

# City of Clearwater, Florida **Audit Executive Summary**

March 31, 2025



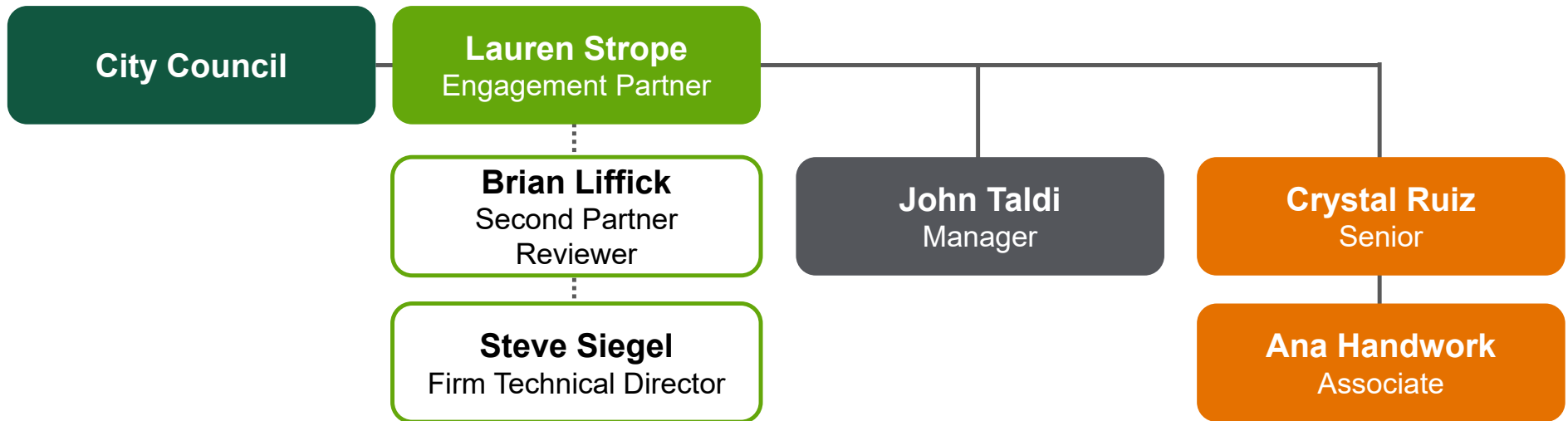
# Agenda

- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Internal Control Communication
- ▶ Internal Control and Compliance
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters
- ▶ Upcoming Financial Reporting Changes

