

PRELIMINARY OFFICIAL STATEMENT DATED [], 2017**NEW ISSUE - FULL BOOK-ENTRY****Ratings: S&P: "[]" (_____ outlook)****Moody's: "[]" (_____ outlook)****(See "RATINGS," herein)**

In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2017 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2017 Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2017 Bonds.

CITY OF CLEARWATER, FLORIDA**\$(Par Amount)*****Water and Sewer Revenue Refunding Bonds, Series 2017****Dated: Date of Delivery****Due: December 1, as shown below**

The Water and Sewer Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") of the City of Clearwater, Florida (the "City") are being issued in fully registered form and, when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York. U.S. Bank National Association, Orlando, Florida, is acting as the Paying Agent and Bond Registrar for the Series 2017 Bonds. The Series 2017 Bonds will be purchased in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. There will be no physical delivery of bond certificates to individual Bondholders. Interest on the Series 2017 Bonds will be payable at the rates shown on the inside cover semi-annually beginning on June 1, 2017 and on each December 1 and June 1 thereafter. Principal of, and premium, if any, on the Series 2017 Bonds will be payable on the dates and in the amounts shown on the inside cover or upon redemption prior to maturity.

The Series 2017 Bonds will be issued pursuant to the authority of and in full compliance with (a) the charter of the City, (b) the Constitution and the laws of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, and (c) Ordinance No. 3674-84 enacted by the City on August 2, 1984 (the "1984 Ordinance"), as amended and supplemented by Ordinance No. 6915-01, enacted November 15, 2001 (the "2001 Ordinance" and, together with the 1984 Ordinance, the "Original Ordinance"), as further amended and supplemented by Ordinance No. 8620-14, enacted December 4, 2014 (the "2014 Amending Ordinance" and, together with the Original Ordinance, the "Bond Ordinance"), and, as further supplemented by Resolution No. 17-02, adopted by the City on January 19, 2017 (the "Resolution"). See "APPENDIX C - Forms of Original Ordinance, 2014 Amending Ordinance and Resolution" attached hereto. The provisions of the 2014 Amending Ordinance shall apply to each series of Additional Bonds which are authorized on and after the date of enactment of the 2014 Amending Ordinance, retroactive to such date of enactment, only upon receipt of the consent of the holders of two-thirds in principal of Bonds then outstanding. Consent of the requisite two-thirds of Bondholders to the 2014 Amending Ordinance will be dependent upon the amount of Refunded Bonds to be refunded by the Series 2017 Bonds which will be determined at the time of pricing. PURCHASERS OF THE SERIES 2017 BONDS CONSENT TO THE AMENDMENTS PROVIDED IN THE 2014 AMENDING ORDINANCE. See "SUMMARY OF 2014 AMENDING ORDINANCE" herein and "APPENDIX C - Forms of Original Ordinance, 2014 Amending Ordinance and Resolution" attached hereto.

The Series 2017 Bonds may be subject to optional and mandatory redemption prior to maturity as described herein.

The Series 2017 Bonds are being issued for the purpose of (i) advance refunding and redeeming on December 1, 2019, all or a portion of the outstanding principal amount of the City's Water and Sewer Revenue Bonds, Series 2009A, maturing on or after December 1, 2020 (ii) advance refunding and redeeming on December 1, 2021, all or a portion of the outstanding principal amount of the City's Water and Sewer

* Preliminary, subject to change

Revenue Refunding Bonds, Series 2011, maturing on or after December 1, 2022 and (iii) paying the costs of issuing the Series 2017 Bonds.

The Series 2017 Bonds and the interest thereon are payable solely from the Net Revenues derived from the operation of the water, sewer and reclaimed water utility system of the City (the "System"), as further described herein. The lien of the Series 2017 Bonds on the Net Revenues of the System is on parity with the holders of the City's outstanding Water and Sewer Revenue Refunding Bonds, Series 2003, the City's outstanding Water and Sewer Revenue Bonds, Series 2009A which are not refunded with the proceeds of the Series 2017 Bonds, the City's outstanding Water and Sewer Revenue Refunding Bonds, Series 2009B, the City's outstanding Water and Sewer Revenue Refunding Bonds, Series 2011 which are not refunded with the proceeds of the Series 2017 Bonds, and the City's outstanding Water and Sewer Revenue Refunding Bond, Series 2014 (the "Parity Bonds"), as further described herein.

Neither the Series 2017 Bonds nor the interest thereon constitute a general obligation or indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation. No owner or owners of any Series 2017 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City, or any other taxing power in any form on any real or personal property of the City, to pay the Series 2017 Bonds or the interest thereon. The City shall not be obligated to pay the Series 2017 Bonds or any interest thereon except from the Net Revenues of the System, in the manner provided in the Bond Ordinance on parity with the Parity Bonds.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2017 Bonds are offered when, as and if issued and accepted by the Underwriters subject to the approval of legality by Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel. Certain other legal matters will be passed upon for the City by Pamela K. Akin, Esquire, City Attorney, and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the City. GrayRobinson, P.A., Tampa, Florida is serving as counsel to the underwriters. Stifel, Nicolaus & Company, Incorporated, Orlando, Florida is serving as Financial Advisor to the City. It is expected that the Series 2017 Bonds, in definitive book-entry form, will be available for delivery through DTC in New York, New York on or about [], 2017.

BofA Merrill Lynch

RBC Capital Markets, LLC

Wells Fargo Securities

_____, 2017

\$ _____ *

CITY OF CLEARWATER, FLORIDA

Water and Sewer Revenue Refunding Bonds, Series 2017

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS,
PRICES AND INITIAL CUSIP NUMBERS****

\$[]* Serial Bonds

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Yield</u> %	<u>Price</u>	<u>Initial</u> <u>CUSIP</u> <u>Number</u> **
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\$[]* []% Term Bond, Due December 1, 20[] Yield []% Price [] CUSIP**: []

* Preliminary, subject to change

** The City is not responsible for the use of CUSIP numbers referenced herein nor is any representation made by the City as to their correctness. CUSIP numbers are included herein solely for the convenience of the readers of this Official Statement.

CITY OF CLEARWATER, FLORIDA

ELECTED OFFICIALS

MAYOR

George N. Cretekos

CITY COUNCIL

Doreen Caudell

Dr. Bob Cundiff

Bill Jonson

Hoyt Hamilton

APPOINTED OFFICIALS

William B. Horne, II, City Manager

Jill Silverboard, Deputy City Manager

Pamela K. Akin, Esq., City Attorney

Brian J. Ravins, CGFO, Finance Director

David Porter, Public Utilities Director

BOND COUNSEL

Bryant Miller Olive P.A.

Tallahassee, Florida

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated

Orlando, Florida

DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A.

Tampa, Florida

REGISTRAR AND PAYING AGENT

U.S. Bank National Association

Orlando, Florida

RATE CONSULTANT

Burton & Associates, A Hawksley Consulting Company

St. Augustine, Florida

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS DESCRIBED HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITERS. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL THE SERIES 2017 BONDS OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2017 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND BY OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OR CONTRACT, BY THE CITY OR THE UNDERWRITERS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE SERIES 2017 BONDS. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED IN THIS OFFICIAL STATEMENT, ARE INTENDED

SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACTS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE OF THIS OFFICIAL STATEMENT OR THE EARLIEST DATE AS OF WHICH SUCH INFORMATION IS GIVEN.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2017 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. SUCH FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO CERTAIN STATEMENTS CONTAINED IN THE INFORMATION UNDER THE CAPTIONS "ESTIMATED SOURCES AND USES OF FUNDS," AND "THE WATER AND SEWER SYSTEM" IN THIS OFFICIAL STATEMENT. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ASIDE FROM ITS CUSTOMARY FINANCIAL REPORTING ACTIVITIES, THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF RULE 15C2-12 ISSUED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15c2-12(B)(1).

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OFFICIAL STATEMENT
[\$[Par Amount]*
CITY OF CLEARWATER, FLORIDA
Water and Sewer Revenue Refunding Bonds,
Series 2017

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices, is to provide information concerning the City of Clearwater, Florida (the "City") and the City's \$[Par Amount]* Water and Sewer Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds").

The Series 2017 Bonds are being issued for the purpose of (i) advance refunding and redeeming on December 1, 2019, all or a portion of the outstanding principal amount of the City's Water and Sewer Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), maturing on or after December 1, 2020, (ii) advance refunding and redeeming on December 1, 2021, all or a portion of the outstanding principal amount of the City's Water and Sewer Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds"), maturing on or after December 1, 2022, and (iii) paying the costs of issuing the Series 2017 Bonds.

The Series 2017 Bonds are payable from and secured by a lien on the Net Revenues of the City's water, sewer and reclaimed water system (the "System"), as further described herein. The lien of the Series 2017 Bonds on the Net Revenues of the System is on parity with the lien of the holders of \$510,000 outstanding principal amount of the City's Water and Sewer Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), \$[] outstanding principal amount of the Series 2009A Bonds not refunded with the proceeds of the Series 2017 Bonds, \$10,045,000 outstanding principal amount of the City's Water and Sewer Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds"), \$[] outstanding principal amount of the Series 2011 Bonds not refunded with the proceeds of the Series 2017 Bonds and \$27,200,000 outstanding principal amount of the City's Water and Sewer Revenue Refunding Bond, Series 2014 (the "Series 2014 Bond") (collectively, the "Parity Bonds"), as further described herein.

The Series 2017 Bonds will be issued pursuant to the authority of and in full compliance with (a) the charter of the City, (b) the Constitution and the laws of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, and (c) Ordinance No. 3674-84 enacted by the City on August 2, 1984 (the "1984 Ordinance"), as amended and supplemented by Ordinance No. 6915-01, enacted by the City on November 15, 2001 (the "2001 Ordinance" and,

* Preliminary, subject to change.

together with the 1984 Ordinance, the "Original Ordinance"), as further amended and supplemented by Ordinance No. 8620-14, enacted by the City on December 4, 2014 (the "2014 Amending Ordinance" and, together with the Original Ordinance, the "Bond Ordinance"), and, as further supplemented by Resolution No. 17-02, adopted by the City on January 19, 2017 (the "Resolution"). See "APPENDIX C - Forms of Original Ordinance, 2014 Amending Ordinance and Resolution" attached hereto.

PURCHASERS OF THE SERIES 2017 BONDS CONSENT TO THE AMENDMENTS PROVIDED IN THE 2014 AMENDING ORDINANCE. See "SUMMARY OF 2014 AMENDING ORDINANCE" herein.

Neither the Series 2017 Bonds nor the interest thereon constitute a general obligation or indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation. No owner or owners of any Series 2017 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City, or any other taxing power in any form on any real or personal property of the City, to pay the Series 2017 Bonds or the interest thereon. The City shall not be obligated to pay the Series 2017 Bonds or any interest thereon except from the Net Revenues of the System, in the manner provided in the Bond Ordinance on parity with the Parity Bonds.

The City covenants in the Bond Ordinance to fix, establish and maintain such rates, and collect such fees, rentals and other charges for the services and facilities of the System (as herein defined) and revise the same from time to time whenever necessary as will always provide Gross Revenues in each Fiscal Year sufficient to pay (i) the Cost of Operation and Maintenance of the System in such Fiscal Year, (ii) 115% of the Bond Service Requirement for such Fiscal Year on the outstanding Series 2017 Bonds and on all outstanding Additional Bonds and Parity Bonds, plus (iii) 100% of all reserve and other payments required to be made pursuant to the Bond Ordinance.

The City may issue Additional Bonds, payable on a parity from the Net Revenues of the System with the Series 2017 Bonds and the Parity Bonds, for the purpose of refunding all or a portion of the outstanding Bonds upon receipt of a certificate of the Finance Director setting forth the annual debt service (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Bond Service Requirement in any year pursuant to (ii) above is not greater than the Bond Service Requirement in the corresponding year set forth pursuant to (i) above. Additional bonds may also be issued for the purpose of financing the cost of extensions, additions and improvements to the System and for the acquisition and construction of, and extensions and improvements to, sewer and/or water or reclaimed water systems which are to be consolidated with the System and operated as a single combined utility, provided that, among other requirements, certain earnings tests relating historical Net Revenues to the Maximum Bond Service Requirement of all Bonds outstanding after the issuance of such Additional Bonds can be met. Such historical Net Revenues may be adjusted by the Consulting Engineer as

provided in the Bond Ordinance. See "SECURITY FOR THE SERIES 2017 BONDS - Additional Bonds" herein. It is anticipated that the City will issue Additional Bonds in the future to provide additional funds needed for the capital improvement program. See "THE WATER AND SEWER SYSTEM - Future Water and Sewer System Capital Improvements" herein and "APPENDIX F - Fiscal Year 2016 Water and Sewer Revenue Sufficiency Analysis (Rate Study) attached hereto.

Definitions of certain words and terms having initial capitals used herein and in the Bond Ordinance are contained in the "Forms of Original Ordinance, 2014 Amending Ordinance and Resolution" in APPENDIX C hereto.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2017 Bonds, the security for the payment of the Series 2017 Bonds, and the rights and obligations of holders thereof. The information contained in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Series 2017 Bonds.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2017 Bonds will be deposited into an escrow account (the "Escrow Account") established with U.S. Bank National Association, Orlando, Florida, as escrow agent (the "Escrow Agent") and invested in certain noncallable direct obligations of the United States ("Government Obligations") in order to provide sufficient funds (i) on December 1, 2019 to pay and redeem \$[] of the Series 2009A Bonds maturing from 20[] through 20[], inclusive (the "Refunded Series 2009A Bonds") and (ii) on December 1, 2021 to pay and redeem \$[] of the Series 2011 Bonds maturing from 20[] through 20[], inclusive (the "Refunded Series 2011 Bonds" and, together with the Refunded Series 2009A Bonds, the "Refunded Bonds"), at the redemption price of 100% of the principal amount thereof; provided, however, that the amount and maturities of the Refunded Bonds are subject to change based upon market conditions at the time of pricing.

Upon issuance of the Series 2017 Bonds and based upon the deposit into the Escrow Account of the cash and Government Obligations as described above, Bond Counsel will deliver an opinion to the effect that the Refunded Bonds will no longer be outstanding for purposes of the Bond Ordinance and the pledge of and lien on the Net Revenues of the System created by or pursuant to the Resolution with respect to such Refunded Bonds will cease, terminate and be discharged. Upon delivery of the Series 2017 Bonds, Causey, Demgen & Moore, Inc. (the "Verification Agent") will verify the

accuracy of the arithmetical computations of the sufficiency of the amounts to be deposited in the Escrow Account to be held by the Escrow Agent to pay the principal, interest and redemption premium, if any, on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 Bonds will be dated the date of their initial issuance and delivery and will bear interest at the rates and mature on December 1 in the amounts and at the times set forth on the inside cover page of this Official Statement. The Series 2017 Bonds are to be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2017 Bonds will be calculated based upon a 360 day year comprised of twelve (12) thirty (30) day months and will be payable on June 1, 2017 and semiannually thereafter on December 1 and June 1 of each year, by check or draft mailed to the registered owners, at their addresses as they appear on the registration books of the City maintained by the Bond Registrar, as of the 15th day (whether or not a business day) of the month preceding the interest payment date (the "Record Date"). Owners of \$1,000,000 or more in aggregate principal amount of Series 2017 Bonds may receive interest by wire transfer, at the Owner's expense, to a bank account designated in writing by the Owner not later than the Record Date. Principal of, and premium if any, are payable at maturity, or upon redemption prior to maturity, upon presentation and surrender thereof at the corporate trust office of the Paying Agent. U.S. Bank National Association, Orlando, Florida, is acting as Paying Agent and Bond Registrar for the Series 2017 Bonds. No provision of the Bond Ordinance or Resolution provides for an adjustment of the interest rate borne by the Series 2017 Bonds in the event the interest on the Series 2017 Bonds should become included in gross income for federal income tax purposes.

The Series 2017 Bonds will be initially issued in the form of a single fully registered Bond for each maturity of the Series 2017 Bonds. Upon initial issuance, the ownership of each such Series 2017 Bonds will be registered in the registration books kept by the Bond Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). While held in book-entry form, all payments of principal, interest and premium, if any, on the Series 2017 Bonds will be made to DTC or the DTC Nominee as the sole registered owner of the Series 2017 Bonds and payments to Beneficial Owners will be the responsibility of DTC and the DTC Participants as described below. See "--Book-Entry Only System" below.

Redemption of Series 2017 Bonds

Optional Redemption Provisions

The Series 2017 Bonds maturing on December 1, 20[] and thereafter will be subject to optional redemption prior to their respective maturity dates beginning on December 1, 20[] at 100% of the par value thereof.

Mandatory Sinking Fund Redemption Provisions

The Series 2017 Bonds maturing on December 1, 20[] will be subject to mandatory redemption prior to maturity, selected by lot, or in such manner as the Registrar may deem appropriate, at a redemption price equal to par plus accrued interest to the redemption date, on December 1, 20[], and each December 1 thereafter, from amounts deposited in the Redemption Account in the Bond Service Fund established by the Bond Ordinance, in the following years and amounts as follows:

<u>Year</u>	<u>Amount</u>
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*

* Maturity

Notice of Redemption

Notice of redemption, identifying the Bonds or portions thereof called for redemption (i) shall be filed with the Paying Agent and any Registrar; and (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions of the Bond Ordinance. Failure to give such notice by mailing to any owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds.

Notice having been mailed and filed in the manner and under the conditions described above, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been mailed and filed

and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in the Bond Ordinance, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under the Bond Ordinance, and the holders or Registered Owners of such Bonds or portions of Bonds, shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof.

Any notice of redemption of Series 2017 Bonds may be conditioned upon the deposit of sufficient funds to pay the Series 2017 Bonds subject to redemption on the redemption date.

Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC AND NEITHER THE CITY NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY OR TAKES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2017 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such

as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds, as the case may be, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus

Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and/or the Paying Agent for the Series 2017 Bonds. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2017 Bond certificates will be printed and delivered to DTC.

In the event that the book-entry only system is discontinued, the following provisions will govern the transfer and exchange of Series 2017 Bonds. The Series 2017 Bonds will be exchanged for an equal aggregate principal amount of corresponding bonds in other authorized denominations and of the same series and maturity, upon surrender thereof at the principal corporate trust office of the Bond Registrar. The transfer of any Series 2017 Bonds will be registered on the books maintained by the Bond Registrar for such purpose only upon the surrender thereof to the Bond Registrar with a duly executed written instrument of transfer in form and with guaranty of signatures satisfactory to the Bond Registrar, containing written instructions as to the details of transfer of such Series 2017 Bonds, along with the social security number or federal employer identification number of such transferee. The City and the Bond Registrar may charge the registered owners a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of the Series 2017 Bonds. The Bond Registrar or the City may also require payment from the registered owners or

their transferees, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2017 Bonds shall be delivered. Neither the City nor the Bond Registrar shall be required to register the transfer or exchange of any Series 2017 Bonds during the period commencing on the fifteenth day (whether or not a business day) of the month next preceding an interest payment date and ending on such interest payment date or, in the case of any proposed redemption of a Series 2017 Bonds, after such Series 2017 Bonds or any portion thereof has been selected for redemption.

SECURITY FOR THE SERIES 2017 BONDS

Net Revenues

The principal of and premium, if any, and interest on the Series 2017 Bonds are payable solely from and secured by an irrevocable first lien upon and pledge of the Net Revenues (as hereinafter defined) derived and collected by the City from the operation of the System, on a parity with the Parity Bonds. "Net Revenues" is defined in the Bond Ordinance to mean Gross Revenues after deduction of the Costs of Operation and Maintenance. "Gross Revenues" includes all income or earnings, including any income from the investment of funds, derived by the City from the operation of the System. "Costs of Operation and Maintenance" includes current expenses, either paid or accrued, for the operation, maintenance and repair of the System, but does not include reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation. See "THE WATER AND SEWER SYSTEM - Historical Debt Service Coverage" herein.

The Series 2017 Bonds do not constitute a general indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation. The principal of and interest on the Series 2017 Bonds and all required reserve and other payments shall be made solely from the Pledged Revenues, which includes only the Net Revenues of the System. The City shall never be required to levy ad valorem taxes on any property therein to pay the principal of and interest on the Series 2017 Bonds or to make any of the required debt service, reserve or other payments, and any failure to pay the Series 2017 Bonds shall not give rise to a lien upon any property of or in the City, except the Net Revenues of the System.

Rate Covenant

In the Bond Ordinance, the City has covenanted to fix, establish and maintain such rates and collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year, one hundred fifteen per

centum (115%) of the Bond Service Requirement becoming due in such Fiscal Year on the outstanding Parity Bonds, on the outstanding Bonds and on all outstanding Additional Bonds, plus one hundred per centum (100%) of all reserve and other payments required to be made pursuant to the Bond Ordinance. Such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide Gross Revenues for such purposes. See "THE WATER AND SEWER SYSTEM - Historical Debt Service Coverage" herein.

Disposition of Revenues

The entire Gross Revenues shall upon receipt thereof be deposited in the Revenue Fund created and established by the Original Ordinance. Such Revenue Fund shall constitute a trust fund for the purposes provided in the Original Ordinance and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided therein.

All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month for so long as any Bonds remain Outstanding, only in the following manner and in the following order of priority:

(1) Funds shall first be used for deposit into the Operation and Maintenance Fund, which was established by the Original Ordinance, of such sums as are necessary for the Cost of Operation and Maintenance, for the next ensuing month.

(2) A sum as shall be determined by supplemental resolution of the City shall be deposited into the Construction Fund and used for the purpose of paying Project Costs.

(3) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Sinking Fund created by the Original Ordinance, such sums as will be sufficient to pay (a) one-sixth ($1/6$) of all interest becoming due on the Bonds on the next semi-annual interest payment date; (b) commencing in the first month which is twelve (12) months or six (6) months prior to the first annual or semi-annual maturity date, respectively, of any Serial Bonds, one-twelfth ($1/12$) or one-sixth ($1/6$), respectively, of the amount of Serial Bonds which will become due and payable on the next annual or semiannual principal maturity date, respectively, and (c) one-twelfth ($1/12$) of the Amortization Installment required to be made on the next annual payment date or one-sixth ($1/6$) of the Amortization Installment required to be made on the next semi-annual payment date into a "Bond Amortization Account", created and established in the Sinking Fund by the Original Ordinance. Such payments shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Sinking Fund for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged

solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein. The Amortization Installments may be due either annually or semiannually, but in any event, the required payments as set forth above shall be made monthly commencing in the first month which is six (6) months or twelve (12) months, as the case maybe, prior to the date on which the Amortization Installment is required to be made pursuant to (c) above.

Upon the sale of any series of Term Bonds, the City shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence and may specify the type or types of investments permitted under the Original Ordinance to be purchased.

(4) Moneys remaining in the Revenue Fund shall next be applied by the City to maintain a Reserve Account, which Reserve Account was created and established by the Original Ordinance, in a sum equal to the Reserve Requirement, all or a portion of which sum may be initially provided from the proceeds of the sale of the Bonds and/or other moneys of the City. The City shall thereafter deposit into said Reserve Account an amount equal to one-twelfth($1/12$) of twenty per cent (20%) of the difference between the amount, if any, so deposited upon the delivery of the Bonds and the amount of the Reserve Requirement on all outstanding Bonds. No further payments shall be required to be made into such Reserve Account when there has been deposited therein and as long as there shall remain on deposit therein a sum equal to the Maximum Bond Service Requirement on all outstanding Bonds becoming due in any ensuing Fiscal Year.

Any withdrawals from the Reserve Account shall be subsequently restored from the first moneys available in the Revenue Fund after all required current payments

into the Sinking Fund and into the Reserve Account, including all deficiencies for prior payments, have been made in full.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal (including Amortization Installments) of or interest on the Bonds when the moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Upon the issuance by the City of any Additional Bonds under the terms, limitations and conditions provided in the Original Ordinance, the payments into the Reserve Account shall be increased so that the amount on deposit therein shall be equal to the Maximum Bond Service Requirement on all Bonds outstanding and to be outstanding.

