,855 | 21,983 |
| Potholes repaired (asphalt usage-tons) | 640 | 142 | 205 | 191 | 192 | 124 | 95 | 94 | 120 | 171 |
| Sanitation (Solid Waste) | | | | | | | | | | |
| Refuse collected (tons) | 85,608 | 79,108 | 77,523 | 77,522 | 74,887 | 79,322 | 77,671 | 81,861 | 84,537 | 84,612 |
| Recyclables collected (tons) | 4,640 | 4,333 | 5,386 | 5,611 | 9,244 | 9,235 | 10,906 | 11,861 | 12,234 | 11,084 |
| Recreation, Parks and Arts | | | | | | | | | | |
| Attendance | | | | | | | | | | |
| Recreation centers (1) | 499,371 | 616,415 | 593,922 | 726,630 | 662,000 | 650,005 | 571,027 | 589,566 | 596,626 | 424,006 |
| Special events (1) | 145,000 | 156,000 | 139,100 | 120,000 | 111,500 | 125,000 | 130,000 | 215,000 | 175,000 | 142,485 |
| Golf Course (1) | 53,280 | 47,320 | 50,500 | 54,221 | 48,500 | 49,000 | 49,500 | 49,500 | 47,500 | 47,500 |
| Cultural Center (1) | 61,894 | 73,780 | 75,100 | 68,900 | 63,347 | 57,000 | 63,700 | 69,000 | 74,200 | 45,646 |
| Parks – acres maintained (1) | 486 | 494.6 | 494.6 | 494.6 | 494.6 | 494.6 | 494.6 | 494.6 | 494.6 | 494.6 |
| Stormwater | | | | | | | | | | |
| Drainage pipes replaced (linear feet) | 5,200 | 658 | 222 | 432 | 920 | 995 | 357 | 80 | 96 | 158 |
| Subsurface drainage pipe (linear feet) | 3,400 | 300 | 810 | 525 | 300 | 250 | 120 | 80 | 24 | 850 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (millions/gallons) | 11.6 | 11.0 | 11.7 | 12.3 | 11.3 | 11.5 | 10.9 | 12.8 | 12.0 | 10.8 |

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

| FUNCTION | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 105 | 102 | 102 | 104 | 104 | 107 | 107 | 107 | 110 | 116 |
| Fire stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Sanitation (Solid Waste) | | | | | | | | | | |
| Collection trucks | 40 | 39 | 39 | 37 | 39 | 39 | 39 | 39 | 41 | 40 |
| Highways and streets | | | | | | | | | | |
| Streets (miles) | 151 | 151 | 156 | 158.3 | 158.3 | 158.3 | 158.3 | 158.3 | 158.3 | 158.3 |
| Traffic signals | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| Culture and recreation | | | | | | | | | | |
| Parks acreage | 486 | 495 | 495 | 495 | 495 | 495 | 495 | 495 | 495 | 495 |
| Parks and facilities (1) (2) (3) | 21 | 21 | 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 | 88 | 89 |
| Total gallons reuse (millions/per day) | 6.9 | 7.1 | 6.1 | 6.0 | 5.7 | 5.8 | 5.8 | 5.2 | 5.0 | 5.6 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 304 | 304 | 304 | 304 | 304 | 321 | 321 | 335 | 335 | 343 |
| Lift stations maintained | 53 | 53 | 53 | 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) Brittany Bay Outreach Center closed in FY 2008.
- (2) Lake Palms Outreach Center has been included in past years and was closed in FY 2010.
- (3) 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

2017

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 a three-year agreement commencing October 1, 2014 and ending September 30, 2017.

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.

CITY OF LARGO, FLORIDA

MAJOR REVENUE SOURCES

2017

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 2017 the millage rate was 5.3705 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 July 1, 2007. 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) | \$ 2.12 | \$ 2.65 |
| Fixed Monthly Charge: | | |
| Single Family | 24.80 | 31.00 |
| Multi-family (Duplex, Triplex) | 23.85 | 29.80 |
| High Density (Apts, mobile homes and condos) | 19.35 | 24.20 |
| <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 | 24.80 | 31.00 |
| 1" meter | 62.00 | 77.45 |
| 1-1/2" meter | 123.95 | 154.95 |
| 2" meter | 198.00 | 248.00 |
| 3" meter | 372.00 | 465.00 |
| 4" meter | 620.00 | 775.00 |
| 6" meter | 1,240.00 | 1,549.00 |
| 8" meter | 1,983.00 | 2,479.00 |

CITY OF LARGO, FLORIDA

MAJOR REVENUE SOURCES

2017

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) | 0.85 | 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 2017

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 30 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 14th 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 19th largest Florida city. According to the latest population estimates, Largo's population of approximately 81,966 ranks as the 28th largest in Florida.

The City of Largo has a marked concentration of elderly persons as is common in Pinellas County. Approximately 27 percent of the City's permanent population is 65 years old and older, with a median age of 50.1 years.