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# Client Service Team

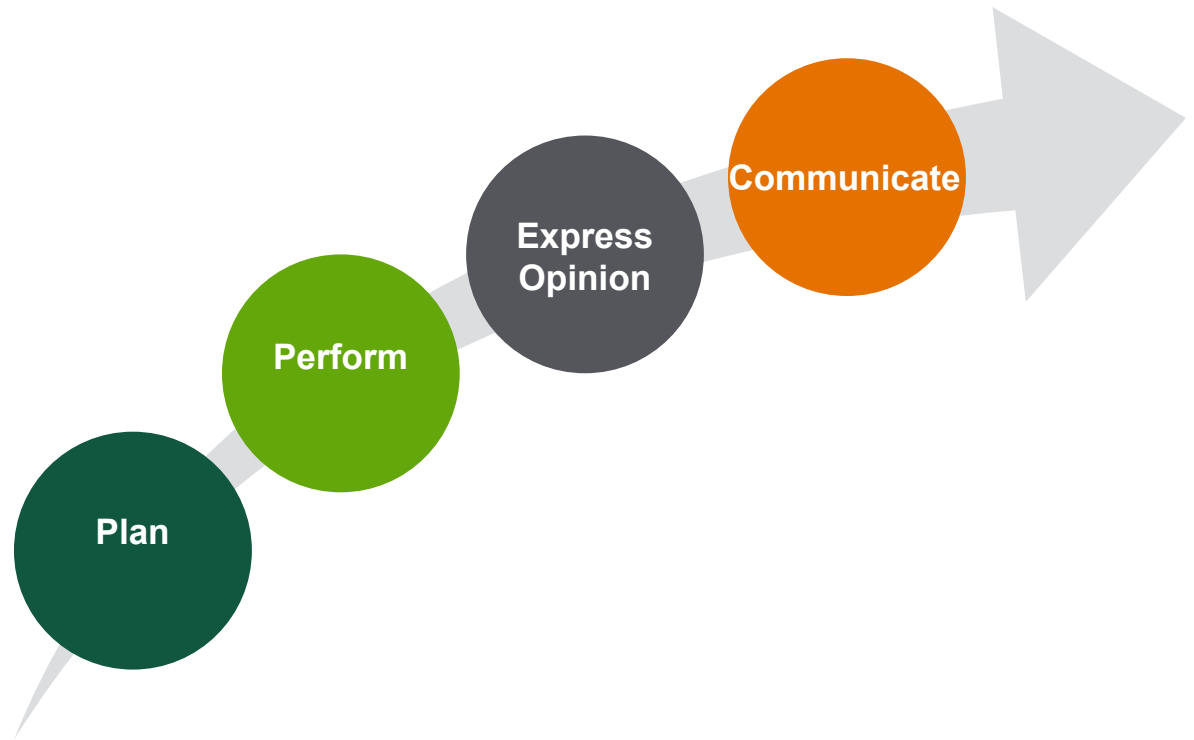


# Results of the Audit

We have audited the financial statements of City of Clearwater, Florida (the “City”) for the year ended September 30, 2025, and we have issued our report thereon dated March 31, 2026 in accordance with generally accepted auditing standards and Government Auditing Standards. This includes an opinion on the combining and individual fund statements. We have issued an unmodified opinion on the financial statements

We have also audited the City’s compliance with the types of compliance requirements described in the OMB Compliance Supplement and Chapter 10.550 that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2025.

We also issued a no comment management letter under Chapter 10.550 Rules of the Auditor General and an unmodified opinion on the compliance with investment policy examination.



# Internal Control Communication

In planning and performing our audit, we considered internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and compliance with Uniform Grant Guidance and Chapter 10.550, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.



# Internal Control Communication

## Material Weakness

- ▶ 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

## Significant Deficiency

- ▶ 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.

We reported one significant deficiency. No material weaknesses were noted.



# Finding 2025-001 – Significant Deficiency

## Criteria and Condition

- ▶ Condition – For hurricane Hermine in August 2016 and hurricane Irma in August and September 2017, the City incurred recovery costs of \$137,776 and \$96,867 which were subsequently offset by insurance proceeds.
- ▶ Criteria – According to FEMA policy, insurance is considered the primary source of funding for recovery and eligible costs will be reduced by the amount of actual or anticipated insurance proceeds.

## Effect

This caused the September 30, 2017 SEFA to be overstated by \$118,094 and the September 30, 2021 SEFA to be overstated by \$91,769. \$137,776 of revenue and a related receivable was improperly recorded during the year ended September 30, 2019 in the Water & Sewer Fund. \$96,867 of revenue and a related receivable was improperly recorded during the year ended September 30, 2021 in the Special Programs Special Revenue Fund. An entry was made in the current year to write off the receivable of \$137,776 in the Water & Sewer Fund and \$96,867 in the Special Programs Special Revenue Fund.