Whenever the amount on deposit in the Reserve Account exceeds the Reserve Requirement on all Bonds then outstanding, the excess may be withdrawn and deposited into the Sinking Fund.

The City shall not be required to make any further payments into the Sinking Fund or into the Reserve Account when the aggregate amount of moneys in the Sinking Fund and the Reserve Account are at least equal to the aggregate principal amount of Bonds then outstanding, plus the amount of interest then due or thereafter to become due on the Bonds then outstanding.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Revenues into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a surety bond or an insurance policy issued by a reputable and recognized insurer for the benefit of the Bondholders in an amount equal to the difference between the Maximum Bond Service Requirement and the sums then on deposit in the Reserve Account, if any, which surety bond or insurance policy shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to the Original Ordinance and available for such purpose. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors. If a disbursement is made from a surety bond or an insurance policy provided pursuant to this paragraph, the City shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to deposit into the Reserve Account, as herein provided in this paragraph for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(5) The City shall next apply and deposit the moneys in the Revenue Fund into the Renewal and Replacement Fund created by the Original Ordinance. The

Issuer shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five per centum (5%) of the Gross Revenues of the System for the previous Fiscal Year, or such other amount as is certified as necessary for the purposes of the Renewal and Replacement Fund by the Consulting Engineer and as approved by the City Commission. The moneys in said Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the System and emergency repairs thereto. Such moneys on deposit in such Fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds.

(6) To the extent junior lien bonds are issued and outstanding (which subordinated bonds the City reserves the right to issue), the City shall next apply moneys in the Revenue Fund to the payment of principal of, redemption premium, if any, and interest on such subordinated debt of the City.

(7) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may either be deposited into either the Renewal and Replacement Fund or the Sinking Fund, or may be used for the purchase or redemption of Bonds, or maybe used by the City for any lawful purpose of the City.

Upon the effective date of the 2014 Amending Ordinance, Section (4) above shall be amended in accordance with the 2014 Amending Ordinance. See "APPENDIX C - Form of Original Ordinance, 2014 Amending Ordinance and Resolution" attached hereto.

Reserve Account

Upon the effective date of the 2014 Amending Ordinance, the "Reserve Requirement" shall be such amount as determined by subsequent Resolution of the City relating to a specific Series of Bonds adopted prior to the issuance of such Bonds, which may not exceed the lesser of (i) the Maximum Bond Service Requirement, (ii) 125% of the average annual Bond Service Requirement or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. The City shall determine by subsequent Resolution relating to a specific Series of Bonds adopted prior to the issuance of such Bonds whether such Series of Bonds will be secured by the Reserve Account, and if such Series of Bonds will be secured by a Reserve Account or a Reserve Subaccount, whether such Series of Bonds will be secured by a separate Series specific Reserve Subaccount or on a parity with other Series of Bonds in the Reserve Account or a Reserve Subaccount, and if secured with other Series of Bonds on a parity basis, which Series of Bonds will be so secured.

Pursuant to the Resolution, the Reserve Requirement for the Series 2017 Bonds shall be \$0.00, and upon the effective date of the 2014 Amending Ordinance, the Series

2017 Bonds shall not be entitled to any security provided by any monies on deposit in the Reserve Account; provided, however, that prior to such effective date, the Series 2017 Bonds will be secured by the funds on deposit in the Reserve Account as required by the Bond Ordinance. Upon the issuance of the Series 2017 Bonds, \$[] will be on deposit in the Reserve Account.

Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when the moneys in the Sinking Fund are insufficient therefor. Interest earnings on funds held in the Reserve Account will be transferred to the Revenue Fund. In lieu of or in substitution for all or any part of the required deposits to the Reserve Account the City may provide for the deposit of a surety bond or insurance policy from a reputable insurer in accordance with the provisions of the Bond Ordinance.

Any withdrawals from the Reserve Account will be subsequently restored from the first moneys available in the Revenue Fund after all required current payments into the Sinking Fund and into the Reserve Account including all deficiencies for prior payments, have been made in full. See "SUMMARY OF 2014 AMENDING ORDINANCE" herein.

Additional Bonds

Additional Bonds, payable on a parity from the Net Revenues of the System with the Series 2017 Bonds and the Parity Bonds, may be issued for the purposes of refunding all or a portion of the outstanding Bonds or financing the cost of extensions, additions and improvements to the System and for the acquisition and construction of, and extensions, additions and improvements to, sewer and/or water or reclaimed water systems which are to be consolidated with the System and operated as a single combined utility. Additional Bonds, other than for refunding purposes, will be issued only upon compliance with all of the conditions set forth in the Bond Ordinance, including the following:

(1) There shall have been obtained and filed with the Clerk a certificate of the Finance Director stating: (a) that the books and records of the City relative to the System have been audited by a qualified and recognized firm of independent certified public accountants; (b) based on such audited financial statement, that the amount of the adjusted Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Bonds or for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the date of issuance of the Additional Bonds with respect to which such certificate is made, adjusted as herein below provided; and (c) based on such audited financial statement, that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Parity Bonds and

the Bonds issued under the Bond Ordinance, if any, then outstanding, and (ii) on the Additional Bonds with respect to which such certificate is made.

(2) Upon recommendation of the Consulting Engineers, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted by including: (a) 100% of the additional Net Revenues which in the opinion of the Consulting Engineer would have been derived by the City from rate increases adopted before the Additional Bonds are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated by the Consulting Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Bonds with respect to which such certificate is made. The adjustments described in (b) of this paragraph may only be made if the Net Revenues as adjusted under (a) of this paragraph for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then outstanding; and (ii) on the Additional Bonds with respect to which such certificate is made.

The City need not comply with the provisions of paragraph (1) above if and to the extent the Additional Bonds to be issued are refunding bonds, and if the City shall cause to be delivered a certificate of the Finance Director setting forth the annual debt service (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Bond Service Requirement in any year pursuant to (ii) above is not greater than the Bond Service Requirement in the corresponding year set forth pursuant to (i) above.

See APPENDIX C, "Forms of Original Ordinance, 2014 Amending Ordinance and Resolution." See also "--Parity Bonds" below.

Series 2017 Bonds Not a Debt of the City

The Series 2017 Bonds shall not constitute a general obligation or indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation, and no Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form of real or personal property therein for the payment of the principal of and interest on the Series 2017 Bonds or to compel the City to pay such principal and interest from any other funds of the City except the Pledged Revenues which include only the Net Revenues of the System. The Series 2017 Bonds shall not constitute a lien upon any property of or in the City, but shall constitute a lien only on the Net Revenues of the System all in the manner provided in the Bond Ordinance on parity with the Parity Bonds.

Parity Bonds

After the issuance of the Series 2017 Bonds, there will be outstanding under the Bond Ordinance \$510,000 outstanding principal amount of the Series 2003 Bonds, \$[] outstanding principal amount of the Series 2009A Bonds, \$10,045,000 outstanding principal amount of the Series 2009B Bonds, \$[] outstanding principal amount of the Series 2011 Bonds and \$27,200,000 outstanding principal amount of the Series 2014 Bond. The Series 2003 Bonds, Series 2009A Bonds, Series 2009B Bonds, Series 2011 Bonds and Series 2014 Bond rank on parity with the Series 2017 Bonds as to the lien and pledge of the Net Revenues of the System and hereinafter referred to collectively as the "Parity Bonds." It is anticipated that the City will continue to issue Parity Bonds from time to time to finance additions, expansions and improvements to the System and to refund outstanding Bonds. See "THE WATER AND SEWER SYSTEM - Future Water and Sewer System Capital Improvements" herein and "APPENDIX F - Fiscal Year 2016 Water and Sewer Revenue Sufficiency Analysis (Rate Study)" attached hereto.

SUMMARY OF 2014 AMENDING ORDINANCE

On December 4, 2014, the City enacted Ordinance No. 8620-14, amending the Original Ordinance. The provisions of the 2014 Amending Ordinance shall apply to each series of Additional Bonds which are authorized on and after the date of enactment of the 2014 Amending Ordinance, retroactive to such date of enactment, only upon receipt of the consent of the holders of two-thirds in principal of Bonds then outstanding. Consent of the requisite two-thirds of Bondholders to the 2014 Amending Ordinance will be dependent upon the amount of Refunded Bonds to be refunded by the Series 2017 Bonds which will be determined at the time of pricing. PURCHASERS OF THE SERIES 2017 BONDS CONSENT TO THE AMENDMENTS PROVIDED IN THE 2014 AMENDING ORDINANCE.

The amendments are described briefly below but are subject in all respects to the actual text of the amendments as incorporated in "APPENDIX C - Forms of Original Ordinance, 2014 Amending Ordinance and Resolution" attached hereto. See also "SECURITY FOR THE SERIES 2017 BONDS - Reserve Account" herein. All defined terms in the summary below shall have the definitions provided in the Bond Ordinance.

In Section 2 of the 1984 Resolution, as amended in Section 2 of the 2001 Resolution, the following defined terms were added: Balloon Bonds, Qualified Agreement and Variable Rate Bonds. In the same section, the following defined terms were substantively revised: Bond Service Requirement and Reserve Requirement. Particularly, the "Reserve Requirement" shall be such amount as determined by subsequent Resolution of the City relating to a specific Series of Bonds adopted prior to the issuance of such Bonds, which may not exceed the lesser of (i) the Maximum Bond

Service Requirement, (ii) 125% of the average annual Bond Service Requirement or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. The City shall determine by subsequent Resolution relating to a specific Series of Bonds adopted prior to the issuance of such Bonds whether such Series of Bonds will be secured by the Reserve Account, and if such Series of Bonds will be secured by a Reserve Account or a Reserve Subaccount, whether such Series of Bonds will be secured by a separate Series specific Reserve Subaccount or on a parity with other Series of Bonds in the Reserve Account or a Reserve Subaccount, and if secured with other Series of Bonds on a parity basis, which Series of Bonds will be so secured.

In Section 16B of the 1984 Ordinance, as amended, modified and restated in Section 17D of the 2001 Ordinance, paragraph (4) is amended to provide for a separate Reserve Subaccount, as applicable. In Section 16C of the 1984 Ordinance, as amended, modified and restated in Section 17E of the 2001 Ordinance, references have been added to provide for a separate Reserve Subaccount, as applicable.

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DEBT SERVICE REQUIREMENTS

Fiscal Year Ending September 30	Debt Service on Outstanding Parity Bonds ⁽¹⁾	Series 2017 Bonds			Total Debt Service ⁽¹⁾⁽²⁾
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	\$ 3,400,230				
2018	13,613,496				
2019	13,576,787				
2020	9,831,001				
2021	9,820,359				
2022	9,818,833				
2023	9,820,734				
2024	9,823,846				
2025	9,821,792				
2026	9,841,695				
2027	9,831,263				
2028	9,830,934				
2029	9,827,089				
2030	9,834,860				
2031	9,834,902				
2032	9,842,688				
2033	9,843,421				
2034	10,203,006				
2035	10,201,881				
2036	10,204,625				
2037	10,205,056				
2038	10,202,125				
2039	10,204,519				
2040	<u>10,200,925</u>				
Total ⁽²⁾	\$ 239,636,066				

⁽¹⁾ Does not reflect effects of proposed refunding of the Refunded Series 2009A Bonds or the Refunded Series 2011 Bonds; fiscal year 2017 payment excludes debt service paid on December 1, 2016.

⁽²⁾ Totals may not add due to rounding.

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SOURCES AND USES OF FUNDS

SOURCES

Principal Amount of Series 2017 Bonds	\$
Plus/Less: Net Original Issue Premium/Discount	
Other Legally Available Funds ⁽¹⁾	_____
Total Sources	\$

USES

Deposit to Escrow Fund for the Series 2009A Bonds	\$
Deposit to Escrow Fund for the Series 2011 Bonds	
Costs of Issuance ⁽²⁾	_____
Total Uses	\$

⁽¹⁾ Includes Sinking Fund transfer in the amount of \$[] and a Debt Service Reserve Fund Transfer in the amount of \$[].

⁽²⁾ Includes underwriters' discount, financial advisory fees, rating agency fees, printing costs and other miscellaneous costs of issuance.

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THE WATER AND SEWER SYSTEM

Management

The responsibility for the operational activities for the City's Public Utilities Department, consisting of potable water distribution, sanitary sewer, and reclaimed water systems, is assigned to the Director of Public Utilities. The Director of Public Utilities (David Porter) reports to the Deputy City Manager (Jill Silverboard) who reports to the City Manager (William B. Horne, II) who is responsible to the City Council of the City of Clearwater (the "City Council") to administer the policies established by the City Council.

William B. Horne, II – City Manager

Mr. Horne has been employed by the City as City Manager since 2001. He is a credentialed City Manager as recognized by the International City/County Management Association since 2005. Mr. Horne earned his Bachelor of Science in Chemistry from the University of Tulsa, a Masters in Human Resources Management from Pepperdine University, and a Masters in Political Science from Auburn University. He has over 40 years of progressive leadership and management experience with documented success in the area of human resources, training, and operations at various organizational levels. Prior to accepting his position with the City, he was in the United States Air Force retiring with the rank of Colonel.

Jill Silverboard – Deputy City Manager

Ms. Silverboard has been employed by the City as assistant City Manager since 2007 and was promoted to Deputy City Manager in 2016. Ms. Silverboard is a Credentialed City Manager as recognized by the International City/County Management Association. Ms. Silverboard graduated from Lenoir-Rhyne University (Hickory, NC), where she received a Bachelor of Science degree in Political Science. She received a Masters Degree in Public Affairs from Western Carolina University (Cullowhee, NC). With 29 years of local government experience, Ms. Silverboard has served as a City Manager in Madeira Beach, Florida and Destin, Florida as well as Deputy City Manager in Destin and Hallandale Beach, Florida. Ms. Silverboard is a 24 year member of the American Institute of Certified Planners and previously served as the Planning Director in Hallandale Beach and Brevard, North Carolina. Ms. Silverboard's specific management expertise is in planning and development, utilities, transportation, leisure services, budgeting and finance, human resources, and public works.

David Porter – Public Utilities Director

Mr. Porter began his employment with the City in 2010 as the Wastewater Environmental Technologies Manager. In May of 2015 he was promoted to Public Utilities Assistant Director and in August of that year he was again promoted to Public Utilities Director.

Mr. Porter has over 41 years of experience in all facets of utility operations/maintenance, engineering and administration and has worked with utilities throughout the United States and the world. For 13 years just prior to joining the City, he was the owner and principal engineer at an engineering consulting firm that provided preliminary and final design services, operations/maintenance assistance, regulatory permitting and compliance services, Public Utilities Commission rate case and quality of service support to investor owner utilities, forensic engineering and expert witness support to investor owned utilities, and numerous other services to his clients.

Mr. Porter is a graduate of the University of Massachusetts with a Bachelor of Civil Engineering (BSCE) degree. He has held wastewater treatment plant operator certification at the highest levels in Florida since 1981 and Massachusetts since 1973. He became a Licensed Professional Engineer in Florida in 1985. He is a member of numerous professional organizations related to utility system operations and management. Mr. Porter has published journal articles and papers and been a featured presenter at professional conferences during his 41 year career.

Water System

The City's water distribution system consists of approximately 592 miles of water mains ranging up to 20 inches in diameter and contains numerous interconnections between piping making larger size mains unnecessary for existing flow conditions. Water storage within the distribution system consists of a series of ground level water storage pumping systems and elevated tank water storage. The City currently has four 5-million gallon ground level water storage reservoirs and two 1-million gallon elevated storage tanks for a total water storage capacity of 22 million gallons. The City's elevated storage tanks are steel vessels which provide immediate response to pressure and flow demands in local areas.

The water supply for the area served by the System is currently derived from existing City well fields and the purchase of water from Pinellas County (the "County"). The City currently has 43 Floridan Aquifer wells throughout the service area permitted for 14.3 million gallons per day ("MGD"), each equipped with automatic control systems. The City operates three potable water plants. Two of these plants (Reverse Osmosis One (RO1) and Reverse Osmosis Two (RO2)) utilize reverse osmosis treatment plus the addition of polyphosphate for corrosion control and chlorination/chloramination for disinfection. The raw water source for RO1 is water

from the upper zone A of the Floridan aquifer. RO2 treats brackish water from the lower zone A to the semi confining layer between lower zone A and zone B of the Floridan aquifer. The City also operates one traditional water treatment plant (Water Treatment Plant Three (WTP3)) which utilizes only chlorination/ chloramination for disinfection plus polyphosphate for corrosion control. The raw water source for WTP3 is water from the upper zone A of the Floridan aquifer.

An expansion of RO1 was completed in 2014. RO1 is currently producing 4.3 MGD of finished water. RO2 was completed and placed into service in June 2015. RO2 currently produces up to 3.5 MGD of finished water. WTP3 produces up to 1.0 MGD of finished water. In all, the City currently produces approximately 8.0 MGD from City well fields. Converting WTP3 to a reverse osmosis plant is currently in the design phase, with anticipated completion of the project scheduled for the 2018-2020 time frame. This conversion will provide the City with additional City-produced water production.

The City's current water demand is approximately 11.7 MGD, Therefore, the City currently purchases approximately 3.7 MGD from the County. The City has a bulk water purchase agreement with the County that the County will supply up to 15 MGD of the City's service area water needs on an as needed basis. Supply under the contract commenced on October 1, 2005 and will terminate on September 30, 2035. The average purchase over the last five years has been approximately 35% of the agreed upon amount. The contract rate in Fiscal Year 2017 is \$3.9919 per 1,000 gallons. This rate is set by the Pinellas County Board of County Commissioners and is based on a prorated share of revenue cost requirements of the County water system, including production and transmission costs required for the supply of water to County water users. The County has been reliably providing the City with supplemental finished water supplies for many years with an excellent record of consistently meeting the City's needs.

The County obtains its water from Tampa Bay Water, a regional water supply authority ("Tampa Bay Water"). Tampa Bay Water has a contractual obligation to provide the County with 100% of its water requirements. Currently, Tampa Bay Water produces approximately 160 MGD of finished water of which the County receives approximately 49 MGD. The County has in the past obtained as high as 70 MGD from Tampa Bay Water. Tampa Bay Water is the regional water supplier for the entire Tampa Bay area and is made up of six member governments, which include the counties of Pinellas, Hillsborough, and Pasco and the cities of New Port Richey, St Petersburg, and Tampa.

The following chart shows the average daily water flow on an annualized basis over the past five years:

**Source and Volume of Water Pumped
(in MGD, averaged over the Fiscal Year)**

<u>FY</u>	<u>City Wells</u>	<u>County</u>	<u>Total</u>
2012	5.9	5.0	10.9
2013	5.4	5.6	11.0
2014	5.2	6.9	12.1
2015	5.1	5.5	10.6
2016 (unaudited)	8.0	3.7	11.7

Source: The City of Clearwater

The decline in water average daily flows since 2014 is due to conservation and the reduction in potable water for irrigation by providing reclaimed water as an alternative water supply.

The table below illustrates the number of water service connections over the past five years.

**Historical Numbers of Water Service Connections
(as of September 30 of the year indicated)**

<u>Year</u>	<u>Water Service Connections</u>
2012	36,438
2013	36,547
2014	36,651
2015	37,018
2016 (unaudited)	37,302

Source: The City of Clearwater

Note: The metric in this table is service connections, which differs from customers as described in the Rate Study.

The 10 largest water customers in fiscal year 2016 based upon revenues produced are provided in the table below:

Ten Largest Water Customers
Fiscal Year Ended September 30, 2016 (unaudited)

	<u>Name of User</u>	<u>Revenues Produced</u>	<u>% of Total Revenues</u>
1.	City of Clearwater	\$ 896,081	2.72%
2.	Church of Scientology	799,806	2.43
3.	Morton Plant Hospital	494,542	1.50
4.	Pinellas County Schools	358,796	1.09
5.	Sandpearl Resort LLC	296,750	.90
6.	Pinellas County Government	274,427	.83
7.	Madison Place Clearwater LLC	241,096	.73
8.	CF Park Place Gardens LLC	197,233	.60
9.	Brenntag Mid-South, Inc.	174,012	.53
10.	Clearwater Housing Authority	<u>172,333</u>	.52
	Total	\$3,905,076	11.85%

Source: The City of Clearwater

Sewer System

The City's sanitary sewage collection and transport system is composed of approximately 363 miles of gravity mains and 38 miles of force mains, utilizing 75 lift stations. The age of the various components which make up the City's wastewater collection and transport system varies from less than one-year old to over 50 years old. The City has an on-going inspection, repair and replacement program which is utilized to locate infrastructure that requires repair and replacement and then have those facilities either lined or replaced in the case of gravity lines and force mains or repaired or components replaced in the case of lift stations. As portions of the collection and transport system age to the end of their useful life the City plans infrastructure replacement to ensure the integrity of the system overall.

Three water reclamation facilities ("WRF") with a combined design capacity of 28.5 MGD provide treatment for the wastewater produced by the City's residents. These three plants are the Marshall Street WRF (10 MGD), the Northeast WRF (13.5 MGD) and the East WRF (5.0 MGD).

The Marshall Street WRF was constructed in the 1950's, the East WRF was constructed in the 1960's and the Northeast WRF was constructed in the 1970's. These plants have been expanded and upgraded numerous times to their current design capacities and to add advanced wastewater treatment capabilities. The facilities include a number of advanced treatment processes such as: nitrogen and phosphorus removal, effluent filtration, and high rate disinfection. All three facilities produce highly treated reclaimed water for private, commercial and municipal use. The Northeast WRF and the Marshall Street WRF also provide for sludge stabilization by

anaerobic digestion, sludge thickening and dewatering by centrifugation. The three facilities are maintained to ensure their continued operation and performance. Numerous major components at each facility have been replaced/renewed in the past five years including secondary clarifiers, effluent filters, electronic controls, emergency generators, process components such as aeration devices and mixers, and in-plant pumping systems. As facility components reach the end of their useful life, components are replaced or the entire units are replaced.

The City has entered into an Interlocal Agreement with the City of Safety Harbor, Florida ("Safety Harbor") to share operations and maintenance costs of the Northeast WRF. Pursuant to the agreement, the City bills Safety Harbor on the basis of usage calculated by (i) an operating cost charge, which is total cost of operations allocated on the basis of average use; plus (ii) a capacity cost charge, which is a reimbursement for replacement of the facility. The Interlocal Agreement expires and is renewable in 2018.

The following table shows the average daily sewage flow on an annualized basis over the past five years:

**Average Daily Sewage Flow
(in MGD, averaged over the Fiscal Year)**

<u>Year</u>	<u>Flow In MGD</u>
2012	14.5
2013	13.2
2014	12.3
2015	13.8
2016 (unaudited)	13.5

Source: The City of Clearwater

The table below illustrates the number of sewer service connections over the past five years:

**Historical Number of Sewer Service Connections
(as of September 30 of the year indicated)**

<u>Year</u>	<u>Sewer Service Connections</u>
2012	32,353
2013	32,649
2014	32,815
2015	33,390
2016 (unaudited)	33,763

Source: The City of Clearwater

Note: The metric in this table is service connections, which differs from customers as described in the Rate Study.

The 10 largest sewer customers in fiscal year 2016 based upon sewer revenues are shown in the table below:

**Ten Largest Sewer Customers
Fiscal Year Ended September 30, 2016 (unaudited)**

	<u>Name of User</u>	<u>Revenues Produced</u>	<u>% of Total Revenues</u>
1.	Church of Scientology	\$ 637,200	1.73%
2.	City of Clearwater	594,013	1.61
3.	Morton Plant Hospital	524,802	1.42
4.	Pinellas County Schools	477,184	1.29
5.	Sandpearl Resort LLC	290,304	.79
6.	Madison Place Clearwater LLC	250,527	.68
7.	CF Park Place Gardens LLC	228,135	.62
8.	CP Clearwater, LLC	216,150	.59
9.	Clearwater Housing Authority	214,141	.59
10.	Sheraton Sand Key	<u>213,325</u>	<u>.58</u>
	Total	\$3,647,781	9.90%

Source: The City of Clearwater

Marshall Street Water Reclamation Facility Influent Pump Station Failure

Hurricane Hermine impacted the City from August 30 through September 2, 2016.