Based on the 2016 American Community Survey, the City's population is 84.0 percent white, 3.8 percent black, 7.6 percent Hispanic or Latino and 4.6 percent from other racial groups.

Largo is 19.18 square miles in size, with 61.5% of the land area in residential uses, 22.2% in commercial uses, and 16.3% 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.

CITY OF LARGO, FLORIDA COMMUNITY PROFILE 2017

| | |
|---|---|
| Form of Government | Commission/Manager |
| Date Incorporated | 1905 |
| Area | 19.18 sq. miles |
| Population (estimated) (1) | 81,966 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) | 85.0% 18 years of age or older; 27.0% 65 years of age or older Median Household Income \$39,384 Median Family Income \$53,870 |
| 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 | 51,120 |
| Percent Voted in Last City General Election | 2016 – (November) 74.26% of registered voters |
| Data sources | (1) University of Florida (2017) (2) United States Census Bureau (American Fact Finder) (2016) |

CITY OF LARGO, FLORIDA

FINANCIAL MANAGEMENT POLICIES

2017

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
2017

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.

**INDEPENDENT AUDITORS' 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 City of Largo, Florida (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 30, 2018. We have also audited the financial statements of the Largo Community Redevelopment Agency, as of and for the year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

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.

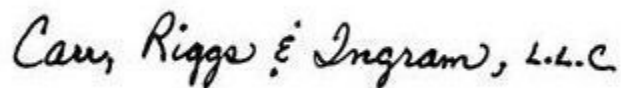
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 30, 2018

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

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 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, 2017. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' 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; 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 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City'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, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 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, L.L.C.

CARR, RIGGS & INGRAM,
LLC Clearwater, Florida
March 30, 2018

CITY OF LARGO, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2017

| Federal or State Grantor/ Pass-Through Grantor/Program | CFDA #/ CSFA # | Pass-Through Entity Identifying Grant /Loan Number | Expenditures | Amount Provided to Subrecipients |
|--|---------------------------|---|----------------------|---|
| U.S. Department of Agriculture Forest Service Passed Through Florida Department of Agriculture and Consumer Services Cooperative Forestry Assistance | 10.664 | #023869 | \$ 8,000 | \$ |
| U.S. Department of Health and Human Services Center for Disease Control and Prevention Passed Through Pinellas County Health Department Partnerships to Improve Community Health | 93.331 | NU-58-DP005597 | 25,612 | |
| U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) Passed Through Florida Department of Financial Services Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | DR4283 | 10,361 | |
| Passed Through Florida Division of Emergency Management Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | DR4280 | 196,834 | |
| U.S. Department of Housing & Urban Development Direct Program: Community Development Block Grant Entitlement (CDBG) | 14.218 | B-16-MC-120028 | 794,779 | 135,604 |
| Passed Through Pinellas County Home Investment Partnership Program (HOME) | 14.239 | M-16-DC-12-0217 | 443,303 | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,478,889 | \$ 135,604 |
| Florida Housing Finance Corporation Direct Program: State Housing Initiative Partnership (SHIP) | 40.901 | N/A | \$ 668,677 | \$ |
| Florida Department of Environmental Protection Direct Program: Wastewater Treatment Facility Construction | 37.077 | CW520210 | 22,904,200 | |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | \$ 23,572,877 | \$ - |

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, 2017

(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:

| Program Title | CFDA/CSFA | Amount Provided |
|-----------------------------------|------------------|------------------------|
| Community Development Block Grant | 14.218 | \$ 135,604 |

(4) Relationship to Basic Financial Statements

Federal and state financial assistance revenue is included in the City's basic financial statements as follows:

| | Intergovernmental revenue |
|-----------------------------------|--------------------------------------|
| Federal: | |
| General fund | \$ 77,001 |
| Special revenue funds: | |
| Community Development Block Grant | 502,598 |
| Home Investment Partnership | 443,303 |
| Local Option Sales Tax | 63,205 |
| Nonmajor funds | 28,781 |
| Enterprise Funds | |
| Sewer | 37,898 |
| Fleet | 5,802 |
| | <u>\$ 1,158,588</u> |

CITY OF LARGO, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2017

| State: | Intergovernmental revenue |
|--------------------------------------|--------------------------------------|
| General fund | \$ 5,505 |
| Special revenue funds: | |
| Local Option Sales Tax | 10,534 |
| State Housing Initiative Partnership | 527,012 |
| Nonmajor Funds | 11,113 |
| Enterprise Funds | |
| Sewer | 134 |
| Fleet | 833 |
| | <u>\$ 555,131</u> |

(5) Loans Outstanding

City of Largo, Florida had the following loan balances outstanding at September 30, 2017. 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 | \$ 62,051,951 |
| | Total Loans Payable | <u>62,051,951</u> |
| 14.218 | Community Development Block Grant | 2,377,272 |
| 14.239 | Home investment Partnership | 3,391,272 |
| 52.901 | State Housing Initiative Partnership | 5,822,416 |
| | Total Loans Receivable | <u>\$ 11,590,960</u> |

(6) Noncash Assistance

The City received \$0 in noncash assistance during the year ended September 30, 2017.