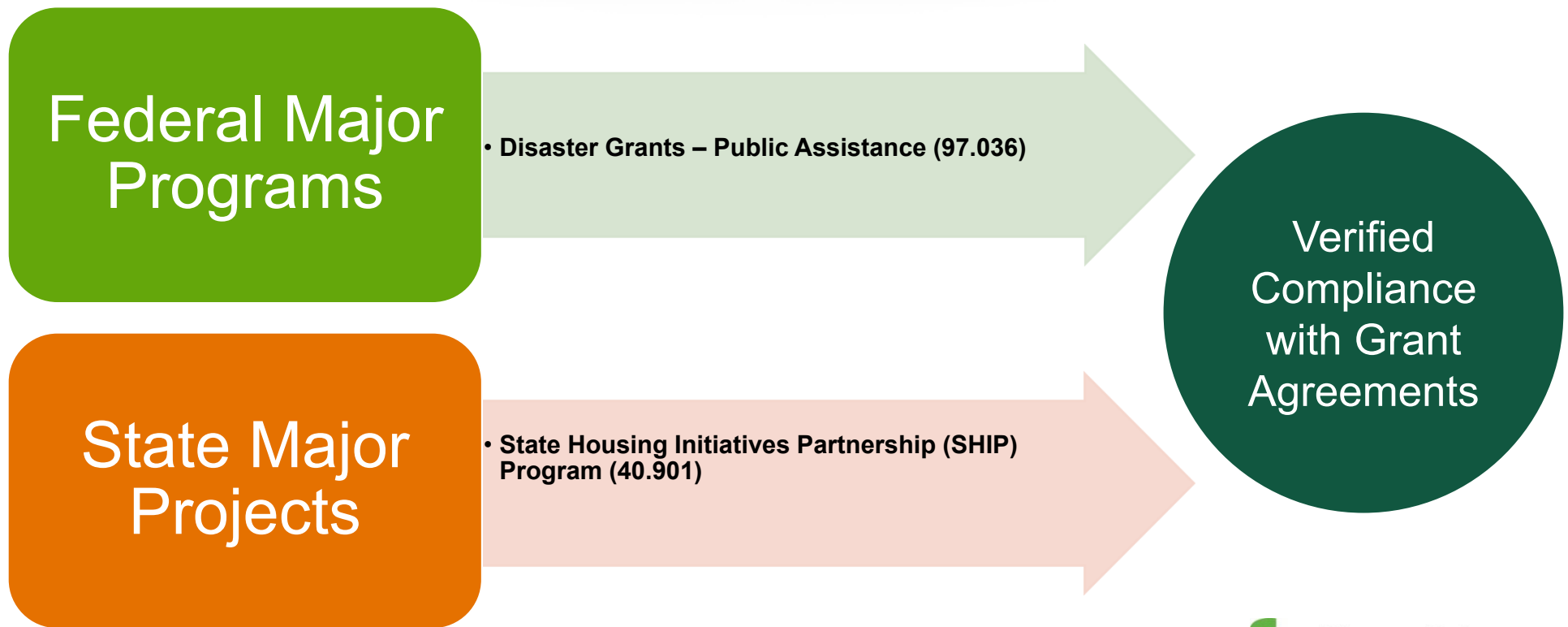
## Cause and Recommendation

- ▶ Cause – The City's accounting procedures did not align with federal requirements for FEMA grant reporting.
- ▶ Recommendation – The City should develop and implement formal, written accounting policies and procedures for recognizing and reporting FEMA Public Assistance expenditures. The new procedures should ensure costs reported as FEMA expenditures do not include costs covered by insurance proceeds.



# Internal Controls and Compliance

## *Single Audit (Grants)*



# Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

## Corrected Misstatements

▶ None noted.



# Corrected and Uncorrected Misstatements

## Uncorrected Misstatements

- ▶ In the Water and Sewer Utility fund there was an overstatement of revenues and receivables in prior years related to FEMA in the amount of \$137,776. The receivable was reversed causing an understatement of revenue in the current year of the same amount.
- ▶ In the Special Programs fund there was an overstatement of revenues and receivables in prior years related to FEMA in the amount of \$96,867. The receivable was reversed causing an understatement of revenue in the current year of the same amount.
- ▶ In the Water and Sewer Utility fund, there is inventory in the amount of \$514,385 that is not captured within the financial records.