On Wednesday morning, August 31, 2016, the Marshall Street WRF began to experience rain-induced increased influent flow rates caused by what was at the time Tropical Depression No. 9 (later to become Hurricane Hermine). Normal influent flow to the plant is approximately 6 MGD; however, the plant is designed for an average daily flow of 10 MGD and a short-term peak flow of 25 MGD. By approximately 11:00 AM on August 31, 2016, the influent flow rate entering the influent pump station was exceeding the measuring capability of the influent flow meter (21 MGD).

By approximately 4:00 PM on August 31, 2016, the influent flow entering the Marshall Street WRF had increased to the point of exceeding the pumping capability of the three influent pumps located in the influent pump station. Portable pumps, piping, and controls were set up at that time to pump a portion of the incoming flow around the influent structure and directly to the next step in the treatment process: the Salsnes filters (primary treatment) mixing station.

At approximately 2:30 PM on September 1, 2016, due to extremely high influent flows, one of the influent pumps located within the influent pump station developed a

mechanical pump failure resulting in the station's dry-well flooding (which included all the electrical controls) and failure of all equipment within the building.

Shortly after this failure occurred, temporary bypass pumping systems were installed at the Marshall Street WRF influent pump station to pump all influent wastewater around the pump station until repairs to the station can be made. Until these temporary bypass pumping systems were in place, sanitary sewer overflows (SSOs) occurred in the service area served by this influent pump station. However, no additional overflows have occurred in this area since the bypass pumps have been in operation. The temporary bypass pumping systems currently in place are capable of meeting all influent wastewater pumping requirements at the Marshall Street WRF.

The City has initiated engineering studies to determine what options exist to repair or replace the damaged pump station. Those studies will consider the technical and financial feasibility of each identified option. The City has received initial results of the studies and directed the engineers to complete full analyses of several options. Once this engineering work is complete and the City has more detailed time and financial estimates, the City will choose an action plan and move forward with the design and construction efforts. The City anticipates replacing all three of the existing pumps no matter what option is chosen and electrical gear will be relocated to the top floor of the station in an effort to prevent this type of pump failure from occurring again.

The City is working with the Federal Emergency Management Agency (FEMA) and the City's insurance carriers to obtain financial assistance in repairing the influent pump station. The engineering studies and cost estimate development are underway. The City's initial estimate of the damage was \$6 million; however, this is a rough estimate. Once the on-going engineering analysis and cost estimates have been completed, more accurate cost impacts will be known.

Reclaimed Water System

The City began its reclaimed water system in 1988. It operates under a master reuse permit with allowable distribution of 12 MGD for beneficial use. The reclaimed system uses treated effluent to produce high quality reclaimed water at all three water reclamation facilities. The storage capacity is currently 15 million gallons, with five million gallons each at the Northeast WRF, Marshall Street WRF and Skycrest Reclaimed Water Booster Pump Station.

The reclaimed water system has 141 miles of completed pipeline distribution, which supplied City customers with 5.17 MGD in FY 2016. In addition, pursuant to an Interlocal Agreement, the reclaimed water system offers for sale to the County three MGD. The operation of the reclaimed water system has enabled the City to meet various permitting requirements relating to its wastewater treatment facilities,

reduced the number of separate water meters for irrigation, and has significantly reduced the use of potable water for irrigation purposes.

The table below lists the average daily flows of reclaimed water for each of the fiscal years indicated:

**Annual Daily Reclaimed Water Flow
(in MGD, averaged over the Fiscal Year)**

<u>FY</u>	<u>Flow</u>
2012	6.7
2013	5.0
2014	5.3
2015	4.7
2016 (unaudited)	5.2

Source: The City of Clearwater

The table below illustrates the number of reclaimed water service connections over the past five years:

**Historical Number of Reclaimed Water Service Connections
(as of September 30 of the year indicated)**

<u>Year</u>	<u>Reclaimed Water Service Connections</u>
2012	5,550
2013	6,953
2014	7,053
2015	7,218
2016 (unaudited)	7,441

Source: The City of Clearwater

Note: The metric in this table is service connections, which differs from customers as described in the Rate Study.

Historical Debt Service Coverage

The following table is a schedule of the Water & Sewer System debt service coverage for the past five fiscal years ending September 30.

Historical Debt Service Coverage By Net Revenues Fiscal Years Ended September 30 (In Thousands of \$)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Gross Revenues⁽¹⁾	\$61,472	\$63,743	\$64,665	\$68,601	\$72,303
Costs of Operations & Maintenance⁽¹⁾	\$40,303	\$38,479	\$37,001	\$44,732	\$47,680
Net Revenues Available for Debt Service⁽¹⁾	\$21,169	\$25,264	\$27,664	\$23,836	\$24,623
Annual Debt Service	\$14,562	\$13,198	\$13,798	\$13,779	\$13,560
Coverage (1.15x required)	1.45	1.91	2.00	1.73	1.82

⁽¹⁾ Revenues used in the calculation include interest earnings and exclude extraordinary gain and contributed revenues. Expenses used exclude depreciation (and similar non-cash expenses), amortization of bond discount, bond interest, sinking fund and reserve requirements and extraordinary loss.

Source: The City of Clearwater

For a pro forma of Net Revenues and Debt Service Coverage for the Fiscal Years 2016 through and including 2026, see Schedule 9 of the Rate Study.

Future Water and Sewer System Capital Improvements

The City of Clearwater Fiscal Year 2016 Water and Sewer Revenue Sufficiency Analysis (the "Rate Study") forecasts a capital improvement program for the System over the 11 year period from 2016 through 2026 in the amount of approximately \$349 million. Of this amount, it is anticipated that the City will incur long-term revenue bond financing of approximately \$191 million from the future issuance of revenue bonds. The balance of the costs of the capital improvement program are expected to be paid from impact fees, grant funding, renewal and replacement and from unexpended amounts on deposit in the Revenue Fund after payment of debt service on Bonds. See "APPENDIX F - Fiscal Year 2016 Water and Sewer Revenue Sufficiency Analysis (Rate Study)" attached hereto and "--Establishment of Rates, Fees and Charges; Rate Study" below.

Previous rate studies had projected the need to obtain funding from bonds to fund an aggressive capital improvement and renewal and replacement program. The work on this aggressive CIP program was not as intense as was projected largely due to an engineering and utility staffing limitation which limited the ability of the City to undertake all the projects programmed. That staffing limitation has been resolved and the City has resumed its aggressive capital improvement and renewal and replacement program. Therefore, the City is again projected the need to obtain funding via subsequent bond issues, including a new bond issue in 2018.

Regulation and Permitting

The System is regulated by the United States Environmental Protection Agency and by the State of Florida's Department of Environmental Protection ("FDEP"). The water supply permitting is regulated under the Southwest Florida Water Management District ("SWFWMD"), which grants water use permits. The current water use permit allows an annual average daily withdrawal of 14.3 MGD and it will expire in December, 2039. Wastewater treatment plants operate under 5-year FDEP permits. The Marshall Street WRF Operating Permit currently expires in February, 2017; however, renewal of this Operating Permit is underway and the FDEP has issued its Notice of Intent to Issue the New Permit. The Northeast WRF Operating Permit will expire in July, 2017; the City is currently preparing the Permit Renewal Application for submission. The East WRF Operating Permit will expire in June, 2017; the City is currently preparing the Permit Renewal Application.

The Marshall Street WRF is currently under consent order for effluent limitation exceeding events which occurred in late 2010. In response, the City has made modifications to the Marshall Street WRF physical plant and modified its Operating Permit. In addition, upcoming changes to FDEP's surface water maximum allowed contaminant levels will allow the City to apply for a new mixing zone that should resolve this issue and allow closure of the consent order.

Establishment of Rates, Fees and Charges; Rate Study Recommendations

The City establishes by ordinance rates, fees and charges for use of the System. The ordinance is adopted in response to periodic rate studies conducted by Burton and Associates, A Hawksley Consulting Company, the City's utility rate consultant. The most recent "FY 2016 Water & Sewer Revenue Sufficiency Analysis," dated July 21, 2016 (the "Rate Study") is the basis for establishing future rates, fees, and charges for System services based upon a planning period of FY 2016 through FY 2026.

The Rate Study notes that:

"In recent years, many challenges have affected the financial performance of the Utility. Pinellas County, the City's wholesale water provider, has continued to increase

its wholesale rates. Aging infrastructure continues to drive the need for additional renewal and replacement projects within the Utility's capital improvement plan. Moreover, a combination of recent economic conditions and continued conservation awareness has caused many of the Utility's customers to reduce the quantity of water they are using."

Therefore, the objective of the current Rate Study, taken together with previous annual rate studies, is to evaluate the sufficiency of the System's current rates and proposed annual rate adjustments for water and wastewater and to identify a plan of future increases that would provide adequate revenue to fund the System's cost requirements over a multi-year projection period while recognizing the effects of recent minor customer and demand growth, increasing purchased water costs, and increasing renewal and replacement requirements. The Rate Study states that annual 3.75% rate increases beginning FY 2017 through FY 2026 "should provide adequate revenue to meet the projected requirements of the Utility during each remaining year of the projection period." On August 17, 2016, the City Council adopted Ordinance 8929-16 implementing the Rate Study and approving annual rate increases of 3.75% from FY 2017 through FY 2021.

The Rate Study also recommends that the City should continue to review the financial performance of the Utility on an annual basis and evaluate the adequacy of its revenues and current plan of rate increases. Doing so will allow for the recognition of updated revenue and expense information and changes in economic conditions so that any necessary adjustments can be made to planned rate increases in order to allow the Utility to meet its requirements during the projection period and minimize rate impacts to customers from future events occurring differently than currently projected.

The complete Rate Study is included herein as APPENDIX F and a schedule of rates, fees, and charges is attached hereto as APPENDIX G.

No Mortgage or Sale of the System

Pursuant to the Bond Ordinance, the City irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole until all of the Bonds shall have been paid in full as to both principal and interest, or payment shall have been duly provided for under the Bond Ordinance.

The foregoing provision notwithstanding, the City may sell or dispose of, for fair market value, any properties or parts of the System which the Consulting Engineer shall certify in writing are not necessary for the continued operation of the System and that the sale or disposal of which will not adversely affect the Gross Revenues to be derived from the System to such an extent that the City will fail to comply with the covenants contained in the Bond Ordinance.

The proceeds derived from any sale or disposal of any properties or parts of the System as provided for in the above paragraph shall, in the discretion of the City, be (1) deposited in the Renewal and Replacement Fund and used exclusively for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and for unusual or extraordinary repairs thereto, or for the construction or acquisition of additions, extensions and improvements to the System, or (2) for the purchase or retirement of the Bonds then outstanding. However, if the Consulting Engineer certifies that proceeds are necessary for the purposes stated in part (1) above, such proceeds shall remain in the Renewal and Replacement Fund until such certified requirements are satisfied, and the proceeds shall not be used for any other purpose allowed by the Bond Ordinance.

No Free Service

Pursuant to the Bond Ordinance, the City will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class. This covenant shall not prevent individual contracts with other governmental entities for the wholesale delivery of services of the System. The City, including its departments, agencies and instrumentalities, shall avail itself of the facilities or services provided by the System or any part thereof, and the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the City and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the City shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

Mandatory Connection

To the full extent permitted by law, the City will adopt and keep in force and effect an ordinance requiring that all improved premises with respect to which water or sewer services from the System are available shall connect such premises to the System and shall obtain available water and sewer services only from the System.

PENSION AND OTHER POST-EMPLOYMENT BENEFIT LIABILITIES

Defined Benefit Pension Plans

The City maintains and self-administers two separate single employer defined benefit pension plans. The Employees' Pension Plan covers all permanent, full-time City employees who successfully pass the required physical examination; except for firefighters employed prior to July 1, 1963, and certain unclassified (primarily managerial) employees. The Firefighters' Relief and Pension Plan covers eligible firefighters hired prior to July 1, 1963, and is closed to new entrants.

Net Pension Liability/(Asset) for the Employees' Pension Plan and the Firefighters' Relief and Pension Plan for the two years ended on September 30, 2015 (since implementation of GASB Statements 67 and 68) was as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Employees' Pension Plan			
September 30, 2015	\$ 847,358,253	\$ 840,268,849	\$ 7,089,404
September 30, 2014	\$ 819,598,826	\$ 863,589,949	\$ (43,991,123)
Firefighters' Relief and Pension Plan			
September 30, 2015	\$ 3,771,835	\$ 4,615,299	\$ (843,464)
September 30, 2014	\$ 3,797,780	\$ 4,860,303	\$ (1,062,523)

The Employees' Pension Plan liability was determined by an actuarial valuation as of January 1 updated to September 30 using the following actuarial assumptions applied to all measurement periods:

Inflation	2.5%
Salary increases	3.5% to 7.9% depending upon service, including inflation
Discount rate	7.0%
Investment rate of return	7.0%

The Firefighters' Relief and Pension liability was determined by an actuarial valuation as of September 30 using the following actuarial assumptions applied to all measurement periods:

Inflation	2.0%
Salary increases	Not applicable
Discount rate	3.0%
Investment rate of return	3.0%

See Note IV D, Employee retirement systems and pension plans, included in the Notes to the Basic Financial Statements in APPENDIX B hereto for more information regarding the City's defined benefit pension plans.

Other Post-Employment Benefits (OPEB)

The City administers a single-employer defined benefit healthcare plan that provides medical insurance benefits to its employees and their eligible dependents. The City is required by State Statute to provide eligible retirees the opportunity to participate in the plan at the same cost that is applicable to active employees. The City provides no explicit medical insurance subsidy to retirees, only the implicit subsidy required by State Statute. Additionally, the City provides and pays for \$1,000 of term life insurance for retirees who retired before October 1, 2008.

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation for the fiscal years ended September 30, 2015, 2014, and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Costs Contributed	Net OBEP Obligation
9/30/2015	\$ 3,405,329	47.86%	\$ 13,591,835
9/30/2014	\$ 3,298,390	36.47%	\$ 11,816,331
9/30/2013	\$ 2,935,226	44.05%	\$ 9,721,023

See Note IV E, Post-Employment benefits other than pension, included in the Notes to the Basic Financial Statements in APPENDIX B hereto for a description of the actuarial assumptions applied with respect to the City's actuarial accrued OPEB liability.

FINANCIAL STATEMENTS

The combined financial statements and Water and Sewer enterprise fund financial statements of the City as of September 30, 2015 are contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2015, appended hereto as APPENDIX B.

INVESTMENT POLICY OF THE CITY

Pursuant to the requirements of Section 218.415, Florida Statutes, the City adopted a written investment policy, which applies to all funds held by or for the benefit of the City Council (except for proceeds of bond issues which are deposited in escrow and debt service funds and governed by their bond documents) and funds of Constitutional Officers and other component units of the City.

The objectives of the investment policy, listed in order of importance, are:

1. Safety of principal
2. Provision of sufficient liquidity
3. Optimization of return within the constraints of safety and liquidity

The investment policy limits the securities eligible for inclusion in the City's portfolio. The City will attempt to maintain a weighted average maturity of its investments at or below three years; however, the average maturity of investments may not exceed five years.

To enhance safety, the investment policy requires the diversification of the portfolio to reduce the risk of loss resulting from over-concentration of assets in a

specific class of security. The investment policy also requires the preparation of periodic reports for the City Council of all outstanding securities by class or type, book value, income earned and market value as of the report date.

Notwithstanding the foregoing, moneys held in the funds and accounts established under the Bond Ordinance may be invested only in Authorized Investments, as described in the Bond Ordinance.

LITIGATION

In the opinion of the City Attorney, no legal proceedings are pending or threatened that materially affect the City's ability to perform its obligations to the holders of the Series 2017 Bonds or that materially affect the Net Revenues of the System.

In the opinion of the City Attorney, there is no litigation or controversy of any nature now pending or, to the City's knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2017 Bonds or in any way contesting the validity of the Series 2017 Bonds or any proceedings of the City taken with respect to the authorization, sale or issuance of the Series 2017 Bonds or the pledge or application of any moneys provided for the payment of the Series 2017 Bonds.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "[]" (_____ outlook) and "[]" (_____ outlook) respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2017 Bonds.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2017 Bonds in order that interest on the Series 2017 Bonds be

and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2017 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2017 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2017 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Bond Ordinance with respect to the Series 2017 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2017 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2017 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2017 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Series 2017 Bonds may be subject to the federal alternative minimum tax when any Series 2017 Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Series 2017 Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2017 Bonds. Prospective purchasers of Series 2017 Bonds should be aware that the ownership of Series 2017 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2017 Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Series 2017 Bonds; (iii) the inclusion of interest on Series 2017 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2017 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Series 2017 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers and certificates of public officials (including certifications as to the

use of proceeds of the Series 2017 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2017 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Series 2017 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2017 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2017 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2017 Bonds and proceeds from the sale of Series 2017 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2017 Bonds. This withholding generally applies if the owner of Series 2017 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2017 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2017 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2017 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2017 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2017 Bonds. For example, in

connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2017 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2017 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount

Under the Code, the difference between the maturity amount of the Series 2017 Bonds maturing on _____ (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium

The difference between the principal amount of the Series 2017 Bonds maturing on _____ (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible

from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Series 2017 Bonds are subject to the approval of Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel, whose approving opinion will be in substantially the form set forth in APPENDIX E. Certain other legal matters will be passed upon for the City by Pamela K. Akin, Esquire, City Attorney and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the City. GrayRobinson, P.A., Tampa, Florida is serving as counsel to the underwriters.

ENFORCEABILITY OF REMEDIES

The remedies available to the Holders of the Series 2017 Bonds upon an Event of Default under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Bond Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. The remedies granted to the Bondholders under the Bond Ordinance do not include the power to accelerate the principal of the Series 2017 Bonds.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated has served as independent financial advisor to the City with respect to the issuance and sale of the Series 2017 Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other

matters relating to the planning, structuring and issuance of the Series 2017 Bonds. Stifel, Nicolaus & Company, Incorporated will not engage in any underwriting activities with regard to the issuance and sale of the Series 2017 Bonds. Stifel, Nicolaus & Company, Incorporated is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the City to provide continuing secondary market disclosure.

UNDERWRITING

The Series 2017 Bonds are being purchased by Merrill Lynch, Pierce Fenner & Smith Incorporated, on behalf of itself and as representative of the co-managers, RBC Capital Markets, LLC and Wells Fargo Securities (collectively, the "Underwriters"), from the City at an aggregate purchase price of \$[Purchase Price] (representing the par amount of the Series 2017 Bonds, plus/minus net original issue premium/discount of \$[Premium/Discount] and less Underwriters' Discount of \$[Underwriters' Discount]). The Underwriters are obligated to purchase all the Series 2017 Bonds if any are purchased. Following the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its

municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series 2017 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2017 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that the City make a full and fair disclosure of any bonds or other debt obligations of such entity that have been in default as to principal or interest at any time after December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor. The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2017 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor"), on behalf of the City relating to the computation of forecasted receipts of principal and interest on the Government Obligations and cash deposited in the Escrow Account and the forecasted payments of the Redemption Price and accrued interest on the Refunded Series 2009A Bonds on December 1, 2019 and the Refunded Series 2011 Bonds on December 1, 2021, and supporting the conclusion of Bond Counsel that the Series 2017 Bonds do not constitute "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, was examined by the Verification Agent. Such computations were based solely upon assumptions and information supplied by the Financial Advisor on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

ADVISORS AND CONSULTANTS

The City has retained advisors and consultants in connection with the issuance of the Series 2017 Bonds. These advisors and consultants are compensated from a portion of the proceeds of the Series 2017 Bonds, identified as "Costs of Issuance" under the heading "ESTIMATED SOURCES AND USES OF FUNDS" herein; and such compensation, is, in some instances, contingent upon the issuance of the Bonds and the receipt of the proceeds thereof.

Financial Advisor. The City has retained Stifel, Nicolaus & Company, Incorporated, Orlando, Florida, as Financial Advisor. The fees of the Financial Advisor will be paid from proceeds of the Series 2017 Bonds and such payment is contingent upon the issuance of the Series 2017 Bonds.

Bond Counsel. Bryant Miller Olive P.A., Tallahassee, Florida represents the City as Bond Counsel. The fees of Bond Counsel will be paid from proceeds of the Series 2017 Bonds, and such payment is contingent upon the issuance of the Series 2017 Bonds.

Disclosure Counsel. Nabors, Giblin & Nickerson, P.A., Tampa, Florida represents the City as Disclosure Counsel. The fees of Disclosure Counsel will be paid from proceeds of the Series 2017 Bonds, and such payment is contingent upon the issuance of the Series 2017 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2017 Bonds to provide certain financial information and operating data relating to the City by not later than April 30 in each year commencing April 30, 2017 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Report will be filed by the City to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA"). The notices of material events will be filed by the City with the MSRB. The form of Continuing Disclosure Certificate containing the specific nature of the information to be contained in the Annual Report or the notices of material events appears in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

For the immediately preceding five fiscal years, the City failed to update the tables of Average Daily Flow (MGD) for the City's Reclaimed Water System in the FY 2012 through FY 2014 CAFRs. The City filed a Notice to Cure Prior Continuing Disclosure Omission on March 10, 2016, in order to cure the omissions.

The City inadvertently failed to post the State of Florida and Pinellas County Florida annual CAFRs for Fiscal years 2011 – 2014 to the MSRB's EMMA website as required continuing disclosures for the City of Clearwater, Florida Revenue Bonds, Series 2002 appearing under principal CUSIP 185278. The City filed a Notice to Cure Prior Continuing Disclosure Omission on March 10, 2016, in order to cure the omissions. It should be noted that the undertaking requires the filing of annual information on or before each June 30, but provides that the City shall file unaudited financial statements of the State and/or the County if audited financial statements are not available on April 30. Even though these requirements appear to be inconsistent, the City has made and will continue to make, every effort to comply with the literal requirement of the undertaking which, however, relies upon the availability of such information at the required times by other governmental bodies.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2017 Bonds, the City will furnish its certificate, executed by the Mayor or Vice-Mayor of the City, to the effect that, to the best of his or her knowledge, this Official Statement, as of its date and as of the date of delivery of the Series 2017 Bonds, does not contain any untrue statements of material fact and does not omit to state a material fact, which should be included herein for the purpose for which this Official Statement is to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

The references, excerpts and summaries of all documents, resolutions and/or ordinances referred to herein do not purport to be complete statements of the provisions of such documents, resolutions and/or ordinances and reference is directed to all such documents, resolutions and/or ordinances for full and complete statements of all matters of fact relating to the Series 2017 Bonds, the security for and the repayment of the Series 2017 Bonds and the rights and obligations of the Holders thereof. Copies of such documents, resolutions and ordinances may be obtained from the City Clerk's Office.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been orally or in writing is to be construed as a contract with the Holders of the Series 2017 Bonds.

The execution and delivery of this Official Statement by the Mayor of the City has been duly authorized by the City Commission.

CITY OF CLEARWATER, FLORIDA

George N. Cretekos, Mayor

William B. Horne, II, City Manager

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION RELATING TO THE CITY OF CLEARWATER, FLORIDA

Location

The City of Clearwater (the "City"), the county seat of Pinellas County (the sixth most populous county in Florida), is geographically located in the middle of the west coast of Florida on the Gulf of Mexico. It is situated approximately 20 miles west of Tampa and 20 miles north of St. Petersburg. Standing on the highest coastal elevation of the State, the City limits comprise approximately 25.6 square miles of land and 13.7 square miles of waterways and lakes.

Clearwater Beach, a corporate part of the City, is a beach community connected to the mainland by the Clearwater Memorial Causeway, a four-lane, toll-free drive stretching almost two miles across the Intracoastal Waterway. Business on Clearwater Beach is mainly tourist-oriented, with hotels, motels and gift shops. Many homes, apartments and condominiums offer pleasant, semi-tropical island accommodations to permanent residents and winter and summer visitors.

History

The area now known as Clearwater was first explored in 1528 by Panfile de Narvaez, a Spanish explorer who encountered a large tribe of Indians, which his army drove out. The Indians recaptured their territory and held it until the Seminole Wars of 1835-42. The Indians who inhabited this area are said to have called it "Pocotopaug," meaning "clear water," for the many springs of clear, fresh water that bubbled along the shore and even below the waterline at low tide.