CITY OF LARGO, FLORIDA
Schedule of Findings and Questioned Costs
Federal Programs
Year Ended September 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS:

| <u>Financial Statements</u> | <u>Results</u> |
|------------------------------------|-----------------------|
| 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 |

| <u>Awards and Financial Assistance</u> | <u>Federal</u> | <u>State</u> |
|--|-----------------------|---------------------|
| Internal control over major programs and projects: | | |
| Material weakness(es) identified? | No | No |
| Significant deficiencies identified not considered to be a material weakness(es) | None reported | None reported |

CITY OF LARGO, FLORIDA
Schedule of Findings and Questioned Costs
Federal Programs
Year Ended September 30, 2017

| | | |
|---|------------|------------|
| Type of auditors' report issued on compliance for major programs? | Unmodified | Unmodified |
|---|------------|------------|

Any audit findings disclosed that are required to be reported in accordance with -

| | | |
|------------------|----|---|
| Uniform Guidance | No | - |
|------------------|----|---|

| | | |
|--------------------------|---|----|
| Florida Single Audit Act | - | No |
|--------------------------|---|----|

CITY OF LARGO, FLORIDA
Schedule of Findings and Questioned Costs
Federal Programs
Year Ended September 30, 2017

Identification of Major Programs

| | |
|-----------------------|---|
| <u>Federal</u> | <u>Name of Program or Cluster</u> |
| CFDA 14.218 | Community Development Block Grant/Entitlement Grants |

| | |
|---------------------|---|
| <u>State</u> | <u>Name of Program or Cluster</u> |
| CSFA 37.077 | Wastewater Treatment Facility Construction |

| | | |
|---|-----------------------|---------------------|
| | <u>Federal</u> | <u>State</u> |
| 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

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL
PROGRAMS AND STATE PROJECTS:**

None

CITY OF LARGO, FLORIDA
Schedule of Findings and Questioned Costs
Federal Programs
Year Ended September 30, 2017

SECTION IV - PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None

SECTION V - PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AND STATE PROJECTS:

None

**INDEPENDENT AUDITORS' REPORT
ON DEBT COMPLIANCE – 1996 STATE REVOLVING FUND LOAN**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements and the financial statements of the Largo Community Redevelopment Agency as of the City of Largo, Florida (the "City"), as of and for the year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the terms, covenants, provisions, or conditions of Articles II, III, IV, V and VI of State Revolving Fund Loan Agreement dated March 8, 1996, with the State of Florida, Department of Environmental Protection, insofar as they related to accounting matters. However, our audit was not directly primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of City management, the City Commission, and the State of Florida, Department of Environmental Protection, 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 30, 2018

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, 2017, and have issued our report thereon dated March 31, 2018. We have also audited the financial statements of the Largo Community Redevelopment Agency, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

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; Independent Auditors' Report on Debt Compliance – 1996 State Revolving Loan; 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 30, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No 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.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the comprehensive annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Clearwater, FL
March 30, 2018

**INDEPENDENT ACCOUNTANTS' REPORT IN ACCORDANCE WITH SECTION 218.415, FLORIDA
STATUTES, *LOCAL GOVERNMENT INVESTMENT POLICIES***

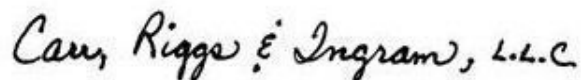
Honorable Mayor, Members of the City Commission,
And City Manager
City of Largo, Florida

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, 2017. 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, 2017.

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, LLC

Clearwater, Florida
March 30, 2018



201 Highland Ave NE
PO Box 296
Largo, FL 33779
LARGO.COM

FINANCE DEPARTMENT

Kimball R. Adams, CPA, Director
E-mail: kadams@largo.com
Phone: (727) 587-6747
Fax: (727) 586-7421

Rebecca Spuhler, Assistant Director
E-mail: rspuhler@largo.com
Phone: (727) 586-7443
Fax: (727) 586-7421

March 2018

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

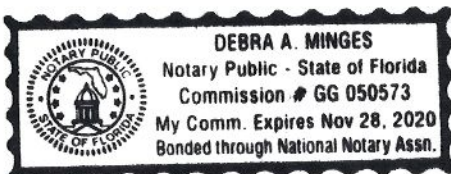
The foregoing instrument was acknowledged before me this 13 day of March 2018, by Kimball R. Adams. He/she is personally known to me or has produced _____ (type of identification) as identification.

Signature of Person Taking Acknowledgment

Debra A. Minges
Name of Acknowledger Typed, Printed or Stamped

GG 050573
Notarial Serial Number

(NOTARY SEAL)



YOUR COMMUNITY OF CHOICE
Naturally