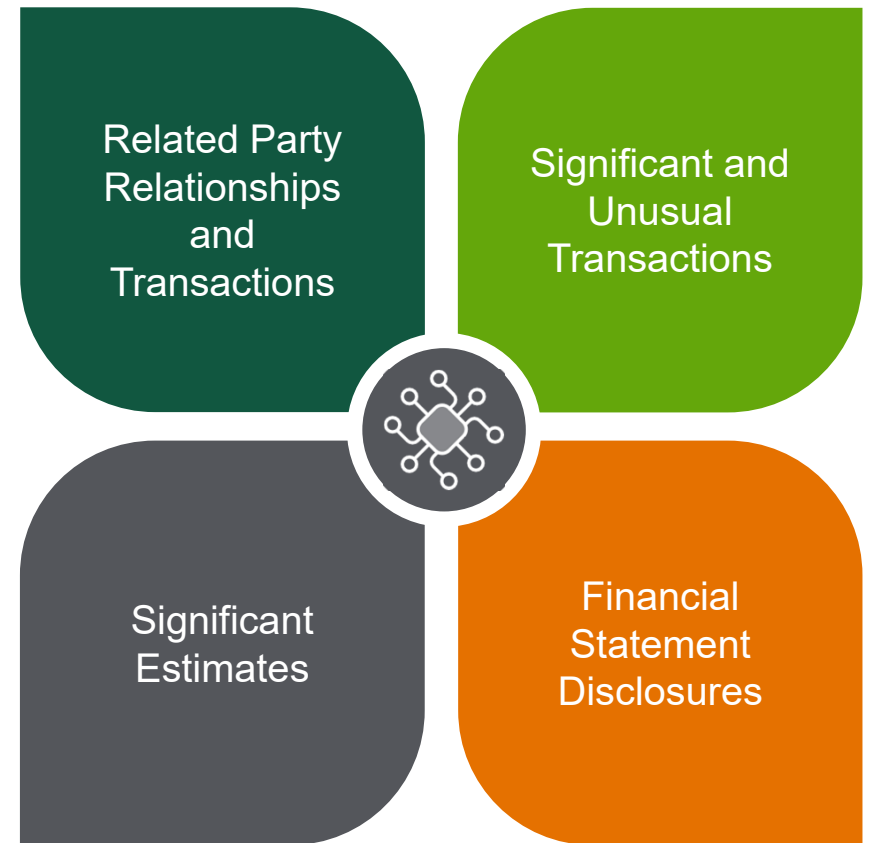


# Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 2, the City adopted GASB 101, *Compensated Absences*, GASB 102, *Certain Risk Disclosures*, and GASB 104, *Disclosure of Certain Capital Assets* effective October 1, 2024.

We noted no inappropriate accounting policies or practices.