Settlers began moving into the area around the time of the Seminole Wars. After the wars ended, the territory was opened by the Federal government for homesteading under the Armed Occupation Act. The first land title was granted in 1842. The early settlement, named "Clear Water Harbor," was incorporated in 1897. "Clear Water" later became one word and "Harbor" was dropped in 1906 when Pinellas County was created by an act of the State Legislature. In May 1911, Clearwater became the County Seat and Clearwater was chartered as a municipality on May 27, 1915.

Government and Administration

The City of Clearwater has a Council/Manager form of government, and the City Manager serves as the Chief Executive and Administrative Officer of the City. The Clearwater City Council is comprised of the Mayor and four Councilmembers, who are elected to serve four-year terms. The Council is responsible for setting policies and making decisions on local government issues including tax rates, annexations, re-zonings, and large contract awards. The City has approximately [1,700] employees, covered by the City's Civil Service law relating to recruitment, promotion, evaluation and discipline based on merit principles. Four employee unions represent the City's civil labor force: the Fraternal Order of Police, the Police Benevolent Association, the International Association of Fire Fighters, and the Communications Workers of America.

Transportation

Pinellas County and Clearwater are served by three major causeways and bridges over Tampa Bay, by U.S. 19 and I-275 to the north and south, and by I-4 and U.S. 60 to the east. State Roads 590 and 686 also afford access to the City.

Tampa International Airport, located approximately seventeen miles from downtown Clearwater, provides air travel access with approximately [260] national and international flights daily. Limousine and taxi service to and from the airport is available from Clearwater and throughout Pinellas County. St. Petersburg/Clearwater International Airport, approximately ten miles from downtown Clearwater, offers regularly scheduled passenger service, and charter and special group flights on a more limited basis, to popular areas around the U.S., as well as internationally to Canada and Nova Scotia. The Clearwater Airpark, which is slightly over a mile from the downtown business section is a smaller airport that provides service and maintenance for private plane owners. This airport has one 4,108 foot hard-surface runway and facilities for visiting and locally based planes.

The Port of Tampa (22 miles to the east) is the closest deep water port. The port is serviced by a variety of steamship agents and operators. The United States Coast Guard maintains an air station at the St. Petersburg/Clearwater International Airport, and a search and sea rescue cutter station on Clearwater Harbor opposite Sand Key.

The Pinellas Suncoast Transit Authority (PSTA) bus service is currently Pinellas County's only general public transit. The service offers approximately 35 local routes, two express routes which cross Tampa Bay to the east, and a beach trolley that runs north and south along the county's roughly 25-mile-long chain of barrier islands. One of PSTA's transfer hubs, Park Street Terminal, is located in downtown Clearwater.

Utilities, Public Service and Community Facilities

[The City owns and operates its own water and wastewater collection systems. Water is obtained from 19 deep wells owned and operated by the City (approximately 35%) and from wholesale purchases from the Pinellas County Water System (approximately 65%). Total daily average is approximately 11 million gallons per day distributed through a network of 592 miles of water mains. The wastewater collection program provides for the transmission of wastewater through the City's underground sewer mains, collectors and interceptor lines and for the maintenance, repair and replacement of 440 miles of sanitary sewer lines. The Departments of Public Services, Engineering and Gas maintain 314 miles of paved streets, .55 miles of unpaved streets, 148 miles of stormwater mains and 826 miles of gas mains.]

Electric power is provided by Progress Energy and telephone service is provided by Verizon FiOS, Bright House Networks and Knology Broadband of Florida, Inc. provide cable television service under franchises with the City. Local editions of the daily Tampa Bay Times plus weekly newspapers from adjacent Dunedin, Largo, Seminole and Clearwater Beach are widely distributed.

The Clearwater Public Library System consists of a main library and four branches which are spread evenly throughout the community for easy access. [The City offers 42 acres of public beach front, approximately 1,427 acres of parks, 29 playgrounds, numerous athletic courts and fields, seven swimming pools, an 8,500 seat baseball and softball stadium, three golf courses, seven recreational centers, 32 special recreation facilities, approximately 16 miles of recreational paths, boat ramps, a 207 slip yacht basin and marina located on Clearwater Beach, and a 126 slip marina downtown.] The Philadelphia Phillies conduct spring training at the municipal baseball stadium and have a long-term contract for farm club training on Clearwater's specially constructed facilities during the Winter Instructional League Program. Clearwater is the home of the Phillies' minor league team, the Clearwater Thrashers, and the Clearwater Bombers, a national amateur fast pitch softball team.

Tourism

The State of Florida reported 87.3 million tourists came to Florida during the year 2011 compared to 82.3 million tourists in 2010. Domestic visitors to the State in 2010 are estimated to constitute 71.2% of total visitors, followed by 8.0% from overseas countries and 3.1% from Canada. According to information provided by the St. Petersburg/Clearwater Area Convention and Visitor's Bureau, the St. Petersburg/Clearwater area attracted 5,193,980 visitors in 2009 compared to 4,991,410 in 2008, an increase of 4%. Tourism is the region's number one employer with Pinellas County residents earning a combined annual payroll of \$2.9 billion annually. The total impact of tourism to Pinellas County is over \$6.9 billion annually. Pinellas County is ranked seventh of the top ten destinations in Florida. Clearwater's Fun 'N Sun Festival each spring attracts thousands of visitors.

Education

The Pinellas County School District operates a total of 150 schools comprising elementary through high school, vocational schools (including Area Vocational Centers), alternative schools, Charter Schools and Department of Juvenile Justice Schools within the County. The Pinellas County School District is the 26th largest in the nation and the seventh largest in the State with more than 15,898 budgeted full- and part-time positions, of which 7,432 are teachers. During the 2014-2015 school year enrollment was 103,779 for pre-kindergarten thru high school. Private schools and academies are also located within or near the City limits. Five four-year colleges and universities serve the County: Eckerd College, the University of South Florida, with campuses in Tampa and St. Petersburg, St. Petersburg College and Stetson University College of Law. Pinellas Technical College, with campuses in St. Petersburg and Clearwater, provide the County's students with data processing, electronic technology, robotics/computer-aided technology and other vocational training.

Industry, Commerce and Labor

Light, clean industry is encouraged in Clearwater. In 1957, the City of Clearwater developed a 100 acre industrial park adjacent to the Clearwater Airpark (Executive Airport) and to the CSX Transportation Company. There is also a privately owned, 35 acre industrial park. Large industries located near Clearwater include Honeywell Aerospace, Jabil Circuit, Inc.,

General Electric, Lockheed Martin, Raytheon Corp., Johnson Controls and Hercules Defense Electronics Systems, Inc.

Pension Plan

[The City of Clearwater Employees' Pension Plan is self-administered by the City. As of January 1, 2010, the most recent actuarial valuation date, the Employees' Pension Plan was 96.9 percent funded. The actuarial accrued liability for benefits was \$638.1 million, and the actuarial value of assets was \$618.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$19.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$80.4 million, and the ratio of the UAAL to the covered payroll was 24.4 percent.]

[The City of Clearwater Firefighters' Relief and Pension Plan is self-administered by the City. As of January 1, 2010, the most recent actuarial valuation date, the Firefighters' Relief and Pension Plan was 104.7 percent funded. The actuarial accrued liability for benefits was \$6.8 million, and the actuarial value of assets was \$7.1 million, resulting in \$317 thousand of funding in excess of the actuarial accrued liability. The covered payroll was \$-0- with no active employees covered. The City did not need to make a contribution for fiscal year 2010, in accordance with actuarially determined funding requirements. The actuary's report dated May 6, 2008 concludes the Plan is funded at a level that can reasonably be expected to support the benefits promised by the Plan on an adequate and timely basis.]

[In addition, supplemental pensions exist for certified Police Officers and Firefighters, funded solely from excise taxes on certain insurance premiums covering property in Clearwater, collected by the State of Florida and remitted to the City. Both plans require benefits to be adjusted to equal fund assets provided by the defined contributions.]

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**City of Clearwater, Florida
Demographic Information
Last Ten Fiscal Years**

Year	(a) Population	(b) Per Capita Personal Income	(c) Median Age	(d) School Enrollment	(e) Unemployment Rate (%)
2006	110,602	36,470	44.2	15,696	2.9
2007	110,469	38,553	44.5	15,500	3.8
2008	110,251	40,841	44.5	15,482	5.5
2009	109,907	41,771	45.0	14,975	10.1
2010	107,685	41,792	45.3	14,704	12.4
2011	107,805	39,708	46.3	14,375	10.9
2012	107,906	42,027	46.5	14,210	8.7
2013	109,065	44,549	46.8	14,010	6.7
2014	109,340	44,108	47.0	14,160	6.2
2015	110,679	44,362	47.5	14,132	5.0

(a) Source is the University of Florida, Bureau of Economic and Business Research: April 1, 2015 estimate for current year and Florida Statistical Abstract for prior years.

(b) Data is from per capita personal income for Pinellas County for two years prior. Source is the University of Florida, Bureau of Economic and Business Research.

(c) Data is for Pinellas County for prior year. Source is the University of Florida, Bureau of Economic and Business Research.

(d) Source of data is the Pinellas County School District.

(e) Source for fiscal years 2005 to 2009 is the University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract, Annual Averages of the indicated fiscal year. Source for fiscal 2010 to 2015 is the US Dept of Labor, Bureau of Labor Statistics, Tampa Metro Area as of September 30.

NOTE: Data is the latest published annual data available for an unspecified point in each year, not specifically September 30.

Source: City of Clearwater, Florida Comprehensive Annual Financial Report for period ended September 30, 2015.

Pinellas County, Florida
Building Permit Activity
2009-2015
(Valuations in 000's)

Calendar Year	Number of Units		Total Valuations ⁽¹⁾
	Single Family	Multi- Family	
2009	260	962	133,971
2010	299	398	118,339
2011	341	14	89,364
2012	489	1,072	231,429
2013	714	2,341	339,916
2014	695	1,041	315,192
2015	1,663	1,434	642,613

(1) Totals may not add due to rounding.

Source: Bureau of Economic and Business Research and U.S. Bureau of Census.

City of Clearwater, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Assessed Value ^(a)						Less: Homestead Assessment Cap Differential ^(b)	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Ratio ^(c)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property	Government and Institutional Property	Personal Property	Other Property						
2006	8,325,134	1,902,627	153,035	1,329,219	605,102	70,665	1,690,208	2,045,343	8,650,231	5.7530	10,176,742	85.0%
2007	10,967,910	2,294,492	178,987	1,499,434	637,308	67,478	2,767,035	2,222,329	10,656,245	5.2088	12,536,759	85.0%
2008	11,359,752	2,385,943	187,557	1,500,633	640,387	72,913	2,691,298	2,307,132	11,148,755	4.6777	13,116,182	85.0%
2009	9,965,589	2,353,563	192,940	1,586,882	645,460	89,686	1,721,773	2,951,357	10,160,990	4.7254	11,954,106	85.0%
2010	8,163,897	2,346,462	185,353	1,156,811	657,933	95,259	907,087	2,878,136	8,820,492	5.1550	10,377,049	85.0%
2011	7,069,236	2,043,813	162,529	999,884	630,044	112,864	472,793	2,679,167	7,866,410	5.1550	9,254,600	85.0%
2012	6,732,585	2,001,945	149,166	973,917	609,704	94,750	391,670	2,573,448	7,596,949	5.1550	8,937,587	85.0%
2013	6,496,278	2,043,952	140,377	1,017,944	593,746	114,615	290,989	2,623,699	7,492,224	5.1550	8,814,381	85.0%
2014	6,863,874	2,077,078	149,298	1,057,915	601,743	113,552	485,295	2,640,339	7,737,826	5.1550	9,103,325	85.0%
2015	7,713,777	2,145,212	156,487	1,117,973	631,798	113,591	959,433	2,714,945	8,204,460	5.1550	9,652,306	85.0%

(a) Properties are assessed at approximately 85% of market value to reflect cost of sales, personal property included in market value, etc.

(b) Florida Statutes, 193.155, provides for an annual cap on assessment increases for "Homestead properties" (properties qualifying for Homestead exemption). The cap is the lower of 3% of the assessed value of the property or the percentage change in the Consumer Price Index for All Urban Consumers.

(c) Rate is per \$1,000 of assessed value.

Source: City of Clearwater, Florida Comprehensive Annual Financial Report for period ended September 30, 2015.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	49,764,779	47,957,449	96.37	61,257	48,018,706	96.49
2007	55,506,248	53,668,684	96.69	159,385	53,828,069	96.98
2008	52,150,534	50,215,870	96.29	243,975	50,459,845	96.76
2009	48,014,740	46,405,161	96.65	218,343	46,623,504	97.10
2010	45,469,638	43,912,287	96.57	160,937	44,073,224	96.93
2011	40,551,363	39,163,100	96.58	51,026	39,214,126	96.70
2012	39,162,295	37,874,151	96.71	52,648	37,926,799	96.85
2013	38,622,438	37,298,959	96.57	36,821	37,335,780	96.67
2014	39,888,516	38,521,211	96.57	31,727	38,552,938	96.65
2015	42,294,009	40,832,366	96.54	-	40,832,366	96.54

Note 1: Discounts are allowed for early payment: 4% for November, 3% for December, 2% for January, and 1% for February. No discount is allowed for payment in March. Penalties are assessed beginning in April.

Note 2: Prior to fiscal year 2012, the Pinellas County Tax Collector did not allocate delinquent taxes collected by the original tax year levied. Consequently, all collections of delinquent taxes were applied to the immediately preceding tax year. Beginning with fiscal year 2012, the Tax Collector has allocated delinquent taxes collected by the original tax year levied.

Source: City of Clearwater, Florida Comprehensive Annual Financial Report for period ended September 30, 2015.

City of Clearwater, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>					
	<u>Operating</u>	<u>GOB Debt Service</u>	<u>Total Direct</u>	<u>Pinellas County</u>	<u>Pinellas County Schools</u>	<u>Pinellas Transit District</u>	<u>Emergency Medical Services</u>	<u>Other Districts</u>	<u>Downtown Development Board^(a)</u>
2006	5.7530	0.0000	5.7530	6.1410	8.3900	0.6377	0.6600	1.6555	1.0000
2007	5.2088	0.0000	5.2088	5.4700	8.2100	0.6074	0.6300	1.6378	1.0000
2008	4.6777	0.0000	4.6777	4.8730	7.7310	0.5601	0.5832	1.5121	0.9651
2009	4.7254	0.0000	4.7254	4.8730	8.0610	0.5601	0.5832	1.5551	0.9651
2010	5.1550	0.0000	5.1550	4.8730	8.3460	0.5601	0.5832	1.5106	0.9651
2011	5.1550	0.0000	5.1550	4.8730	8.3400	0.5601	0.5832	1.4410	0.9651
2012	5.1550	0.0000	5.1550	4.8730	8.3850	0.7305	0.8506	1.2390	0.9651
2013	5.1550	0.0000	5.1550	5.0727	8.3020	0.7305	0.9158	1.3034	0.9651
2014	5.1550	0.0000	5.1550	5.3377	8.0600	0.7305	0.9158	1.2959	0.9651
2015	5.1550	0.0000	5.1550	5.3377	7.8410	0.7305	0.9158	1.2799 ^(b)	0.9651

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

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

Source: City of Clearwater, Florida, Comprehensive Annual Financial Report for period ended September 30, 2015; Pinellas County Property Appraiser.

City of Clearwater, Florida
Principal Real Property Taxpayers
Current Year and Nine Years Ago

Taxpayer REAL PROPERTY	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bellwether Prop. FLA	\$142,630,438	1	1.84%	\$111,519,300	1	1.06%
301 South Gulfview LLC	62,540,609	2	0.80			
John S. Taylor Properties LLC	48,253,900	3	0.62	34,360,000	4	0.33
Standard Grand Reserve LLC	41,551,200	4	0.53			
Sand Key Assoc. LTD Partnership	40,841,700	5	0.53	35,000,000	3	0.33
Centro NP Clearwater Mall LLC	39,231,675	6	0.50	43,895,800	2	0.42
ZOM Bayside Arbors LTD	38,847,415	7	0.50	25,350,900	10	0.24
Sandpearl Resort LLC	38,161,389	8	0.49			
NWP Clearwater Holdings LLC	28,962,900	9	0.37			
Weingarten Nostat Inc.	27,535,000	10	0.35	29,750,000	6	0.28
Grand Venezia Baywatch LP				25,912,300	8	0.25
California State Teachers				32,150,000	5	0.31
St. Joe Co.				27,850,000	7	0.26
United Dominion RLTL Trust				25,450,000	9	0.24
Total	<u>\$491,048,805</u>		<u>6.54%</u>	<u>\$391,238,300</u>		<u>3.72%</u>

Source: City of Clearwater, Florida, Comprehensive Annual Financial Report for period ended September 30, 2015;
Pinellas County Property Appraiser.

City of Clearwater, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts in thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Public Service Tax Revenue Bonds	Sales Tax Revenue Bonds			
2006	-	9,885	24,955	34,840	0.34	315
2007	-	9,565	19,080	28,645	0.23	259
2008	-	13,000	12,975	25,975	0.20	236
2009	-	12,545	6,620	19,165	0.16	174
2010	-	8,540	-	8,540	0.08	79
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Clearwater, Florida, Comprehensive Annual Financial Report for period ended September 30, 2015.

City of Clearwater, Florida
Direct and Overlapping Government Activities Debt
As of September 30, 2015
(amounts in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^(a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes	\$ -	n/a	\$ -
Other Debt			
Pinellas County Government Notes	11,559	13.8%	1,590
Pinellas County Government Capital Leases	41	13.8	6
Pinellas County School District State Bonds ^(b)	14,884	13.8	2,047
Pinellas County School District Capital Leases	972	13.8	134
Subtotal, overlapping debt			3,776
City Direct Debt			22,288
Total Direct and Overlapping Debt			<u>\$26,064</u>

(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

(b) The School District State Bonds are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged for the bonds.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Clearwater. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

Source: City of Clearwater, Florida, Comprehensive Annual Financial Report for period ended September 30, 2015

City of Clearwater, Florida
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as Percentage of Debt Limit
2006	1,631,179	247,706	1,383,473	15.19
2007	2,028,832	230,639	1,798,193	11.37
2008	2,128,847	224,224	1,904,623	10.53
2009	1,942,045	271,594	1,670,451	13.98
2010	1,672,462	248,800	1,423,662	14.88
2011	1,982,900	232,771	1,750,129	11.74
2012	1,911,916	224,409	1,687,507	11.74
2013	1,904,237	215,753	1,688,484	11.33
2014	1,955,083	208,318	1,746,765	10.66
2015	2,057,302	204,926	1,852,376	9.96

Legal Debt Margin Calculation for Fiscal Year 2015:

Assessed valuation of non-exempt real estate	10,286,509
Debt Limit (20% of assessed valuation per City Charter)	2,057,302
Debt applicable to limit:	
Revenue bonds	\$212,940
Capital leases	14,312
Less: Amount set aside for repayment of bonded debt	(22,326)
	<u>4,926</u>
Legal debt margin	<u>\$1,852,376</u>

Note: Per City Charter, the City's indebtedness, to include revenue, refunding, and improvement bonds shall not exceed 20 percent of the current assessed valuation of all real property located in the City.

Source: City of Clearwater, Florida, Comprehensive Annual Financial Report for period ended September 30, 2015

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR
THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**



**CITY OF CLEARWATER, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2015**

2014/2015



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City of Clearwater, Florida
Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2015



George N. Cretekos
Mayor

Doreen Caudell
Councilmember

Jay Polglaze
Councilmember

Bill Jonson
Councilmember

Hoyt Hamilton
Councilmember

William B. Horne II
City Manager

Brian Jay Ravins
Finance Director

Prepared by: City of Clearwater Finance Department

City of Clearwater, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

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City of Clearwater, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

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CITY OF CLEARWATER

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CITY HALL, 112 SOUTH OSCEOLA AVENUE, CLEARWATER, FLORIDA 33756
TELEPHONE (727) 562-4040 FAX (727) 562-4052

CITY MANAGER

March 28, 2016

The Honorable Mayor, Councilmembers,
and Citizens of the City of Clearwater:

The City of Clearwater Charter (Section 2.01(c)3), Florida Statutes, and various covenants relating to debt and pension obligations of the City require an annual audit of the financial statements of all funds of the City by a firm of licensed certified public accountants. These statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS). Pursuant to these requirements we hereby issue the comprehensive annual financial report of the City of Clearwater for the fiscal year ended September 30, 2015.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cherry Bekaert LLP, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are in the Single Audit section of this report.

v



"EQUAL EMPLOYMENT AND AFFIRMATIVE ACTION EMPLOYER"

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis report (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Clearwater, Florida

Clearwater is located on the Pinellas Peninsula on Florida's west coast. It is directly located on the Gulf of Mexico, 20 miles west of Tampa and 20 miles north of St. Petersburg. Clearwater is the county seat of Pinellas County and one of the largest cities in the Tampa Bay area. The Clearwater area offers a semitropical climate and 28 miles of beautiful beaches. Consequently, tourism is an important component of the economy. In addition to tourism, Clearwater enjoys a diversity of manufacturing businesses, service industries, high-tech companies, and a large retirement population.

The City operates under the council/manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and four members elected at large on a non-partisan basis. The City Council is responsible for adopting ordinances, adopting the budget, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments.

The City provides police and fire protection; construction and maintenance of streets, bridges, sidewalks, storm drainage, public parks, and recreation facilities; planning, zoning, subdivision, and building code regulation and enforcement; redevelopment of commercial and residential neighborhoods; supervised recreation programs; public libraries; water supply and distribution; waste water collection, treatment, and disposal; natural gas distribution; solid waste collection and recycling; stormwater management; marina, airport, downtown boat slips, public fishing pier operations; and operation of the city-wide parking system.

The annual budget serves as the foundation for the City's financial planning and control. Per the City Code of Ordinances, the City Manager is required to provide to the City Council an operating budget for the ensuing fiscal year, a capital improvement budget, and a five-year capital improvement program, along with an accompanying budget message no later than 60 days prior to the end of the fiscal year. The Council is required to hold public hearings on the budget and to adopt a final operating budget and capital improvement budget no later than September 30, the last day of the City's fiscal year. The appropriated budget is prepared by fund and by department within fund.

After five consecutive years of decline in City taxable property values, approximating 33 percent in total, we have now experienced three consecutive years of increases: 3.1%, 6.0% and 6.6% increases for January 1, 2013, 2014, and 2015 tax rolls, respectively. Additionally, the Tampa Bay metropolitan area experienced an improvement in the unemployment rate as it decreased from the September 1, 2014 rate of 5.9% to 5.0% as of September 30, 2015. The metro area rate of 5.0% compares favorably to a national rate of 5.1% and a state unemployment rate of 5.3% as of September 30, 2015. Local tourism continues to increase at record rates and contributes to optimism that the area's economic recovery is underway.

The City's Beach Walk development has contributed to significant economic redevelopment on the beach. The downtown area is well-poised for similar redevelopment with the completion of downtown streetscaping, the Clearwater Harbor Marina, and Capitol Theatre, along with construction underway on an apartment complex of 257 high-end units adjacent to downtown's Prospect Lake Park.

Long-term Financial Planning

Financial planning continues to be of critical importance to the City in meeting the challenges of both the immediate and foreseeable future. Major projects undertaken by the City will continue to have long term financial implications for existing as well as future resources and revenues. The planning and decisions undertaken by the City are always evaluated in the context of the financial burden that will be placed on both current and prospective residents, as well as the potential economic and environmental impacts.

The economic downturn in recent years necessitated an emphasis on balancing demands for City services with significantly reduced General Fund revenues. Identifying operating efficiencies, consolidating City operations, prioritizing and/or eliminating programs and services, partnering with other governmental entities, and other cost saving initiatives have been the focal point of all City departments in recent years. The City continues to strategically review the efficiency and effectiveness of service operations for potential cost savings via reengineering and/or outsourcing of services.