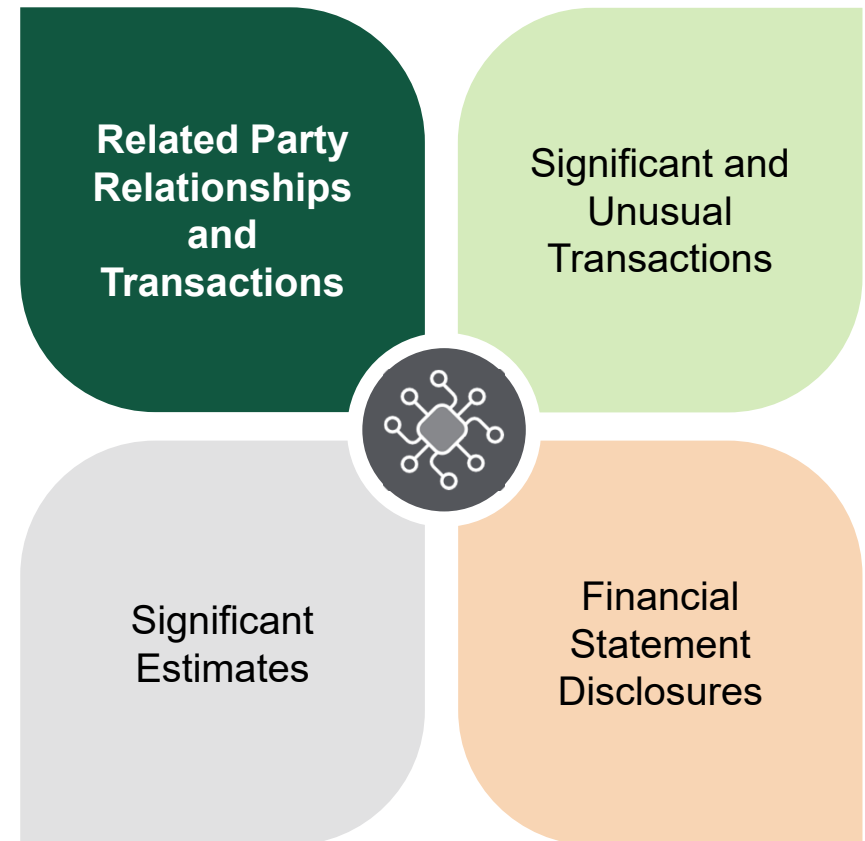


# Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the City's identification of, accounting for, and disclosure of the City's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the City's policies or procedures or for which exceptions to the City's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions;
- Difficulties in identifying the party that ultimately controls the City.

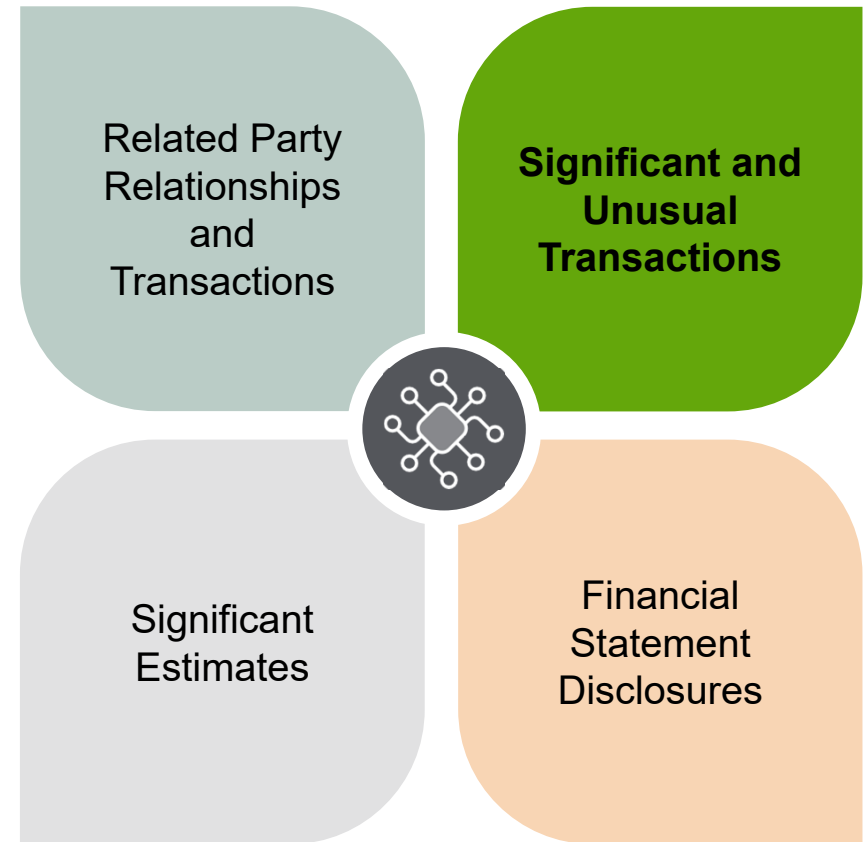


# Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size, or nature.