Relevant Financial Policies

It is a policy of the City Council to maintain a General Fund reserve equal to eight and one-half percent (8.5%) of the subsequent year's budgeted expenditures to meet unanticipated financial needs. Per Council policy, funds in excess of these required reserves may be appropriated by the City Council for specific capital improvement projects or other one-time needs.

It is a policy of the City Council that all enterprise fund operations shall be self-supporting. Council policy requires a review of rate schedules every five years, at a minimum, to help ensure that enterprise funds are self-supporting. Additionally, Council policy requires that unrestricted fund balances of the enterprise funds be maintained at a level equivalent to the greater of three months of operation and maintenance expenses, or other reserve levels indicated in the current rate study for the enterprise fund.

Major Initiatives

The City continues to proactively fund capital projects to support the City's five utility operations, which consist of Water and Sewer, Stormwater, Solid Waste, Recycling, and Gas Utility operations. A total of \$44.4 million of utility projects are budgeted for fiscal 2016 with \$216.0 million budgeted over the next six years. A major utility project in process is a \$29 million groundwater replenishment project that is currently in the design and permitting phase.

In the Spring of 2014 the City sponsored an Urban Land Institute (ULI) Advisory Services Panel to provide strategic advice about the revitalization of the downtown area. The ULI panel recommendations indicated the City needed to address three crucial topics: strategy, communication, and partnerships. During fiscal 2015 the City embarked on implementing high priority recommendations. Significant high priority items include, among others, creating a brand identity for the City, and activating the "Bluff" waterfront area and Coachman Park to encourage new commercial and residential uses and draw visitors and residents to the waterfront. The ULI panel recommendations and initiatives will continue to be a high priority for the City during fiscal 2016.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2014. This was the 36th consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for the fiscal year 2015 Budget document, the 29th consecutive year that this award has been received. In order to qualify, the City's Budget document was judged to be proficient in several categories including as a policy document, a financial plan, an operations guide, and a communications device.

We wish to thank the many members of the Citywide Annual Financial Reporting (CAFR) Team, which is composed of individuals in the Finance Department and other financial staff throughout the City, for their professionalism and dedication in producing this report. A special thank you goes to Monica Mitchell, Assistant Finance Director, for her leadership in completion of this report. Sincere appreciation is also extended to the City's external auditors, Cherry, Bekaert LLP, for their advice and assistance in the preparation of this report. Finally, we would like to thank the City Council for their interest, continued support, and leadership in planning and conducting the financial operations of the City in a progressive and responsible manner.

Sincerely,



William B. Horne, II
City Manager



Brian Jay Ravins
Finance Director



Government Finance Officers Association

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

Presented to

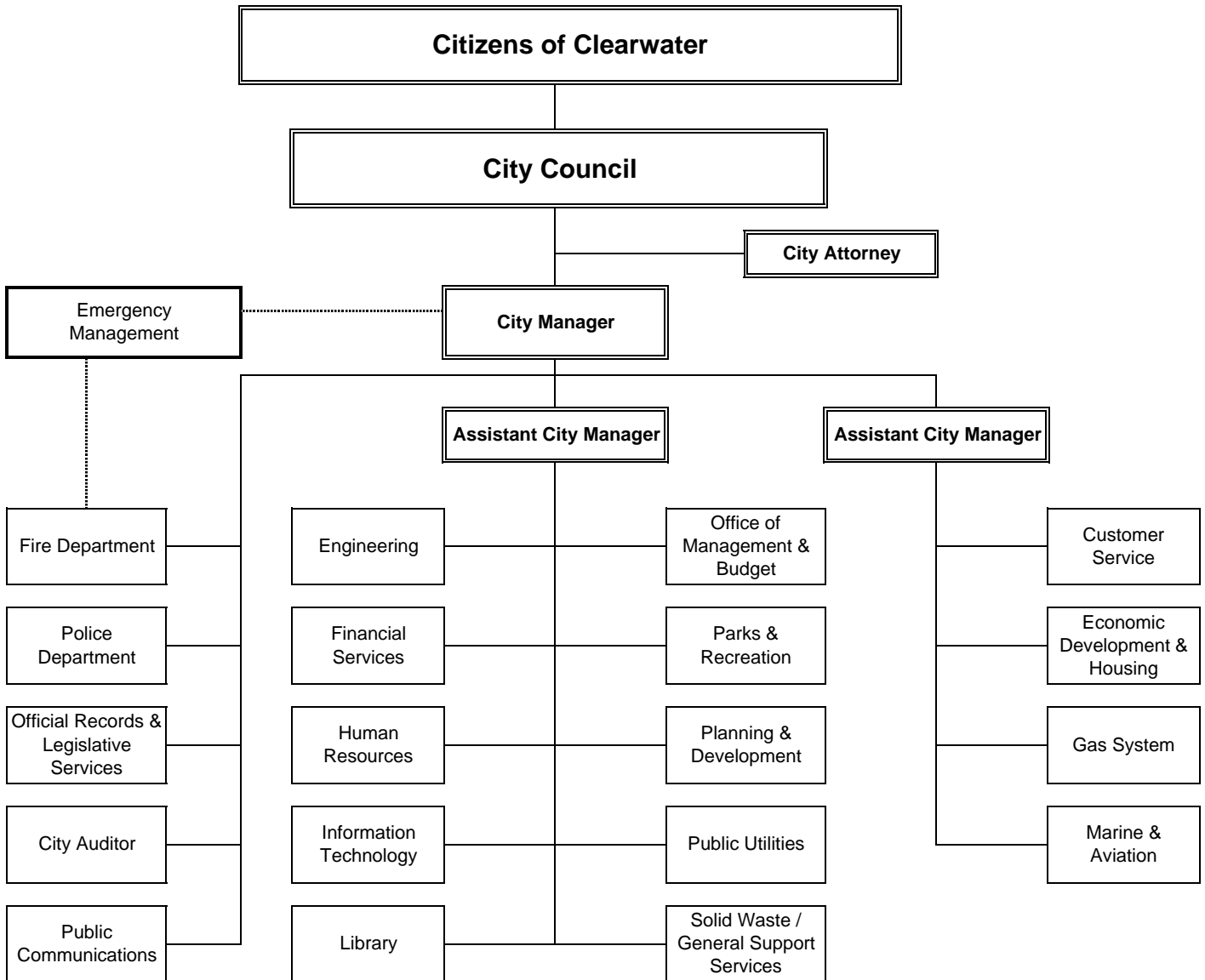
**City of Clearwater
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

City of Clearwater Organizational Chart



Report of Independent Auditor

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended September 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and the special development fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the nonmajor governmental funds, nonmajor enterprise funds, internal service and fiduciary funds of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in Note IV.J. to the financial statements the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, during the year ended September 30, 2015. Our opinions are not modified with respect to these matters.

Prior Period Restatement - Correction of an Error

As discussed in Note IV.K. to the financial statements, the September 30, 2014 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note IV.L. to the financial statements, the September 30, 2014 financial statement have been restated. Our opinions are not modified with respect to this matter.

Fund Reclassification

As described in Note 1.B.2. to the financial statements, effective October 1, 2014, the Recycling Utility Fund was combined with the Solid Waste Utility Fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental information, statistical section, and the schedule of receipts and expenditures related to the deepwater horizon oil spill are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance and the schedule of receipts and expenditures of funds related to the deepwater horizon oil spill are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance, and the schedule of receipts and expenditures of funds related to the deepwater horizon oil spill are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical sections, and supplemental information on pages 132-141 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
March 28, 2016

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Management's Discussion and Analysis

This *Management's Discussion and Analysis* report provides the reader with a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. *Management's Discussion and Analysis* (MD&A) should be read in conjunction with the City's *Transmittal Letter*, which begins on page v of this report.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$877.4 million (*net position*). Of this amount, \$285.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$21.4 million, or 2.4%, from the prior year's net position, as restated. Net position for governmental activities decreased by \$30.1 million, or 6.4%, while the business-type net position increased by \$8.6 million, or 2.0%.
- Significant factors contributing to the \$30.1 million decrease in governmental net position included an increase of net program expense of \$47.8 million from fiscal 2014 (before prior period adjustments) as a result of an increase of \$49.0 million in governmental program expenses, primarily in the public safety, transportation and culture and recreation programs, offset by a net increase in program revenues of \$1.2 million. This increase in expenses was primarily due to \$48.5 million of current year increase in pension expense per the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The increase in pension expense is primarily due to pension plan investment performance and the resulting impact on the net pension asset/liability and deferred inflows and outflows of the pension plans. General revenues for governmental activities and extraordinary items increased by \$10.5 million, or 12.5%, primarily due to a \$6.5 million settlement received from BP Oil for the Deepwater Horizon oil spill, a \$2.3 million increase in property taxes, a \$1.1 million increase in sales taxes and an increase of \$682 thousand in investment earnings. Transfers in from business-type activities decreased \$4.1 million.
- The \$8.6 million increase in business-type net position included a decrease in net program revenues of \$15.0 million (before prior period adjustments) as a result of an increase in charges for services of \$5.0 million offset by a decrease in operating grants and contributions totaling \$90 thousand and a decrease in capital grants and contributions of \$8.9 million, coupled with an increase in program expenses of \$10.9 million. \$4.8 million of the increase in charges for services is attributable to the Water & Sewer Utility and the Parking System. The Water & Sewer Utility also posted a decrease of \$8.0 million in capital grants and contributions, due to decreased funding from the Southwest Florida Water Management District as a result of completed capital projects. General revenues increased \$679 thousand due to an increase in investment earnings, and transfers out to governmental activities decreased \$4.1 million, primarily due to the closure of the Harborview Center Enterprise Fund and the transfer of its capital assets to governmental activities, which occurred in fiscal 2014.
- At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$114.7 million, an increase of \$14.5 million, or 14.5%, in comparison with the prior year (as restated). Of this amount, \$29.0 million (or 25.27%) is *available for spending* at the government's discretion (*unassigned fund balance*).
- At September 30, 2015, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$32.0 million, or 28.1% of total fiscal 2015 general fund expenditures.
- Total outstanding long-term liabilities increased \$49.2 million from the prior year (as restated) primarily due to principal payments on bonds payable in the amount of \$8.2 million, an increase in the net pension liability of \$51.1 million due to negative investment returns per the implementation of GASB Statement No. 68, a net increase in lease purchase contracts of \$4.8 million, an increase in the liability for compensated absences of \$445 thousand, an increase in the liability for other postemployment benefits of \$1.8 million, and a decrease in claims payable of \$703 thousand.

Overview of the Financial Statements

This discussion and analysis (MD&A) is intended to serve as an introduction to the City of Clearwater's *basic financial statements*. The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are the *statement of net position* and the *statement of activities*. These statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. Emphasis is placed on the net position of *governmental activities* and *business-type activities*, and the *change in net position*. Governmental activities are principally supported by taxes and intergovernmental revenues. Governmental activities include most of the City's basic services, including police, fire, public works, parks and recreation, and general administration. Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges. The City's water and sewer system, stormwater system, gas system, solid waste and recycling, marine, aviation, Clearwater Harbor Marina, and parking system operations are reported as business-type activities.

- The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating. Net position is reported in three major categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.
- The *statement of activities* presents information showing how the City's net position changed as a result of the year's activities. All changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

The government-wide financial statements include not only the City of Clearwater itself but also the Clearwater Redevelopment Agency (CRA). The CRA, though legally separate, is reported as part of the *primary government* as a *blended* component unit because the City Council serves as the CRA's governing board and City management has operational responsibility for the CRA.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the City's major funds – not the City as a whole. *Fund accounting* helps to ensure and demonstrate *compliance* with finance-related legal requirements. Based on restrictions on the use of monies, the City has established many funds that account for the multitude of services provided to residents. These fund financial statements focus on the City's most significant funds: *governmental*, *proprietary*, and *fiduciary*.

Governmental funds. *Governmental funds* are used to report most of the City's basic services. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The funds focus on the *inflows and outflows of current resources* and the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Development, and Capital Improvement funds, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated columnar presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplementary information section of this report.

Annual appropriated budgets are adopted for the General Fund, the Special Development Special Revenue Fund, and the Community Redevelopment Agency Special Revenue Fund. Budgetary comparison statements and/or schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities related to water and sewer, gas, solid waste & recycling and stormwater utilities, along with marine, aviation, parking system, and Clearwater Harbor Marina downtown boat slip operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the City's building maintenance, custodial services, self-insurance program, risk management program, employee group insurance, vehicle acquisition and maintenance, and various support activities including data processing, legal, telecommunications, and postal services. All of the City's internal service funds predominantly benefit governmental activities and consequently have been aggregated and included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Gas Utility, Solid Waste & Recycling Utility, and Stormwater Utility enterprise funds, which are considered to be *major* funds of the City. The remaining four *non-major* enterprise funds are combined into a single aggregated presentation in the proprietary fund financial statements. Similarly, governmental activity *internal service* funds are aggregated into a single presentation. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 28-39 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the fiduciary funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The City of Clearwater maintains two different types of fiduciary funds. *Pension trust funds* are used to report resources held in trust for retirees and beneficiaries covered by the city's pension plans. An *agency fund* is used to report resources held by the city in a custodial capacity for individuals, private organizations and other governments, such as the Clearwater Downtown Development Board.

The fiduciary fund statements can be found on pages 40-41 of this report.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements, including the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

The notes to the financial statements can be found on pages 42-97 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Required supplementary information can be found on pages 98-104 of this report.

The *combining statements* referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds, are presented immediately following the required supplementary information.

Combining and individual fund statements can be found on pages 108-130 of this report.

Government-Wide Financial Analysis

The total net position of the City decreased in fiscal 2015, primarily due to negative investment returns in fiscal 2015, which increased the City's net pension liability per the implementation of GASB Statement No. 68. As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$877.4 million at the close of the fiscal year ended September 30, 2015. This represents a decrease of \$21.4 million from the September 30, 2014 total net position of \$898.8 million (as restated). The City reports positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities, for both the current year and the prior year, as indicated in the following table:

City of Clearwater, Florida - Net Position						
	Governmental Activities		Business-type Activities		Total	
		(restated)		(restated)		(restated)
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 182,948,098	\$ 195,255,937	\$ 225,852,250	\$ 221,178,827	\$ 408,800,348	\$ 416,434,764
Capital assets	285,364,260	280,198,958	428,854,296	424,517,765	714,218,556	704,716,723
Total assets	468,312,358	475,454,895	654,706,546	645,696,592	1,123,018,904	1,121,151,487
Deferred Outflows of						
Resources	39,089,379	48,861,725	17,061,340	19,555,216	56,150,719	68,416,941
Liabilities						
Current and other liabilities	9,409,238	6,057,255	19,708,126	16,481,273	29,117,364	22,538,528
Long-term debt outstanding:						
Due within one year	11,446,139	10,253,728	10,079,913	9,531,752	21,526,052	19,785,480
Due in more than one year	43,203,283	34,041,732	205,110,911	210,824,224	248,314,194	244,865,956
Total liabilities	64,058,660	50,352,715	234,898,950	236,837,249	298,957,610	287,189,964
Deferred Inflows of						
Resources	2,137,165	2,699,577	659,768	833,392	2,796,933	3,532,969
Net position						
Net investment in						
capital assets	262,934,280	261,886,142	226,570,671	214,175,302	489,504,951	476,061,444
Restricted	57,239,231	68,427,455	45,502,940	49,530,227	102,742,171	117,957,682
Unrestricted	121,032,401	140,950,731	164,135,557	163,875,638	285,167,958	304,826,369
Total net position	\$ 441,205,912	\$ 471,264,328	\$ 436,209,168	\$ 427,581,167	\$ 877,415,080	\$ 898,845,495

A large portion of the City's net position (55.8%) represents its net investment in capital assets (e.g., land, infrastructure, land improvements, buildings, and equipment, less any related outstanding debt used to acquire those assets). The City uses these capital assets to provide services to citizens, and consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves will not be used to liquidate these liabilities.

There was a \$1.0 million, or .4%, increase in *net investment in capital assets* for *governmental activities* versus the previous year. The increase was due to a decrease in related revenue bond debt due to \$635 thousand in scheduled bond principal payments and a net increase of \$4.8 million in capital lease purchase contracts, plus a net increase of \$5.2 million in governmental capital assets for the current fiscal year. The increase in governmental capital assets resulted from capital asset additions of \$22.7 million and net transfers from business-type activities of \$8 thousand, offset by depreciation expense of \$17.4 million and net capital asset retirements totaling approximately \$105 thousand.

Net investment in capital assets for business-type activities increased by \$12.4 million, or 5.8%, due to \$24.4 million of capital asset additions, offset by \$20.1 million in current year depreciation expense, \$8 thousand in net transfers to governmental activities, and a decrease of \$8.1 million in related debt, net of unspent bond proceeds.

An additional portion of the City's net position (11.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$285.2 million or 32.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

The following table reflects the changes in net position for the years ended September 30, 2015, and September 30, 2014:

City of Clearwater, Florida - Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	restated		restated		restated	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 41,996,636	\$ 41,357,619	\$ 163,328,727	\$ 158,352,056	\$ 205,325,363	\$ 199,709,675
Operating grants and contributions	6,892,564	6,304,872	50,000	139,930	6,942,564	6,444,802
Capital grants and contributions	2,326,185	2,390,527	4,661,948	13,589,852	6,988,133	15,980,379
General revenues:						
Property taxes	40,925,422	38,573,745	-	-	40,925,422	38,573,745
Sales taxes	16,833,401	15,722,125	-	-	16,833,401	15,722,125
Utility taxes	14,094,447	14,309,064	-	-	14,094,447	14,309,064
Other taxes	12,887,736	12,785,814	-	-	12,887,736	12,785,814
Other	3,304,102	2,624,462	4,086,503	3,407,016	7,390,605	6,031,478
Total revenues	139,260,493	134,068,228	172,127,178	175,488,854	311,387,671	309,557,082
Expenses						
General Government	16,818,382	2,396,035	-	-	16,818,382	2,396,035
Public Safety	99,055,781	20,662,065	-	-	99,055,781	20,662,065
Physical Environment	3,272,641	3,416,173	-	-	3,272,641	3,416,173
Transportation	19,366,262	6,959,967	-	-	19,366,262	6,959,967
Economic Environment	4,895,166	14,362,526	-	-	4,895,166	14,362,526
Human Services	248,666	93,638	-	-	248,666	93,638
Culture and Recreation	40,782,817	23,081,132	-	-	40,782,817	23,081,132
Interest on Long-term Debt	689,625	726,819	-	-	689,625	726,819
Water and Sewer Utility	-	-	69,550,196	55,988,322	69,550,196	55,988,322
Gas Utility	-	-	33,352,144	27,117,616	33,352,144	27,117,616
Solid Waste Utility	-	-	22,485,705	12,674,156	22,485,705	12,674,156
Stormwater Utility	-	-	16,109,960	13,939,372	16,109,960	13,939,372
Recycling Utility	-	-	2,455,229	2,121,459	2,455,229	2,121,459
Harborview Center	-	-	-	522,057	-	522,057
Other	-	-	10,215,864	7,620,002	10,215,864	7,620,002
Total expenses	185,129,340	71,698,355	154,169,098	119,982,984	339,298,438	191,681,339
Increase in net position before transfers	(45,868,847)	62,369,873	17,958,080	55,505,870	(27,910,767)	117,875,743
Transfers	9,330,079	13,409,931	(9,330,079)	(13,409,931)	-	-
Increase in net position before extraordinary item	(36,538,768)	75,779,804	8,628,001	42,095,939	(27,910,767)	117,875,743
Extraordinary Item - BP Settlement	6,480,352	-	-	-	6,480,352	-
Increase in net position	(30,058,416)	75,779,804	8,628,001	42,095,939	(21,430,415)	117,875,743
Net position - beginning (restated)	471,264,328	395,484,524	427,581,167	385,485,228	898,845,495	780,969,752
Net position - ending	\$ 441,205,912	\$ 471,264,328	\$ 436,209,168	\$ 427,581,167	\$ 877,415,080	\$ 898,845,495

Governmental Activities

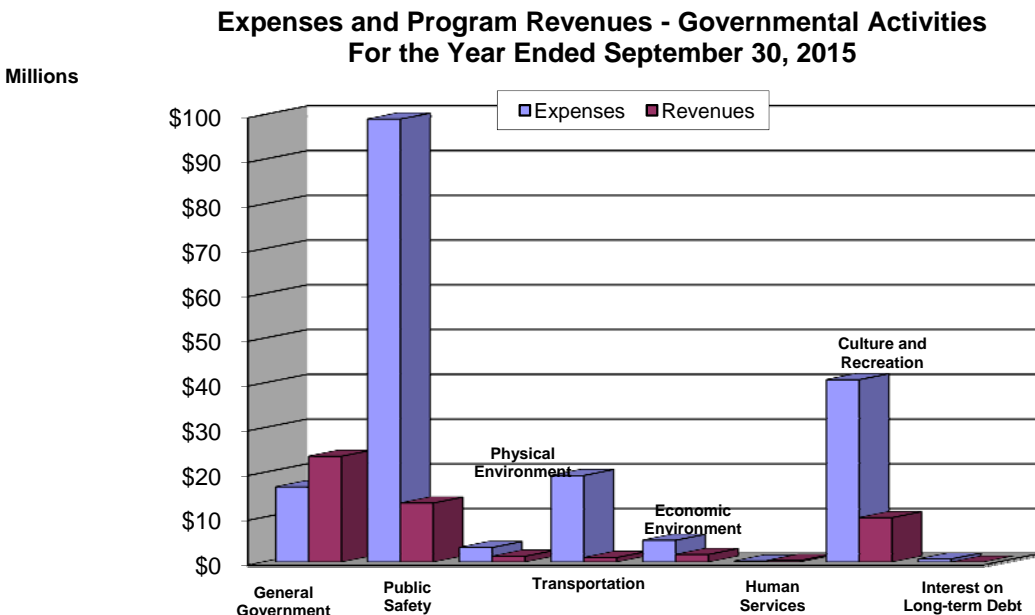
Net position of governmental activities decreased by \$30.1 million from \$471.3 million as of September 30, 2014 (as restated), to \$441.2 million as of September 30, 2015. This represents a 6.4% decrease in net position for governmental activities.

Total expenses for governmental activities increased by \$113.4 million, or 158.2%, versus the prior year (as restated). The majority of this increase is due to the recognition of pension expense due to the increase in net pension liability, deferred inflows of resources and deferred outflows of resources per the implementation of GASB Statement No. 68, which affected governmental activities in the amount of \$48.5 million. Other increases were most significant in the Public Safety (\$28.9 million), Transportation (\$8.2 million) and Culture and Recreation (\$7.7 million) programs.

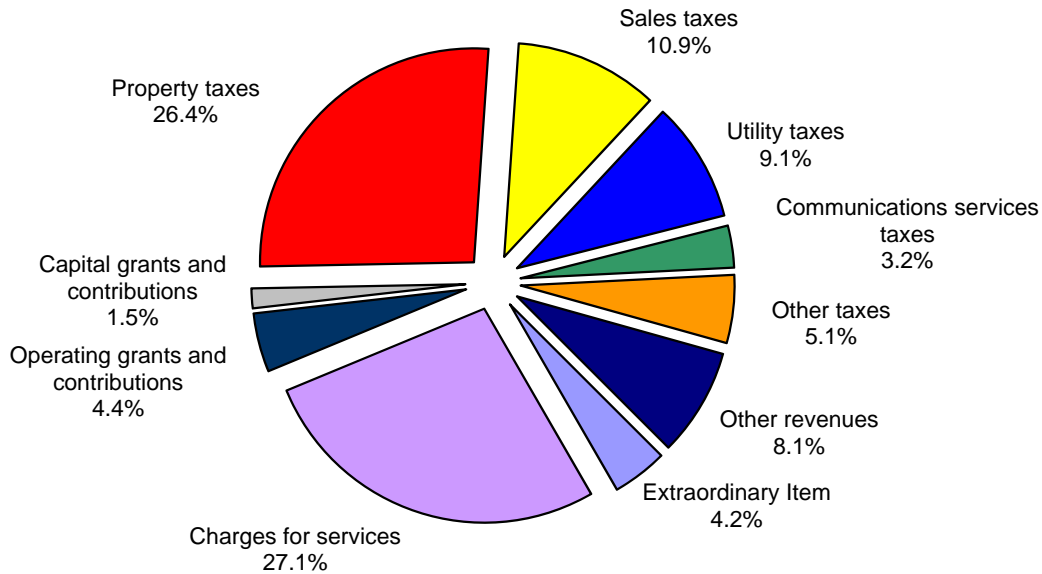
Total program revenues for governmental activities increased by \$1.2 million, or 2.3%, versus the prior year. This increase was primarily due to a \$639 thousand increase in charges for services, and a \$523 thousand net increase in operating and capital grants and contributions. Operating grants and contributions increased \$587 thousand, while capital grants and contributions decreased \$64 thousand.