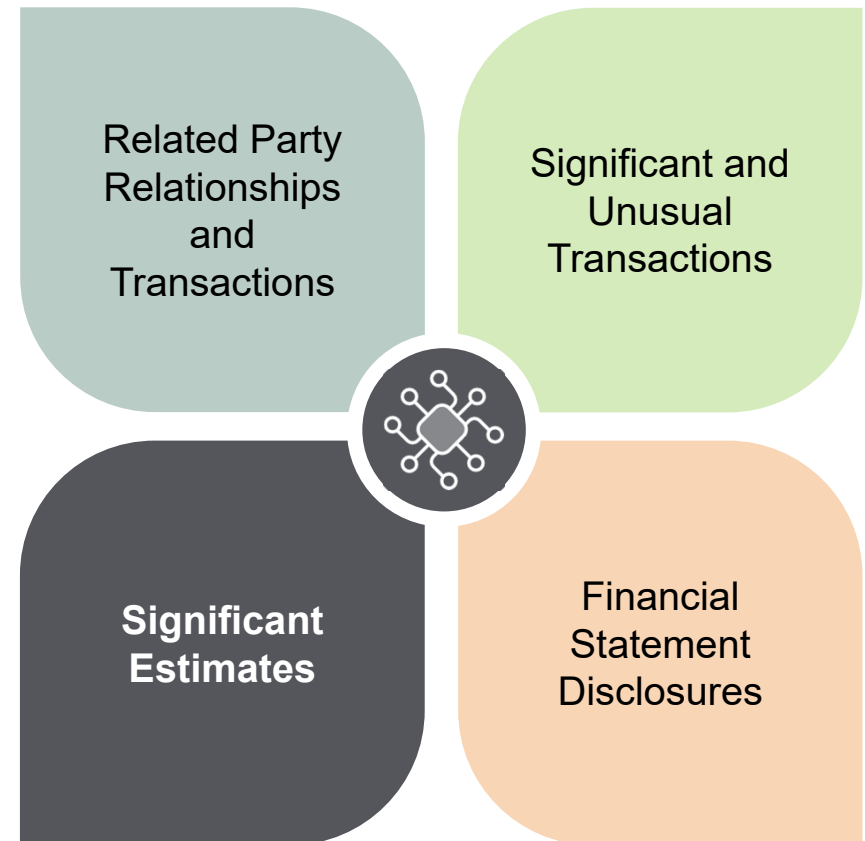
During fiscal year 2025, we noted significant transactions related to the major hurricanes and funding from FEMA for the disaster grants. All transactions appear to have been recognized in the proper period with respect to this activity.



# Qualitative Aspects of Accounting Practices

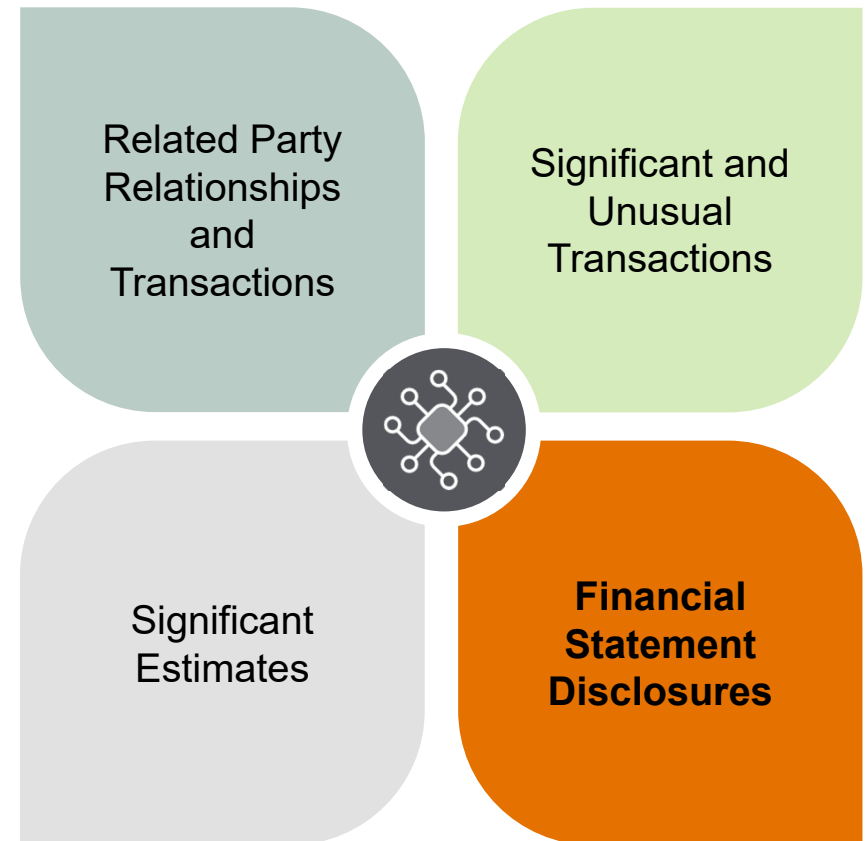
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Some of the estimates affecting the financial statements were:

- Management's estimate of the pension and OPEB liabilities are based on the calculation of an actuary who used management's inputs to calculate these liabilities.
- Management's estimate of the lease receivable for certain leases are based on a variable payment component.



# Qualitative Aspects of Accounting Practices

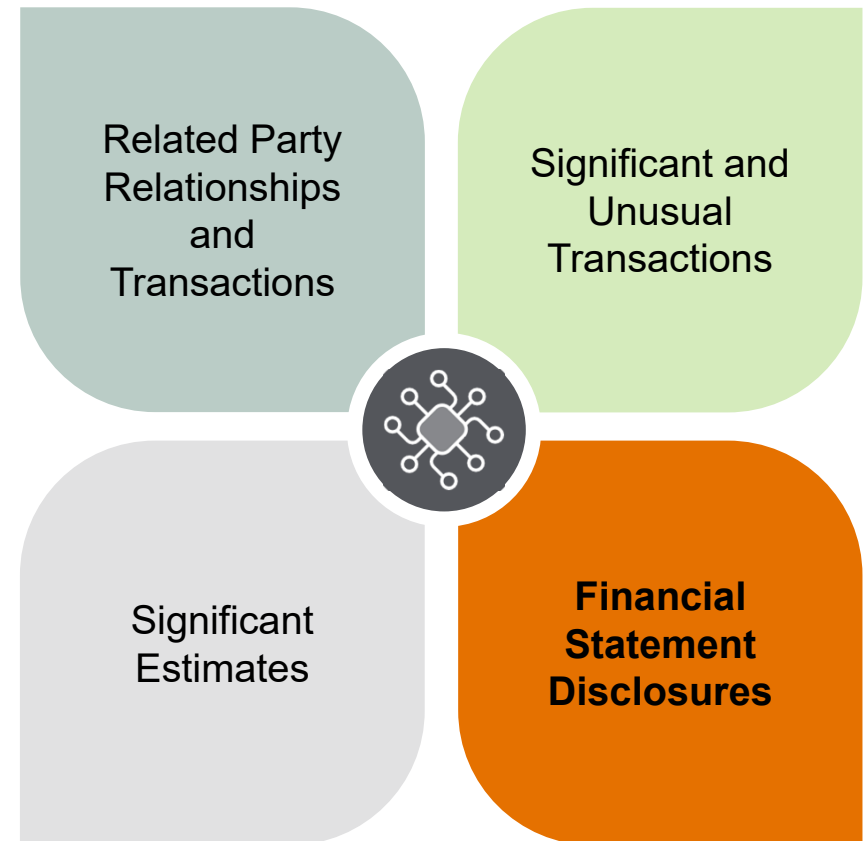
- Management's estimate of the lease and SBITA payable is based on certain assumptions within the related agreement.
- Management's estimate of the compensated absence liability is based on employees leave estimates.
- Management's estimate of the arbitrage liability is based on the analysis from an independent third party.
- Management's estimate of the useful lives of capital assets is based on the historical experience with such assets.
- Management's estimate of claims and judgments is based on an actuarial evaluation of claims incurred but not reported.