Total general revenues for governmental activities increased by \$4.0 million, or 4.8%, primarily due to a \$2.4 million increase in property taxes, a \$1.1 million increase in sales taxes and an increase of \$682 thousand in investment earnings. Transfers in from business-type activities decreased \$4.1 million, or 30.4%, primarily due to the closure of the Harborview Center Enterprise Fund and the transfer of its capital assets to governmental activities, which occurred in fiscal 2014. In addition, a \$6.5 million settlement received from BP Oil for the Deepwater Horizon Oil spill was recorded as an extraordinary item (See Note .

The cost of all governmental activities this year was \$185.1 million. This reflects an increase of \$113.4 million, or 158.2% from the fiscal 2014 total of \$71.7 million, as restated. Prior period adjustments reduced the fiscal 2014 expenses in the amount of \$76.8 million to establish a net pension asset, deferred inflows and deferred outflows associated with the implementation of GASB Statement No. 68; and increased the fiscal 2014 expenses in the amount of \$12.4 million to establish an allowance for uncollectable accounts for mortgage loans receivable. However, as shown on the *Statement of Activities*, the amount that the City's taxpayers ultimately financed for fiscal 2015 activities totaled \$133.9 million, because some of the cost was paid for by those who directly benefited from the programs (\$42.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.2 million). This total of \$133.9 million is \$47.8 million, or 55.6%, greater than the fiscal 2014 amount financed from general revenues, before prior period adjustments.



**Revenues by Sources - Governmental Activities
For the Year Ended September 30, 2015**



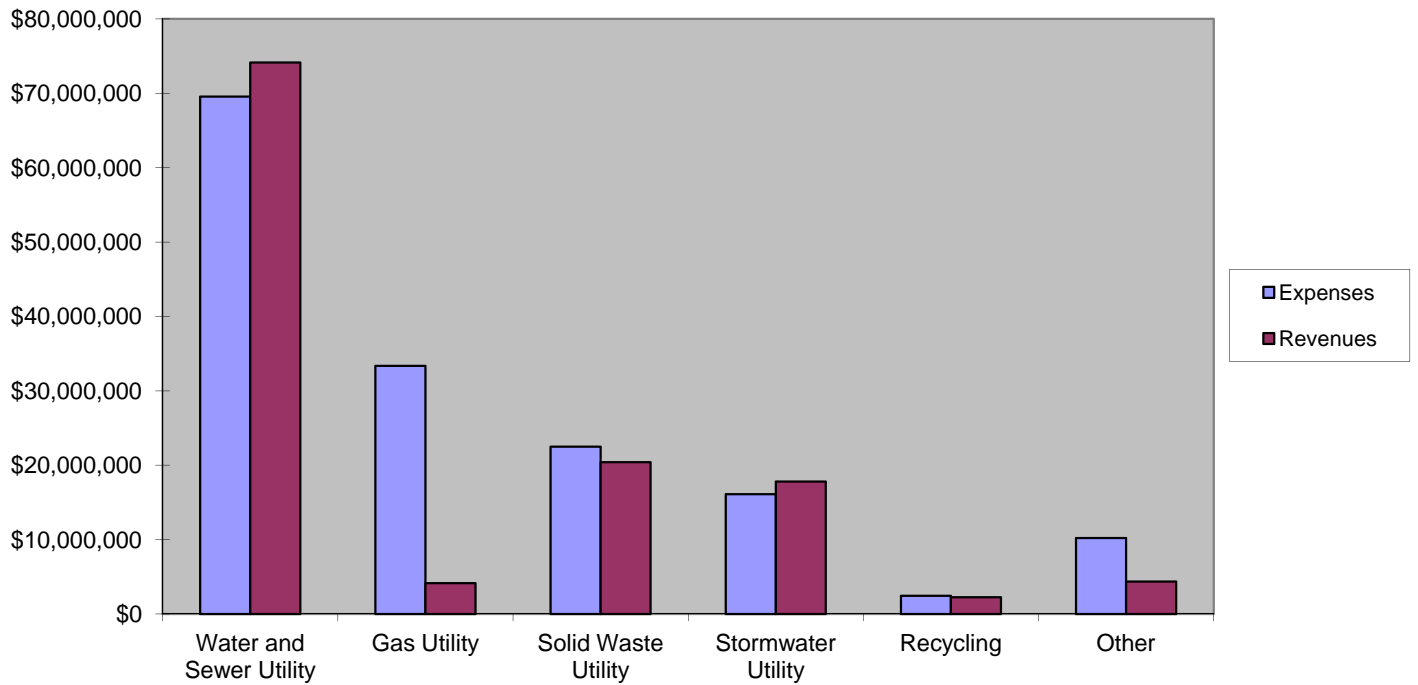
Business-type Activities

Net position for business-type activities increased by \$8.6 million from \$427.6 million as of September 30, 2014 (as restated), to \$436.2 million as of September 30, 2015. This represents a 2.0% increase net position for business-type activities. Net revenue from business-type activities, before investment earnings and transfers, decreased from \$28.8 million for the prior year to \$13.9 million for fiscal 2015. This \$15.0, or 51.9%, decrease was primarily the result of a \$5.0 million increase in charges for services offset by a \$8.9 million decrease in capital grants and contributions and a \$90.0 thousand decrease in operating grants and contributions coupled with a \$10.9 million increase in operating expenses. The decrease in net revenues was due primarily to the Water & Sewer Fund (\$9.1 million) and the Solid Waste and Recycling Utility (\$4.0 million).

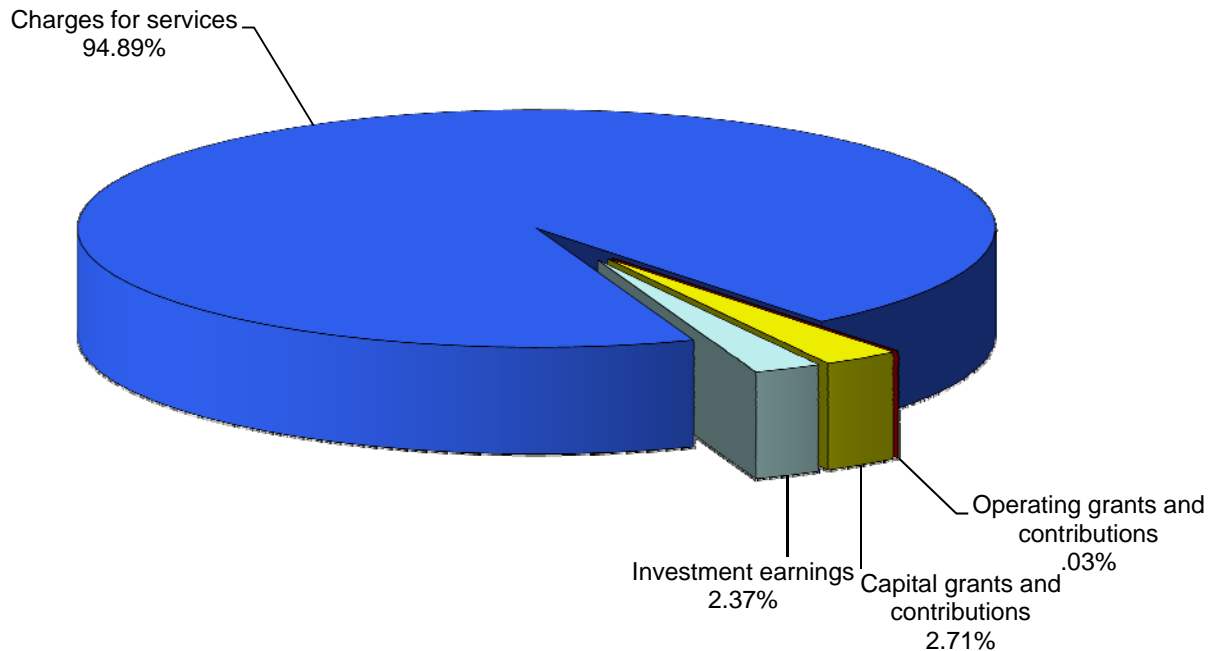
Total program revenues for business-type activities decreased by \$4.0 million, or 2.3%, to \$168.0 million versus the prior year total of \$172.0 million, primarily in the Water & Sewer Utility, where charges for services increased \$3.7 million (5.5%) as a result of a 4.5% rate increase effective October 1, 2014, and capital grants and contributions decreased \$8.0 million (70.9%) as a result of reduced funding from the Southwest Florida Water Management District due to completion of capital projects.

Total expenses for business-type activities increased by \$34.2 million, or 28.5%, from \$120.0 million in fiscal 2014 (as restated) to \$154.2 million for fiscal 2015. Part of this increase is due to the recognition of pension expense associated the increase in the net pension liability, deferred inflows of resources and deferred outflows of resources per the implementation of GASB Statement No. 68, which affected business-type activities in the amount of \$14.9 million. Expenses in the Water & Sewer Utility increased \$4.7 million (7.3%) primarily as a result of the recognition of pension expense due to the implementation of GASB Statement No. 68 as well as increased personnel costs and supplies needed to operate the new RO Plant, offset by decreased purchases of water from Pinellas County, which is also a result of the new RO Plant. There was also a decrease in professional fees due to reduced project activity. Solid Waste & Recycling Utility expenses increased \$4.3 million (20.7%) primarily due to increased personnel costs due to the recognition of pension expense as a result of the implementation of GASB Statement No. 68. Expenses in the Gas Utility increased \$1.7 million (5.4%) primarily due to the decreased cost of natural gas and liquid propane purchased for resale, offset by increased personnel costs as a result of 4 additional employees as well as recognition of pension expense due to the implementation of GASB Statement No. 68. Finally, transfers for business-type activities decreased \$4.1 million, or 30.4%, primarily due to the closure of the Harborview Center Enterprise Fund and the transfer of its capital assets to governmental activities, which occurred in fiscal 2014.

**Expenses and Program Revenue - Business-type Activities
For the Year Ended September 30, 2015**



**Revenues by Source - Business-type Activities
For the Year Ended September 30, 2015**



Financial Analysis of the City's Funds

As noted earlier, the City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City reports the General Fund, Special Development Fund, and Capital Improvement Fund as *major* governmental funds.

The City's governmental funds for the year ended September 30, 2015, reflect a combined *fund balance* of \$114,695,226 versus \$110,173,890 (as restated) for the prior year, an increase of \$14,521,336. A total of \$29.0 million, or 25.27%, represents *unassigned fund balance* available for spending at the government's discretion. The remainder of the fund balance is classified as *assigned* (\$8.3 million or 7.20%) to indicate that it is intended to be used for specific purposes supported by management's intent; *committed* (\$20.2 million or 17.58%) to indicate that it can be used only for the specific purposes determined by a formal vote of the City Council; *restricted* (\$57.2 million or 49.91%) to indicate that it can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation; or *nonspendable* (\$41 thousand or 0.04%) to indicate that it cannot be spent or is legally or contractually required to remain intact.

The General Fund is the chief operating fund of the City. At September 30, 2015, unassigned fund balance of the General Fund totaled \$31.5 million, with the remaining \$487 thousand in fund balance classified as nonspendable or assigned. As a measure of the general fund's liquidity it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.7% of total general fund expenditures (GAAP basis before transfers) for the current fiscal year.

The fund balance of the Special Development Fund increased from \$5.9 million to \$8.2 million, an increase of \$2.3 million or 39.0%, during the current fiscal year versus a decrease of \$130 thousand for fiscal 2014. Intergovernmental revenue increased by \$1.3 million, impact fees increased by \$860 thousand and total taxes increased by \$879 thousand.

The fund balance for the Capital Improvement Fund increased from \$43.2 million to \$47.0 million during the current fiscal year. This increase of \$3.8 million is primarily the result of current year capital project funding received from other funds (\$21.8 million) in excess of current year capital project expenditures (\$17.6 million). This is typical volatility for the Capital Improvement Fund due to timing differences between project funding and project spending.

The fund balances for Other (non-major) Governmental Funds posted an increase of \$782 thousand (from \$26.6 million, as restated, to \$27.4 million) during the current fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City reports the Water and Sewer Utility Fund, the Gas Utility Fund, the Solid Waste & Recycling Utility Fund, and the Stormwater Utility Fund as major funds.

The Water and Sewer Utility Fund realized an \$3.0 million increase in net position versus an \$11.7 million increase for the prior year (before prior period adjustments). Operating revenues increased by \$3.5 million, or 5.3%, while operating expenses increased \$3.7 million, or 6.5%. This resulted in a net decrease in operating income of \$186 thousand, from \$9.2 million in fiscal 2014 to \$9.0 million in 2015. Additionally, capital grants and contributions decreased by \$8.0 million, or 70.9% and investment earnings increased by \$1.0 million. The increase in operating revenues was the result of a 4.5% rate increase effective October 1, 2014. The increase in operating expenses was primarily due to the recognition of pension expense per GASB Statement No. 68 in the amount of \$5.6 million, as well as increased personnel costs and supplies needed to operate the new RO Plant, offset by decreased purchases of water from Pinellas County, which is also the result of the new RO Plant. There was also a decrease in professional fees due to reduced project activity. The decrease in capital grants and contributions was primarily the result of decreased grant revenues from the Southwest Florida Water Management District due to the completion of the Reverse Osmosis Plant #2 Expansion project, as well as decreased contributions from developers, sewer taps and water impact fees.

The Gas Utility Fund realized a \$6.0 million increase in net position versus a \$7.9 million increase for the prior year. Operating revenues decreased by \$392 thousand, or .95%, from the prior year, while operating expenses increased by \$1.4 million (4.6%), before prior period adjustments. The increase in operating expenses was primarily due to the decreased cost of natural gas and liquid propane purchased for resale, offset by increased personnel costs as a result of 4 additional employees as well as the recognition of pension expense in the amount of \$2.9 million in accordance with GASB Statement No. 68. This resulted in a \$1.8 million, or 18.2%, decrease in operating income from the prior year. Additionally, other nonoperating revenues increased \$503 thousand primarily due to increased investment earnings of \$201 thousand, decreased interest expense of \$113 thousand and an increase of \$189 thousand in other nonoperating revenue as a result of contributions from property owners for main line extensions. Transfers out to other funds increased by \$1.2 million, or 46.8% primarily due to the increased dividend to the General Fund computed on the fiscal 2014 increase in net position.

The Solid Waste & Recycling Utility Fund is the combination of two funds that were reported separately prior to fiscal 2015. The combined fund realized a \$2.0 million decrease in net position versus a \$1.4 increase for the two funds in the prior year, before prior period adjustments. Operating revenues increased by \$226 thousand, or 1.0%, while operating expenses also increased by \$3.8 million, resulting in a decrease of \$3.6 million in operating income from \$1.5 million in fiscal 2014 (before prior period adjustments) to an operating loss of \$2.1 million in fiscal 2015. The increase in operating revenues was very slight, as there were no rate increases approved for fiscal 2015. The increase in operating expenses was primarily the result of increased personnel costs due to the recognition of pension expense in the amount of \$3.8 million per GASB Statement No. 68. Nonoperating revenues increased \$197 thousand primarily due to an increase of \$180 thousand in investment earnings.

The Stormwater Utility Fund realized an increase in net position of \$2.2 million versus a prior year increase of \$2.0 million (before prior period adjustments). Operating revenues increased by \$685 thousand, or 4.1%, primarily due to scheduled rate increases of 2.75% effective October 1, 2014. Additionally, fiscal 2015 realized a \$759 thousand, or 5.0% decrease in operating expenses, despite the recognition of pension expense in the amount of \$1.6 million per GASB Statement No. 68. There was also a significant decrease in capital grants and contributions of \$1.4 million (68.4%) due to the completion of stormwater projects that were funded by the Southwest Florida Water Management District.

Unrestricted net position and changes in net position of the proprietary funds for fiscal years 2015 and 2014:

Fund	Unrestricted Net Position		Change in Net Position	
	2015	(restated) 2014	2015	(restated) 2014
Water and Sewer Utility	\$ 42,816,009	\$ 42,823,660	\$ 2,968,847	\$ 20,477,599
Gas Utility	41,626,186	40,608,768	5,960,947	12,463,252
Solid Waste & Recycling Utility	34,218,753	36,216,046	(2,017,645)	7,239,631
Stormwater Utility	31,318,341	29,516,750	2,206,753	4,550,482
Other funds	13,689,535	12,187,243	1,565,537	(2,486,082)
Totals	<u>\$ 163,668,824</u>	<u>\$ 161,352,467</u>	<u>\$ 10,684,439</u>	<u>\$ 42,244,882</u>

General Fund Budgetary Highlights

The final amended budget for General Fund expenditures reflected a net increase of \$3.0 million, or 2.6%, from the original budget. Key elements of this increase were as follows:

- First Quarter Budget Amendments included an increase of \$618,890 to fund the \$1,500 base pay merit increase for each General Fund CWA employee; an increase of \$10,388 for the City Manager and City Attorney merit increases; an increase of \$350,950 to fund the City Manager approved merit increase for each General Fund SAMP employee; a decrease in the City Manager's flex funds to provide funding for a transfer to the Special Programs Fund for United Way campaign activities; an increase of \$50,000 in Economic Development and Housing to provide additional funding to the Homeless Emergency Project; an increase of \$70,870 in Finance to fund retirement

payouts for two long-term employees; an increase in Police operating expenditures of \$976 and an increase of \$8,018 in Police overtime; and an increase of \$25,000 to fund a legal settlement.

- Mid-Year Budget Amendments included an increase of \$32,500 in Marine & Aviation to reflect inventory purchases of \$25,300, operating supplies of \$4,000 and full-time salaries of \$3,200 ; and an increase of \$3,516 in Police overtime.
- Third Quarter Budget Amendments included an increase in the City Manager's Office of \$17,960 to fund the current year cost of an ICMA Management Intern to be shared with the City of Largo and the City of Oldsmar; an increase of \$1,150,830 in the Fire Department for the General Fund's contribution to the Fire Supplemental Pension Plan; an increase of \$23,770 in Library personal services to fund retirement payouts; an increase of \$10,000 in Official Records and Legislative Services to fund advertising costs; a decrease of \$198,000 in Parks and Recreation to fund a transfer to the Capital Improvement Fund for the Jack Russell Demolition & Refurbishment project; a decrease of \$25,000 in Parks and Recreation to fund a transfer to the Capital Improvement Fund for the Joe DiMaggio Multi-Purpose Field Renovations project; a decrease of \$50,000 in Planning and Development to fund a transfer to the Capital Improvement Fund for the U.S. 19 Wayfinding project; a decrease of \$50,000 in Public Communications to fund a transfer to the Special Programs Fund for the Strategic Direction Action Plan to fund the branding consultant contract; an increase in Police operating expenditures of \$760; and an increase of \$915,419 in the Police Department for the General Fund's contribution to the Police Supplemental Pension Plan.

Final budgeted revenues reflect a net increase of \$9.5 million, or 8.8%, from the original budget primarily due to the following:

- First Quarter Budget Amendments included an increase of \$8,994 in intergovernmental revenue to reflect an increase in reimbursements from the Department of Treasury supporting the FBI and Secret Service.
- Mid-Year Budget Amendments included an increase of \$3,516 in intergovernmental revenue to reflect an increase in reimbursements from the Department of Treasury supporting the IRS and Joint Terrorism Task Force; and an increase of \$32,500 in charges for services to reflect an increase to Pier 60 concession souvenirs revenue.
- Third Quarter Budget Amendments included an increase of \$164,730 in ad valorem taxes to reflect actual collections for the year; a decrease of \$550,000 to reflect telecommunications tax revenue that was less than expected; an increase of \$660,000 in other permits and fees revenue to reflect increased building permit revenue due to increased development in the City; an increase of \$2.3 million in intergovernmental revenue to reflect an increase of \$760 for reimbursements received for Homeland Security Investigations, an increase of \$32,250 to Fire Tax and \$233,530 to EMS Tax to bring the budget in line with actual receipts, an increase of \$11,980 to recognize revenue from the City of Largo for their portion of costs for the ICMA Management Intern, and an increase of \$2,066,249 to record state monies received for Police and Fire supplemental pension plans; an increase of \$113,000 in charges for services to bring the budget in line with anticipated receipts for fire inspection fees, various Parks and Recreation revenues and Pier 60 concession souvenirs; a decrease of \$50 thousand in court fine revenue from Pinellas County to bring the budget in line with anticipated annual receipts; and an increase of \$6.8 million in miscellaneous revenues to recognize an increase of \$270 thousand to beach and rental revenues to bring the budget in line with anticipated receipts; and an increase of \$6,480,352 representing the settlement from BP Oil for the Deepwater Horizon oil spill.

Final budgeted "transfers in" from other funds reflect a \$2.1 million, or 23.9%, increase from the original budget primarily due to:

- A transfer of \$2,138,538 from the Gas Fund representing an increase in the computed annual gas dividend payment for fiscal year 2013/14;
- The return of General Fund revenues in the amount of \$32,029 from the Capital Improvement Fund for the following capital projects which were closed out upon completion: Ladder Truck Equipment, Rescue Squad Replacement and Training Facility Concrete Pad Repairs.

Final budgeted “transfers out” reflect a \$4.6 million, or 104.3%, increase from the original budget primarily due to:

- A transfer of \$1,500 to the Special Programs Fund to provide funding for the United Way campaign activities;
- A transfer of \$776,214 to the Capital Improvement Fund for the Bright House Field Repairs project;
- A transfer of \$275,000 to the Special Programs Fund to provide funding for Special Events;
- A transfer of \$500,000 to the Special Programs Fund to provide funding for ULI Report Implementation;
- A transfer of \$100,000 to the Capital Improvement Fund for the Joe DiMaggio Sports Complex project;
- A transfer of \$810,000 to the Capital Improvement Fund for the Pinellas New Mains & Service Lines project;
- A transfer of \$40,000 to the Gas Fund to offset the cost of the fireworks display;
- A transfer of \$237,870 to reimburse the Stormwater Fund for surplus land at Prospect Lake;
- A transfer of \$650,000 to the Capital Improvement Fund for the Centennial Monument project;
- A transfer of \$25,000 to the Capital Improvement Fund for the Countryside Renovation project;
- A transfer of \$198,000 to the Capital Improvement Fund for the Jack Russell Demolition & Refurbishment project;
- A transfer of \$25,000 to the Capital Improvement Fund for the Joe DiMaggio Multi-Purpose Field Renovations project;
- A transfer of \$50,000 to the Capital Improvement Fund for the U.S. 19 Wayfinding project;
- A transfer of \$50,000 to the Special Programs Fund for the Strategic Direction Action Plan to fund the branding consultant contract;
- A transfer of \$250,000 to the Capital Improvement Fund for the Crest Lake Park Veterans War Memorial project;
- A transfer of \$335,000 to the Capital Improvement Fund for the Pier 60 and Beach Walk Repairs and Improvements project;
- A transfer of \$190,000 to the Capital Improvement Fund for the Missouri Avenue Median Beautification project;
- A transfer of \$75,000 to the Capital Improvement Fund for the Sailing Center Upgrades and Improvements project; and
- A transfer of \$28,250 to the Special Programs Fund for the Nagano Sister City program to fund the cost of the Nagano trip.