# Qualitative Aspects of Accounting Practices

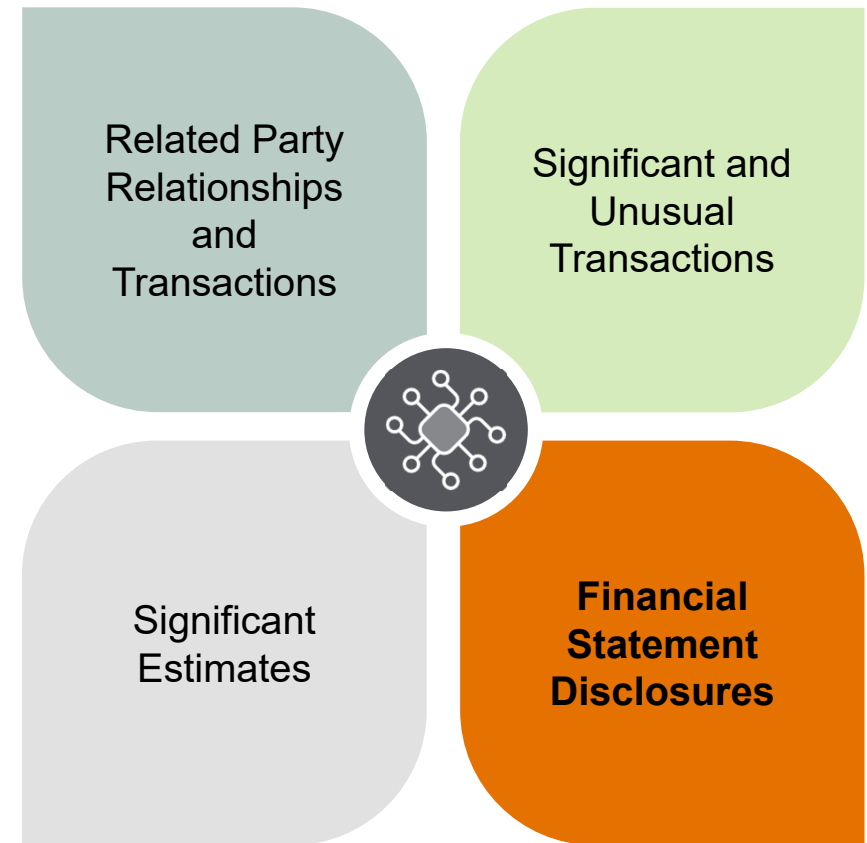
- Management's estimate of the allowance for doubtful accounts receivable and notes receivable is based on an analysis of historical collection trends, current customer relations, credit sales levels, industry factors, and current and anticipated economic conditions.
- Management's estimate of the fair value of investments is based on values established by active markets, or when no active markets are present, it is based on the net asset value established by an independent third party.

We evaluated the key factors and assumptions used to develop the estimates in determining that these are reasonable in relation to the financial statements taken as a whole.



# Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



# Independence Considerations

## Nonattest Services

- ▶ We will complete the appropriate sections and sign the data collection form.
- ▶ We assisted with the preparation of the EMS report.
- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.



## Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the City and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



# Other Required Communications

## Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

## Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2026.



# Other Required Communications

## Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

## Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

## Going Concern

No events or conditions noted that indicate substantial doubt about the City’s ability to continue as a going concern.



# Other Matters

## Required Supplementary Information

We applied certain limited procedures to the required supplementary information that supplements the basic financial statements. Our procedures 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.



## Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



## Other Information

With respect to the introductory and statistical sections accompanying the financial statements, we do not have an obligation to perform any procedures to corroborate the other information contained in the annual report. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with that appearing in the financial statements. Nothing came to our attention that caused us to believe such information, or its manner of presentation, was materially inconsistent with that appearing in the financial statements.



# Upcoming Financial Reporting Changes

These standards will be effective for the City in the upcoming years and may have a significant impact on the City's financial reporting.

We would be happy to discuss with management the potential impacts on the City's financial statements and how we may be able to assist in the implementation efforts.

- ▶ GASB 103, Financial Reporting Model Improvements
- ▶ GASB 105, Subsequent Events



# Questions

## Contacts

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