Total actual revenues for the General Fund for fiscal 2015 were \$1.4 million, or 1.3%, greater than final budgeted revenues. Contributing to this surplus of actual revenues versus final budgeted revenues are a surplus of \$755,358 (53.8%) in Miscellaneous Revenue, a surplus of \$542,490 (4.4%) in Intergovernmental Revenue received from the State, and a surplus of \$243,072 (24.7%) in Fines and Forfeitures.

Fiscal 2015 actual expenditures for the General Fund were \$2.3 million (2.0%) less than final budgeted expenditures, primarily due to budget savings across most City departments for fiscal 2015.

Capital Asset and Debt Administration

Capital Assets

Capital assets include land, buildings and building improvements, improvements other than buildings, machinery and equipment, and infrastructure. The infrastructure asset category includes long-lived capital assets, typically stationary in nature, such as roads, sidewalks, and bridges. At September 30, 2015, the City had investments in capital assets totaling \$714,218,556 (net of accumulated depreciation).

City of Clearwater, Florida - Capital Assets*
(amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 77,306	\$ 76,787	\$ 29,950	\$ 30,509	\$ 107,256	\$ 107,296
Buildings	105,741	91,486	26,455	6,397	132,196	97,883
Improvements other than buildings	19,251	16,818	353,044	338,756	372,295	355,574
Machinery and equipment	22,246	17,397	9,963	2,491	32,209	19,888
Infrastructure	58,081	62,278	-	-	58,081	62,278
Construction in progress	2,739	15,433	9,442	46,365	12,181	61,798
Total	<u>\$ 285,364</u>	<u>\$ 280,199</u>	<u>\$ 428,854</u>	<u>\$ 424,518</u>	<u>\$ 714,218</u>	<u>\$ 704,717</u>

* Net of accumulated depreciation

Net capital assets for the City's *governmental activities* increased from \$280.2 million to \$285.4 million, reflecting an increase of \$5.2 million for the current fiscal year. Capital asset additions of \$22.7 million were offset by depreciation expense of \$17.4 million and net capital asset retirements totaling approximately \$105 thousand. Major fiscal 2015 completed governmental capital projects included \$9.7 million for the construction of Fire Station #45, \$3.0 million for renovations at the Sid Lickton Complex, \$895 thousand for construction of the Countryside Library and \$626 thousand for Wood Valley Traffic Calming.

Net capital assets for the City's *business-type activities* increased from \$424.5 million to \$428.8 million, reflecting an increase of \$4.3 million for the current fiscal year. Capital asset additions of \$24.4 million were offset by depreciation expense of \$20.1 million. Major fiscal 2015 completed business-type capital projects included \$32.2 million for Reverse Osmosis Plant #2 Expansion, \$2.4 million for various stormwater projects and \$2.3 million for the sanitary sewer extensions.

Additional information on the City's capital assets can be found in Note III (C) on the notes to the financial statements.

Long-term debt

The City's total long-term debt increased from \$220.6 million to \$269.8 million, an increase of \$49.2 million or 22.9%. Long-term debt for governmental activities increased by \$44.0 million, or 41.6%, while long-term debt for business-type activities increased by \$5.2 million or 2.5%. Key factors contributing to these changes included:

- The increase in long-term debt for governmental activities is primarily due to an increase in the net pension liability of \$39.0 million due to negative investment returns during fiscal 2015 per the implementation of GASB Statement No. 68; increased accruals for lease purchase contracts of \$4.8 million; as well as increased accruals for compensated absences and other postemployment benefits, offset by a decrease in claims payable; and principal payment of \$635 thousand on the Spring Training Facility Revenue Bonds.
- The decrease in long-term debt for business-type activities is primarily due to an increase in the net pension liability of \$12.1 million due to negative investment returns during fiscal 2015 per the implementation of GASB Statement No. 68; increased accruals for other post-employment benefits and compensated absences, offset by a decrease in lease purchase contracts; and approximately \$8.2 million of scheduled bond principal payments offset by a \$1.1 million increase in revenue bonds payable due to the issuance of the 2014 Water & Sewer Revenue Refunding Bonds to redeem the 2006 Water & Sewer Revenue Bonds.

The City's bonded debt as of September 30, 2015, consists entirely of revenue bonds (secured solely by specified revenue sources) with no general obligation debt or special assessment debt outstanding. Governmental activities revenue bonds totaled \$8.3 million while business-type activities totaled \$204.7 million.

The City's Charter limits indebtedness to 20% of the assessed valuation of non-exempt real estate. The current debt limitation is approximately \$2.1 billion, which is significantly in excess of the City's applicable indebtedness of approximately \$205 million at September 30, 2015.

Additional information on the City's long-term debt can be found in Note III (F) of the notes to the financial statements.

Economic Factors and Year 2016 Budgets and Rates

Factors considered in preparing the City of Clearwater's budget for fiscal year 2016 included:

- An increase of 6.5% in property values, from \$8.2 billion to \$8.7 billion. This is the third increase in valuations that the City has recognized in seven years. City taxable values are still approximately 22% below peak values of 2007.
- The approved millage rate of 5.1550 mills for fiscal year 2016 is the same millage rate as the City's rate for the last seven fiscal years.
- A net increase of 37.3 full-time equivalent positions City-wide to a total of 1,746.9 FTE's. 19.8 positions were added to the General Fund, 15 positions were added in the utility and enterprise funds, 1.5 positions were added in the internal services funds, and 1 position was added in the Special Programs Fund.
- A decrease of \$2 million in the actuarially required contribution to the Employees' Pension Plan, from \$10.8 million, or 14.53% of covered payroll, for fiscal 2015 to \$8.8 million, or 11.66% of covered payroll, for fiscal 2016. The approved budget plans for a contribution rate of 17%, which will provide for the actuarially required contribution of 11.66% as well as restore approximately \$5 million to the credit balance to prepare us for future economic challenges.
- An increase in employee medical insurance costs of \$2.2 million to a total of \$16.2 million across all City operations. This increase includes a projected 10% increase in claims costs based on preliminary estimates, as well as \$1.4 million to offset the cost of the Employee Health Clinic.
- Budgeted Water and Sewer utility revenues for 2016 reflect a 4.5% rate increase effective October 1, 2015, per a rate study adopted in August 2011. Fiscal 2016 budgeted Stormwater utility revenues reflect a 1.25% rate increase effective October 1, 2015, per a rate study adopted in September 2015. Budgeted revenue for the Solid Waste & Recycling Utility reflect an increase of 3.75% based upon a new rate structure that was approved in August 2015. There are no planned rate increases for the Gas Utility.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in our government and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Clearwater, Finance Department, 100 South Myrtle Avenue, Clearwater, Florida 33756-5520.

Basic Financial Statements

City of Clearwater, Florida
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 164,367,718	\$ 150,763,508	\$ 315,131,226
Receivables (net)	8,357,346	14,521,030	22,878,376
Internal balances	(446,462)	446,462	-
Due from other governments	4,270,592	1,437,009	5,707,601
Prepaid items	1,746,918	4,844	1,751,762
Inventories	469,770	2,808,904	3,278,674
Restricted assets:			
Cash and investments	-	55,444,752	55,444,752
Due from other governments	-	425,741	425,741
Net pension asset	843,464	-	843,464
Land held for resale	3,338,752	-	3,338,752
Capital assets:			
Land	77,306,091	29,950,296	107,256,387
Buildings	105,740,821	26,455,200	132,196,021
Improvements other than buildings	19,251,265	353,044,436	372,295,701
Machinery and equipment	22,246,000	9,962,768	32,208,768
Infrastructure	58,080,565	-	58,080,565
Construction in progress	2,739,518	9,441,596	12,181,114
Total assets	<u>468,312,358</u>	<u>654,706,546</u>	<u>1,123,018,904</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	-	4,993,977	4,993,977
Deferred outflows on pension	39,089,379	12,067,363	51,156,742
Total deferred outflows of resources	<u>39,089,379</u>	<u>17,061,340</u>	<u>56,150,719</u>
LIABILITIES			
Accounts payable and other current liabilities	6,222,670	8,485,008	14,707,678
Accrued liabilities	2,238,513	692,358	2,930,871
Accrued interest payable	35,492	31,341	66,833
Due to other governments	460,624	-	460,624
Deposits	5,300	87,010	92,310
Unearned revenue and liens	446,639	44,856	491,495
Payable from restricted assets:			
Construction contracts payable	-	363,560	363,560
Accrued interest payable	-	2,956,109	2,956,109
Customers deposits	-	7,047,884	7,047,884
Non-current liabilities due within one year:			
Compensated absences	4,379,741	1,126,380	5,506,121
Capital lease purchases payable	4,197,598	128,533	4,326,131
Revenue bonds payable	660,000	8,825,000	9,485,000
Claims payable	2,208,800	-	2,208,800
Long-term debt and liabilities:			
Unearned revenue	-	187,113	187,113
Compensated absences	3,353,174	862,367	4,215,541
Other postemployment benefits	9,526,791	4,065,044	13,591,835
Capital lease purchases payable	9,835,654	150,440	9,986,094
Revenue bonds payable	7,736,728	198,173,629	205,910,357
Claims payable	7,333,850	-	7,333,850
Net pension liability	5,417,086	1,672,318	7,089,404
Total liabilities	<u>64,058,660</u>	<u>234,898,950</u>	<u>298,957,610</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension	<u>2,137,165</u>	<u>659,768</u>	<u>2,796,933</u>
NET POSITION			
Net investment in capital assets	262,934,280	226,570,671	489,504,951
Restricted for:			
Capital projects	41,343,124	9,300,000	50,643,124
Debt service	621,681	21,739,553	22,361,234
Renewal and replacement	-	12,706,758	12,706,758
Land held for resale	3,338,752	-	3,338,752
Grant programs	11,935,674	-	11,935,674
Impact fees	-	1,756,629	1,756,629
Unrestricted	121,032,401	164,135,557	285,167,958
Total net position	<u>\$ 441,205,912</u>	<u>\$ 436,209,168</u>	<u>\$ 877,415,080</u>

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

City of Clearwater, Florida
Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 16,818,382	\$ 23,668,141	\$ 28	\$ -	\$ 6,849,787	\$ -	\$ 6,849,787
Public safety	99,055,781	10,593,056	2,607,860	-	(85,854,865)	-	(85,854,865)
Physical environment	3,272,642	195,963	0	1,114,689	(1,961,990)	-	(1,961,990)
Transportation	19,366,261	327,266	253,449	443,678	(18,341,868)	-	(18,341,868)
Economic environment	4,895,166	108,790	1,604,071	-	(3,182,305)	-	(3,182,305)
Human services	248,666	-	349,978	-	101,312	-	101,312
Culture and recreation	40,782,817	7,103,420	2,077,178	767,818	(30,834,401)	-	(30,834,401)
Interest on long-term debt	689,625	-	-	-	(689,625)	-	(689,625)
Total governmental activities	<u>185,129,340</u>	<u>41,996,636</u>	<u>6,892,564</u>	<u>2,326,185</u>	<u>(133,913,955)</u>	<u>-</u>	<u>(133,913,955)</u>
Business-type activities:							
Water & Sewer Utility	69,550,196	70,848,171	-	3,297,792	-	4,595,767	4,595,767
Gas Utility	33,352,144	41,143,023	-	-	-	7,790,879	7,790,879
Solid Waste Utility	22,485,705	20,401,272	-	-	-	(2,084,433)	(2,084,433)
Stormwater Utility	16,109,960	17,162,161	-	642,265	-	1,694,466	1,694,466
Recycling Utility	2,455,229	2,260,309	-	-	-	(194,920)	(194,920)
Marine	4,182,055	4,352,206	-	5,090	-	175,241	175,241
Aviation	398,988	282,456	-	716,801	-	600,269	600,269
Parking System	4,724,273	6,214,928	-	-	-	1,490,655	1,490,655
Clearwater Harbor Marina	910,548	664,201	50,000	-	-	(196,347)	(196,347)
Total business-type activities	<u>154,169,098</u>	<u>163,328,727</u>	<u>50,000</u>	<u>4,661,948</u>	<u>-</u>	<u>13,871,577</u>	<u>13,871,577</u>
Total primary government	<u>\$ 339,298,438</u>	<u>\$ 205,325,363</u>	<u>\$ 6,942,564</u>	<u>\$ 6,988,133</u>	<u>(133,913,955)</u>	<u>13,871,577</u>	<u>(120,042,378)</u>
General revenues:							
Taxes:							
Property taxes					40,925,422	-	40,925,422
Sales taxes					16,833,401	-	16,833,401
Utility taxes					14,094,447	-	14,094,447
Communications services taxes					4,918,612	-	4,918,612
Other taxes					7,969,124	-	7,969,124
Investment earnings (loss)					3,278,594	4,086,503	7,365,097
Miscellaneous					25,508	-	25,508
Transfers					9,330,079	(9,330,079)	-
Total general revenues and transfers					<u>97,375,187</u>	<u>(5,243,576)</u>	<u>92,131,611</u>
Change in net position before extraordinary item					(36,538,768)	8,628,001	(27,910,767)
Extraordinary Item - BP Oil settlement proceeds					6,480,352	-	6,480,352
Change in net position					(30,058,416)	8,628,001	(21,430,415)
Net position - beginning (as previously reported)					406,841,428	404,312,255	811,153,683
Prior period restatements (See Note IV.J.)					64,422,900	23,268,912	87,691,812
Net position--beginning (restated)					<u>471,264,328</u>	<u>427,581,167</u>	<u>898,845,495</u>
Net position--ending					<u>\$ 441,205,912</u>	<u>\$ 436,209,168</u>	<u>\$ 877,415,080</u>

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

City of Clearwater, Florida
Balance Sheet
Governmental Funds
September 30, 2015

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Development</u> <u>Fund</u>	<u>Capital</u> <u>Improvement</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and investments	\$ 31,172,646	\$ 6,423,593	\$ 49,951,225	\$ 20,077,633	\$ 107,625,097
Receivables (net where applicable, of allowances for estimated uncollectible amounts):					
Accrued interest	123,987	161,679	1,183	65,951	352,800
Accounts and contracts	385,091	-	-	-	385,091
Mortgages, notes and other loans	-	-	-	5,072,390	5,072,390
Property taxes	127,292	7,857	-	-	135,149
Utility taxes	1,008,873	-	-	-	1,008,873
Franchise fees	928,867	-	-	-	928,867
Other	249,318	-	1,968	8,148	259,434
Due from other governmental entities - grants	-	-	-	124,592	124,592
Due from other governmental entities - other	1,993,032	1,924,764	-	228,204	4,146,000
Land held for resale	-	-	-	3,338,752	3,338,752
Inventories, at cost	40,535	-	-	-	40,535
Advances to other funds	-	-	-	325,440	325,440
Total assets	<u>\$ 36,029,641</u>	<u>\$ 8,517,893</u>	<u>\$ 49,978,912</u>	<u>\$ 29,241,110</u>	<u>\$ 123,767,556</u>
LIABILITIES					
Accounts and contracts payable	\$ 1,350,896	\$ -	\$ 1,491,308	\$ 432,945	\$ 3,275,149
Accrued payroll	1,928,014	-	-	36,708	1,964,722
Due to other funds	-	-	670,838	316,667	987,505
Due to other funds (deficit in pooled cash)	-	-	-	24,536	24,536
Due to other governmental entities	82,652	329,073	-	48,899	460,624
Deposits	5,300	-	-	-	5,300
Construction escrows	-	-	-	3,383	3,383
Unearned revenue	635,818	7,857	-	-	643,675
Advances from other funds	-	-	748,663	958,773	1,707,436
Total liabilities	<u>4,002,680</u>	<u>336,930</u>	<u>2,910,809</u>	<u>1,821,911</u>	<u>9,072,330</u>
FUND BALANCES (DEFICITS)					
Nonspendable inventories and prepaid items	40,535	-	-	-	40,535
Restricted	-	3,112,122	31,986,905	22,140,204	57,239,231
Committed	-	253,297	16,304,582	3,609,753	20,167,632
Assigned	446,809	4,815,544	-	2,999,108	8,261,461
Unassigned	31,539,617	-	(1,223,384)	(1,329,866)	28,986,367
Total fund balances	<u>32,026,961</u>	<u>8,180,963</u>	<u>47,068,103</u>	<u>27,419,199</u>	<u>114,695,226</u>
 Total liabilities and fund balances	<u>\$ 36,029,641</u>	<u>\$ 8,517,893</u>	<u>\$ 49,978,912</u>	<u>\$ 29,241,110</u>	<u>\$ 123,767,556</u>

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

City of Clearwater, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

Total fund balances of governmental funds		\$ 114,695,226
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets totals \$528,762,251 and the accumulated depreciation totals \$243,397,991		285,364,260
Other assets are prepaid or are not available as financial resources and, therefore, are deferred in the funds:		
Accrued property taxes	135,149	
Accrued liens	385,127	
Accrued permit fees	<u>123,398</u>	
		643,674
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds.		843,464
Deferred outflows are not current assets or financial resources and, therefore, are not reported in the funds		39,089,379
Deferred inflows are not current liabilities or financial uses and, therefore, are not reported in the funds		(2,137,165)
Accrued pollution remediation obligation expenses are not financial uses and, therefore, are not reported in the funds.		(244,125)
Accrued general long-term debt interest expenses are not financial uses and, therefore, are not reported in the funds.		(35,492)
The assets and liabilities of the internal service funds (funds used to charge the costs of certain activities to individual funds) are included in the governmental activities in the statement of net position.		
Net position of internal service funds	58,693,869	
Less: Capital assets included in total governmental capital assets above	(22,359,363)	
Less: Deferred outflows included in total governmental above	(4,131,930)	
Add: Deferred inflows included in total governmental above	225,908	
Add: Capital lease purchases payable included in total governmental below	13,661,787	
Add: Compensated absences included in total governmental below	696,067	
Add: Other post-employment benefits included in total governmental below	1,201,247	
Add: Net pension liability included in total governmental below	572,611	
Less: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(466,733)</u>	
		48,093,463
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported in the funds.		
Long-term liabilities at year-end consist of:		
Bonds payable	(8,255,000)	
Add: Issuance premium (to be amortized as a reduction of interest expense)	(141,728)	
Capital lease purchases payable	(14,033,252)	
Other post-employment benefits	(9,526,791)	
Compensated absences	(7,732,915)	
Net pension liability	<u>(5,417,086)</u>	
		(45,106,772)
Total net position of governmental activities		<u><u>\$ 441,205,912</u></u>

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

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Special Development Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 38,969,608	\$ 1,949,511	\$ -	\$ -	\$ 40,919,119
Sales	-	10,187,514	-	-	10,187,514
Utility	14,094,447	-	-	-	14,094,447
Communications services	4,918,612	-	-	-	4,918,612
Other taxes	2,028,722	1,490,308	-	-	3,519,030
Total taxes	<u>60,011,389</u>	<u>13,627,333</u>	<u>-</u>	<u>-</u>	<u>73,638,722</u>
Franchise fees	9,872,948	-	-	-	9,872,948
Licenses, permits, and fees	3,048,774	1,359,064	-	-	4,407,838
Intergovernmental:					
Federal	-	-	-	1,408,884	1,408,884
State	12,882,719	-	440,240	1,184,151	14,507,110
Local	8,367,414	1,341,676	-	1,948,057	11,657,147
Total intergovernmental	<u>21,250,133</u>	<u>1,341,676</u>	<u>440,240</u>	<u>4,541,092</u>	<u>27,573,141</u>
Charges for services	14,466,100	-	-	1,364,328	15,830,428
Fines and forfeitures	1,227,072	-	-	410,576	1,637,648
Investment earnings	687,608	1,007,291	7,179	458,197	2,160,275
Miscellaneous	2,160,358	-	651,000	1,074,116	3,885,474
Total revenues	<u>112,724,382</u>	<u>17,335,364</u>	<u>1,098,419</u>	<u>7,848,309</u>	<u>139,006,474</u>
EXPENDITURES					
Current:					
General government	12,572,373	-	386,195	200,282	13,158,850
Public safety	64,563,604	-	305,909	2,016,005	66,885,518
Physical environment	2,993,345	-	83,476	81,440	3,158,261
Transportation	5,980,339	-	3,944,647	-	9,924,986
Economic environment	1,677,918	-	-	2,314,976	3,992,894
Human services	-	-	-	223,207	223,207
Culture and recreation	25,896,951	-	809,824	1,631,755	28,338,530
Debt service:					
Principal	-	-	-	928,476	928,476
Interest & fiscal charges	-	-	30,438	470,768	501,206
Capital outlay	-	-	12,075,113	56,751	12,131,864
Total expenditures	<u>113,684,530</u>	<u>-</u>	<u>17,635,602</u>	<u>7,923,660</u>	<u>139,243,792</u>
Excess (deficiency) of revenues over / (under) expenditures	<u>(960,148)</u>	<u>17,335,364</u>	<u>(16,537,183)</u>	<u>(75,351)</u>	<u>(237,318)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,074,299	1,097,283	21,802,527	5,412,158	39,386,267
Transfers out	(8,982,251)	(16,138,213)	(1,514,687)	(4,554,593)	(31,189,744)
Other long-term debt issued	-	-	81,779	-	81,779
Total other financing sources (uses)	<u>2,092,048</u>	<u>(15,040,930)</u>	<u>20,369,619</u>	<u>857,565</u>	<u>8,278,302</u>
Net change in fund balances before extraordinary item	<u>1,131,900</u>	<u>2,294,434</u>	<u>3,832,436</u>	<u>782,214</u>	<u>8,040,984</u>
EXTRAORDINARY ITEM					
BP Oil settlement proceeds	<u>6,480,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,480,352</u>
Net change in fund balances	<u>7,612,252</u>	<u>2,294,434</u>	<u>3,832,436</u>	<u>782,214</u>	<u>14,521,336</u>
Fund balances - beginning (as previously reported)	24,414,709	5,886,529	43,235,667	39,020,894	112,557,799
Prior period adjustment (See Note IV.L.)	-	-	-	(12,383,909)	(12,383,909)
Fund balances - beginning (restated)	24,414,709	5,886,529	43,235,667	26,636,985	100,173,890
Fund balances - ending	<u>\$ 32,026,961</u>	<u>\$ 8,180,963</u>	<u>\$ 47,068,103</u>	<u>\$ 27,419,199</u>	<u>\$ 114,695,226</u>

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

City of Clearwater, Florida
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$ 14,521,336

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 11,765,863	
Less current year depreciation	<u>(11,745,809)</u>	
		20,054

In the Statement of Activities the loss on disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds. (88,340)

Loan proceeds provide current financial resources to governmental funds; however issuing debt increases long-term liabilities in the Statement of Net Position. In the current year these amounts are: (81,779)

Capital lease proceeds

Deferred outflows and deferred inflows are not current resources or uses of current financial resources and consequently are not reported in the funds:

Current year change in deferred outflows	(8,739,364)	
Current year change in deferred inflows	502,962	

Repayment of long term debt principal is an expenditure in the governmental funds, however the repayment reduces long-term liabilities in the Statement of Net Position. Current year amounts are:

Revenue bond principal payments	635,000	
Capital lease principal payments	<u>293,476</u>	
		928,476

Net pension asset is not current financial resources and consequently is not reported in the funds. However it is a asset in the Statement of Net Position.

Current year change in the net pension asset (219,059)

Net pension liability does not require the use of current financial resources and consequently is not reported in the funds. However it is a liability in the Statement of Net Position.

Current year change in the net pension liability (34,905,368)

Liability for other post-employment benefits (OPEB) does not require the use of current financial resources and consequently is not reported in the funds. However it is a liability in the Statement of Net Position.

Current year change in the liability for other post-employment benefits (1,039,832)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Current year change in compensated absences	(547,268)	
Amortization of bond discounts and premiums	21,232	
Current year change in pollution remediation obligation	2,227	
Current year change in accrued interest expense	<u>2,117</u>	
		(521,692)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Current year change in property taxes receivable		6,303
Current year change in liens receivable		2,664
Current year change in permit fees receivable		28,800
Current year change in accrued intergovernmental revenues		(931,779)

The net revenues of internal service funds (funds used to charge the costs of certain activities to individual funds) for governmental activities are reported in the Statement of Activities but not in the governmental funds. 458,202

Total change in net position of governmental activities		<u>\$ (30,058,416)</u>
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The notes to the financial statements are an integral part of this statement.

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				Positive (Negative)
Taxes:				
Property	\$ 38,779,620	\$ 38,944,350	\$ 38,969,608	\$ 25,258
Utility taxes	14,182,400	14,182,400	14,094,447	(87,953)
Communications services	5,469,780	4,919,780	4,918,612	(1,168)
Other taxes	2,135,000	2,135,000	2,028,722	(106,278)
Total taxes	<u>60,566,800</u>	<u>60,181,530</u>	<u>60,011,389</u>	<u>(170,141)</u>
Franchise fees	10,090,000	10,090,000	9,872,948	(217,052)
Licenses, permits, and fees	2,220,500	2,880,500	3,048,774	168,274
Intergovernmental:				
State	10,248,730	12,340,229	12,882,719	542,490
Local	<u>8,408,380</u>	<u>8,674,160</u>	<u>8,367,414</u>	<u>(306,746)</u>
Total intergovernmental	<u>18,657,110</u>	<u>21,014,389</u>	<u>21,250,133</u>	<u>235,744</u>
Charges for services	14,085,540	14,231,040	14,466,100	235,060
Fines and forfeitures	1,034,000	984,000	1,227,072	243,072
Investment earnings	512,500	512,500	687,608	175,108
Miscellaneous	<u>1,135,000</u>	<u>1,405,000</u>	<u>2,160,358</u>	<u>755,358</u>
Total revenues	<u>108,301,450</u>	<u>111,298,959</u>	<u>112,724,382</u>	<u>1,425,423</u>
EXPENDITURES				
General government				
City Council	275,880	277,040	269,473	7,567
City Manager's Office	1,091,940	1,126,937	1,104,321	22,616
City Attorney's Office	1,629,360	1,653,821	1,383,816	270,005
Official Records & Legislative Services	1,002,630	1,025,675	987,960	37,715
Public Communications	1,012,470	975,550	985,958	(10,408)
Finance	2,387,300	2,496,860	2,364,998	131,862
Human Resources	1,056,010	1,068,780	1,049,099	19,681
Non-Departmental	2,543,210	2,568,210	2,606,505	(38,295)
Engineering	57,659	58,864	55,967	2,897
Planning	1,481,600	1,455,690	1,467,558	(11,868)
City Auditor's Office	<u>196,560</u>	<u>200,060</u>	<u>199,486</u>	<u>574</u>
Total general government	<u>12,734,619</u>	<u>12,907,487</u>	<u>12,475,141</u>	<u>432,346</u>
Public safety				
Police	36,609,711	37,691,985	36,895,324	796,661
Fire	23,421,610	24,617,585	24,086,863	530,722
Development & Neighborhood Services	<u>3,398,130</u>	<u>3,521,805</u>	<u>3,449,874</u>	<u>71,931</u>
Total public safety	<u>63,429,451</u>	<u>65,831,375</u>	<u>64,432,061</u>	<u>1,399,314</u>
Physical environment				
Engineering	2,565,834	2,619,444	2,490,529	128,915
Parks and Recreation	<u>575,220</u>	<u>586,200</u>	<u>580,449</u>	<u>5,751</u>
Total physical environment	<u>3,141,054</u>	<u>3,205,644</u>	<u>3,070,978</u>	<u>134,666</u>
Transportation				
Engineering	4,740,966	4,782,428	4,663,238	119,190
Parks and Recreation	<u>1,304,440</u>	<u>1,324,570</u>	<u>1,223,355</u>	<u>101,215</u>
Total transportation	<u>6,045,406</u>	<u>6,106,998</u>	<u>5,886,593</u>	<u>220,405</u>
Economic environment				
Economic Development	<u>1,609,830</u>	<u>1,675,545</u>	<u>1,663,052</u>	<u>12,493</u>
Total economic environment	<u>1,609,830</u>	<u>1,675,545</u>	<u>1,663,052</u>	<u>12,493</u>
Culture and recreation				
Parks and Recreation	19,380,590	19,426,610	19,340,624	85,986
Library	5,391,810	5,502,200	5,480,430	21,770
Marine	<u>850,720</u>	<u>892,970</u>	<u>889,058</u>	<u>3,912</u>
Total culture and recreation	<u>25,623,120</u>	<u>25,821,780</u>	<u>25,710,112</u>	<u>111,668</u>
Total expenditures (budgetary basis)	<u>112,583,480</u>	<u>115,548,829</u>	<u>113,237,937</u>	<u>2,310,892</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(4,282,030)</u>	<u>(4,249,870)</u>	<u>(513,555)</u>	<u>3,736,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,071,110	11,241,677	11,074,299	(167,378)
Transfers out	<u>(4,425,070)</u>	<u>(9,041,904)</u>	<u>(8,982,251)</u>	<u>59,653</u>
Total other financing sources (uses) (budgetary basis)	<u>4,646,040</u>	<u>2,199,773</u>	<u>2,092,048</u>	<u>(107,725)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis) before extraordinary item	364,010	(2,050,097)	1,578,493	3,628,590
EXTRAORDINARY ITEM				
BP Oil settlement proceeds	-	6,480,352	6,480,352	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	364,010	4,430,255	8,058,845	3,628,590
Encumbered purchase orders, beginning of year	-	-	(893,402)	(893,402)
Encumbered purchase orders, end of year	-	-	<u>446,809</u>	<u>446,809</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	364,010	4,430,255	7,612,252	3,181,997
Fund balances - beginning	<u>24,414,709</u>	<u>24,414,709</u>	<u>24,414,709</u>	-
Fund balances - ending	<u>\$ 24,778,719</u>	<u>\$ 28,844,964</u>	<u>\$ 32,026,961</u>	<u>\$ 3,181,997</u>

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

City of Clearwater, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Special Development Fund
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Property	\$ 1,920,480	\$ 1,948,250	\$ 1,949,511	\$ 1,261
Sales	9,453,580	9,453,580	10,187,514	733,934
Other taxes	1,424,090	1,424,090	1,490,308	66,218
Total taxes	<u>12,798,150</u>	<u>12,825,920</u>	<u>13,627,333</u>	<u>801,413</u>
Licenses, permits, and fees	221,180	1,049,520	1,359,064	309,544
Intergovernmental:				
Local	-	-	1,341,676	1,341,676
Investment earnings	<u>35,000</u>	<u>524,310</u>	<u>1,007,291</u>	<u>482,981</u>
Total revenues	<u>13,054,330</u>	<u>14,399,750</u>	<u>17,335,364</u>	<u>2,935,614</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>13,054,330</u>	<u>14,399,750</u>	<u>17,335,364</u>	<u>2,935,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,097,284	1,097,284
Transfers out	<u>(14,719,960)</u>	<u>(14,985,394)</u>	<u>(16,138,214)</u>	<u>(1,152,820)</u>
Total other financing sources (uses)	<u>(14,719,960)</u>	<u>(14,985,394)</u>	<u>(15,040,930)</u>	<u>(55,536)</u>
Excess / (Deficiency) of revenues and other sources over expenditures and other uses	(1,665,630)	(585,644)	2,294,434	2,880,078
Fund balances - beginning	<u>5,886,529</u>	<u>5,886,529</u>	<u>5,886,529</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,220,899</u>	<u>\$ 5,300,885</u>	<u>\$ 8,180,963</u>	<u>\$ 2,880,078</u>

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

City of Clearwater, Florida
Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
ASSETS			
Current assets:			
Cash and investments	\$ 37,929,997	\$ 38,206,640	\$ 31,794,946
Accrued interest receivable	235,006	130,140	113,006
Accounts and contracts receivable:			
Billed	3,829,926	1,051,895	1,130,355
Unbilled charges estimated	2,686,600	1,722,800	850,292
	6,516,526	2,774,695	1,980,647
Less: Allowance for uncollectable accounts	(110,759)	(42,822)	(28,826)
Total receivables, net	6,405,767	2,731,873	1,951,821
Other receivables	70,840	137,565	-
Due from other funds	-	-	-
Due from other governmental entities	853,101	103,061	-
Inventories, at cost	784,060	1,990,066	-
Prepaid expenses and other assets	4,404	-	440
Total current assets - unrestricted	46,283,175	43,299,345	33,860,213
Current assets - restricted:			
Restricted cash and investments	10,910,856	2,901,943	1,065,879
Due from other governmental entities	425,741	-	-
Total current assets - restricted	11,336,597	2,901,943	1,065,879
Total current assets	57,619,772	46,201,288	34,926,092
Noncurrent assets:			
Restricted:			
Restricted cash and investments	27,798,460	300,000	-
Other receivables	187,113	-	-
Advances to other funds	-	-	-
Capital assets:			
Land and other nondepreciable assets	8,046,813	354,684	1,094,865
Capital assets, net of accumulated depreciation	267,067,907	56,019,352	1,761,437
Total noncurrent assets	303,100,293	56,674,036	2,856,302
Total assets	360,720,065	102,875,324	37,782,394
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	2,892,448	734,636	-
Deferred outflows on pension	4,574,947	2,345,025	3,043,826
Total deferred outflows of resources	7,467,395	3,079,661	3,043,826

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

Activities Funds			Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
\$ 29,096,129	\$ 13,735,796	\$ 150,763,508	\$ 56,742,621
100,243	74,877	653,272	176,254
936,893	31,844	6,980,913	-
1,438,000	-	6,697,692	-
2,374,893	31,844	13,678,605	-
(23,958)	-	(206,365)	-
2,350,935	31,844	13,472,240	-
-	-	208,405	38,488
-	-	-	1,099,430
43,966	436,881	1,437,009	-
-	34,778	2,808,904	429,235
-	-	4,844	1,746,918
31,591,273	14,314,176	169,348,182	60,232,946
1,375,313	9,300,000	25,553,991	-
-	-	425,741	-
1,375,313	9,300,000	25,979,732	-
32,966,586	23,614,176	195,327,914	60,232,946
1,792,301	-	29,890,761	-
-	-	187,113	-
-	-	-	1,473,650
24,252,300	5,643,230	39,391,892	729,591
48,524,787	16,088,921	389,462,404	21,629,772
74,569,388	21,732,151	458,932,170	23,833,013
107,535,974	45,346,327	654,260,084	84,065,959
1,366,893	-	4,993,977	-
1,315,751	787,814	12,067,363	4,131,930
2,682,644	787,814	17,061,340	4,131,930

(Continued)

City of Clearwater, Florida
Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
LIABILITIES			
Current liabilities:			
Accounts and contracts payable	4,718,227	2,164,703	540,500
Accrued payroll	257,437	131,093	155,497
Accrued interest payable	13,865	12,667	4,809
Deposits	-	-	-
Unearned revenue and liens	-	-	-
Current portion of long-term liabilities:			
Compensated absences	399,613	319,914	189,655
Revenue bonds	1,062,500	912,083	-
Capital lease purchases payable	57,484	-	-
Due to other funds	-	-	-
Claims payable	-	-	-
Total current liabilities (payable from current assets)	<u>6,509,126</u>	<u>3,540,460</u>	<u>890,461</u>
Current liabilities (payable from restricted assets):			
Construction contracts payable	363,560	-	-
Accrued interest payable	2,469,522	28,036	-
Current portion of long-term liabilities, revenue bonds	5,312,500	82,917	-
Customer deposits	3,191,015	2,790,990	1,065,879
Total current liabilities payable from restricted assets	<u>11,336,597</u>	<u>2,901,943</u>	<u>1,065,879</u>
Total current liabilities	<u>17,845,723</u>	<u>6,442,403</u>	<u>1,956,340</u>
Noncurrent liabilities:			
Compensated absences	305,947	244,930	145,202
Other postemployment benefits	1,462,889	691,688	1,061,386
Revenue bonds (net of unamortized premiums/discounts)	153,266,502	11,570,705	-
Capital lease purchases payable	119,524	-	-
Unearned revenue	187,113	-	-
Advances from other funds	-	-	-
Claims payable	-	-	-
Net pension liability	634,006	324,978	421,819
Total non-current liabilities	<u>155,975,981</u>	<u>12,832,301</u>	<u>1,628,407</u>
Total liabilities	<u>173,821,704</u>	<u>19,274,704</u>	<u>3,584,747</u>
DEFERRED INFLOWS			
Deferred inflows on pension	250,129	128,211	166,418
Total deferred inflows of resources	<u>250,129</u>	<u>128,211</u>	<u>166,418</u>
NET POSITION			
Net investment in capital assets	118,188,658	44,542,967	2,856,302
Restricted for:			
Revenue bond debt service and sinking fund requirements	18,947,573	82,917	-
Revenue bond renewal and replacement requirements	12,406,758	300,000	-
Water and sewer impact fees	1,756,629	-	-
Developer agreements	-	-	-
Unrestricted	42,816,009	41,626,186	34,218,753
Total net position	<u>\$ 194,115,627</u>	<u>\$ 86,552,070</u>	<u>\$ 37,075,055</u>

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

Activities Funds			Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
669,995	391,583	8,485,008	2,700,012
68,416	79,915	692,358	273,791
-	-	31,341	-
-	87,010	87,010	-
-	44,856	44,856	446,639
116,931	100,267	1,126,380	394,235
121,250	-	2,095,833	-
71,049	-	128,533	3,956,424
-	20,271	20,271	91,654
-	-	-	2,208,800
1,047,641	723,902	12,711,590	10,071,555
-	-	363,560	-
458,551	-	2,956,109	-
1,333,750	-	6,729,167	-
-	-	7,047,884	-
1,792,301	-	17,096,720	-
2,839,942	723,902	29,808,310	10,071,555
89,523	76,765	862,367	301,832
389,542	459,539	4,065,044	1,201,247
33,336,422	-	198,173,629	-
30,916	-	150,440	9,705,363
-	-	187,113	-
-	-	-	91,654
-	-	-	7,333,850
182,339	109,176	1,672,318	572,611
34,028,742	645,480	205,110,911	19,206,557
36,868,684	1,369,382	234,919,221	29,278,112
71,937	43,073	659,768	225,908
71,937	43,073	659,768	225,908
39,250,593	21,732,151	226,570,671	8,697,576
2,709,063	-	21,739,553	-
-	-	12,706,758	-
-	-	1,756,629	-
-	9,300,000	9,300,000	-
31,318,341	13,689,535	163,668,824	49,996,293
\$ 73,277,997	\$ 44,721,686	435,742,435	\$ 58,693,869
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds		466,733	
Net position of business-type activities		\$ 436,209,168	

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Operating revenues:			
Sales to customers	\$ 70,084,906	\$ 38,674,009	\$ 20,203,438
Service charges to customers	488,791	2,010,614	96,904
User charges to customers	-	-	1,817,701
Billings to departments	-	-	-
Rentals	-	-	-
Other	-	-	-
Total operating revenues	<u>70,573,697</u>	<u>40,684,623</u>	<u>22,118,043</u>
Operating expenses:			
Personal services	17,097,951	8,261,558	11,407,235
Purchases for resale	7,176,114	12,953,822	13,885
Operating materials and supplies	3,340,456	818,978	443,390
Transportation	1,138,213	552,557	4,820,143
Utility service	2,947,554	123,449	110,009
Dumping charges	2,269	-	4,217,810
Depreciation	13,855,405	2,143,057	349,545
Interfund administrative charges	5,870,736	2,433,060	1,495,644
Other current charges:			
Professional fees	1,778,619	878,984	390,421
Advertising	59,644	1,066,028	70,808
Communications	107,902	135,218	44,292
Printing and binding	12,923	21,971	6,843
Insurance	718,776	276,654	388,188
Repairs and maintenance	6,378,044	200,184	83,229
Rentals	17,749	7,004	6,679
Miscellaneous	426,377	338,052	84,942
Data processing charges	607,176	443,796	240,684
Taxes	-	1,895,429	-
Total other current charges	<u>10,107,210</u>	<u>5,263,320</u>	<u>1,316,086</u>
Total operating expenses	<u>61,535,908</u>	<u>32,549,801</u>	<u>24,173,747</u>
Operating income	<u>9,037,789</u>	<u>8,134,822</u>	<u>(2,055,704)</u>

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
\$ 17,367,722	\$ 8,520,334	\$ 154,850,409	\$ -
77,763	-	2,674,072	-
-	227,482	2,045,183	-
-	-	-	48,605,812
-	2,543,889	2,543,889	-
-	-	-	133,700
<u>17,445,485</u>	<u>11,291,705</u>	<u>162,113,553</u>	<u>48,739,512</u>
4,701,896	3,679,105	45,147,745	14,812,323
-	1,928,508	22,072,329	4,234,170
438,257	283,942	5,325,023	890,229
1,037,216	104,975	7,653,104	173,824
24,818	394,071	3,599,901	529,196
169,294	-	4,389,373	-
2,915,457	814,722	20,078,186	5,654,687
1,959,912	1,351,476	13,110,828	293,112
387,616	410,414	3,846,054	4,415,777
4,347	14,856	1,215,683	-
17,440	37,396	342,248	1,120,767
1,004	7,815	50,556	18,541
91,704	90,624	1,565,946	16,092,140
2,410,288	495,270	9,567,015	3,457,837
1,788	27,754	60,974	495,125
61,247	441,500	1,352,118	429,916
222,372	94,632	1,608,660	535,296
-	766	1,896,195	11,709
<u>3,197,806</u>	<u>1,621,027</u>	<u>21,505,449</u>	<u>26,577,108</u>
<u>14,444,656</u>	<u>10,177,826</u>	<u>142,881,938</u>	<u>53,164,649</u>
<u>3,000,829</u>	<u>1,113,879</u>	<u>19,231,615</u>	<u>(4,425,137)</u>

(Continued)

City of Clearwater, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Nonoperating revenues (expenses):			
Investment earnings	1,455,231	817,940	710,101
Interest expense	(7,277,456)	(446,115)	(5,909)
Bond issuance costs	(76,332)	-	-
Gain on exchange of capital assets	-	-	-
Loss on exchange of capital assets	-	-	-
Other	274,474	458,400	543,538
Total nonoperating revenue (expenses)	<u>(5,624,083)</u>	<u>830,225</u>	<u>1,247,730</u>
Income (loss) before contributions and transfers	3,413,706	8,965,047	(807,974)
Capital grants and contributions	3,297,792	-	-
Transfers in	-	850,000	-
Transfers out	<u>(3,742,651)</u>	<u>(3,854,100)</u>	<u>(1,209,671)</u>
Change in net position	2,968,847	5,960,947	(2,017,645)
Total net position - beginning (as previously reported)	182,381,891	76,115,199	33,268,156
Prior period restatements (Note IV.J.)	<u>8,764,889</u>	<u>4,475,924</u>	<u>5,824,544</u>
Total net position - beginning (restated)	191,146,780	80,591,123	39,092,700
Total net position - ending	<u>\$ 194,115,627</u>	<u>\$ 86,552,070</u>	<u>\$ 37,075,055</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities (page 21)

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
629,850	473,381	4,086,503	1,161,403
(1,148,865)	(590)	(8,878,935)	(230,213)
-	-	(76,332)	-
	-	-	544,272
(275,455)	-	(275,455)	(59,012)
(283,324)	272,086	1,265,174	276,895
(1,077,794)	744,877	(3,879,045)	1,693,345
1,923,035	1,858,756	15,352,570	(2,731,792)
642,265	721,891	4,661,948	-
539,173	25,000	1,414,173	1,133,556
(897,720)	(1,040,110)	(10,744,252)	-
2,206,753	1,565,537	10,684,439	(1,598,236)
68,416,922	41,606,916		52,155,597
2,654,322	1,549,233		8,136,508
71,071,244	43,156,149		60,292,105
<u>\$ 73,277,997</u>	<u>\$ 44,721,686</u>		<u>\$ 58,693,869</u>
		(2,056,438)	
		<u>\$ 8,628,001</u>	

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 70,385,410	\$ 40,991,886	\$ 22,070,317
Cash received from other funds	-	-	-
Cash payments to suppliers	(21,564,541)	(18,087,830)	(5,297,995)
Cash payments to employees	(11,284,446)	(5,941,118)	(7,512,016)
Cash payments to other funds	(9,020,526)	(3,668,806)	(6,944,719)
Other revenues	274,474	458,400	543,538
Net cash provided by operating activities	28,790,371	13,752,532	2,859,125
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	850,000	-
Transfers to other funds	(3,742,651)	(3,854,100)	(1,209,671)
Receipt of cash on loans to/from other funds	-	-	-
Payment of cash on loans to/from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	(3,742,651)	(3,004,100)	(1,209,671)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on debt	(32,167,760)	(824,919)	(31,855)
Interest paid	(7,702,529)	(443,969)	(4,609)
Acquisition of capital assets	(13,645,907)	(5,364,109)	(252,067)
Sale of capital assets	-	-	-
Proceeds from issuance of debt	26,325,628	-	-
Payment of bond issue costs	(76,332)	-	-
Capital contributed by:			
Other governmental entities	8,956,274	-	-
Property owners	16,479	-	-
Developers	713,426	-	-
Net cash provided (used) by capital and related financing activities	(17,580,721)	(6,632,997)	(288,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	1,515,171	817,658	706,972
Net cash provided by investing activities	1,515,171	817,658	706,972
Net increase in cash and cash equivalents	8,982,170	4,933,093	2,067,895
Cash and cash equivalents at beginning of year	67,657,143	36,475,490	30,792,930
Cash and cash equivalents at end of year	\$ 76,639,313	\$ 41,408,583	\$ 32,860,825
Cash and cash equivalents classified as:			
Cash and investments	\$ 37,929,997	\$ 38,206,640	\$ 31,794,946
Restricted cash and investments	38,709,316	3,201,943	1,065,879
Total cash and cash equivalents	\$ 76,639,313	\$ 41,408,583	\$ 32,860,825

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
\$ 17,333,169	\$ 11,278,238	\$ 162,059,020	\$ -
-	-	-	48,735,518
(3,434,150)	(3,581,106)	(51,965,622)	(29,779,381)
(3,030,079)	(2,621,196)	(30,388,855)	(9,720,594)
(3,341,973)	(1,774,925)	(24,750,949)	(1,608,632)
17,979	272,086	1,566,477	212,886
7,544,946	3,573,097	56,520,071	7,839,797
539,173	25,000	1,414,173	1,133,556
(897,720)	(1,040,110)	(10,744,252)	-
-	-	-	4,661,638
-	(20,271)	(20,271)	(91,653)
(358,547)	(1,035,381)	(9,350,350)	5,703,541
(1,474,487)	-	(34,499,021)	(3,248,380)
(1,025,088)	(590)	(9,176,785)	(230,213)
(1,887,172)	(908,667)	(22,057,922)	(10,888,501)
-	-	-	485,485
-	-	26,325,628	8,233,473
-	-	(76,332)	-
877,582	3,865	9,837,721	-
-	-	16,479	-
-	342,322	1,055,748	-
(3,509,165)	(563,070)	(28,574,484)	(5,648,136)
626,921	467,017	4,133,739	1,158,643
626,921	467,017	4,133,739	1,158,643
4,304,155	2,441,663	22,728,976	9,053,845
27,959,588	20,594,133	183,479,284	47,688,776
\$ 32,263,743	\$ 23,035,796	\$ 206,208,260	\$ 56,742,621
\$ 29,096,129	\$ 13,735,796	\$ 150,763,508	\$ 56,742,621
3,167,614	9,300,000	55,444,752	-
\$ 32,263,743	\$ 23,035,796	\$ 206,208,260	\$ 56,742,621

(Continued)

City of Clearwater, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Enterprise		
	Water and Sewer Utility	Gas Utility	Solid Waste & Recycling Utility
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 9,037,789	\$ 8,134,822	\$ (2,055,704)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Other nonoperating revenue	274,474	458,400	543,538
Depreciation	13,855,405	2,143,057	349,545
Capitalized labor	(164,940)	(850,360)	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(351,585)	222,227	(37,840)
(Increase) decrease in amount due from other governments	(508,843)	(103,061)	-
(Increase) decrease in inventory	(77,669)	(29,579)	-
(Increase) decrease in prepaid expenses	(4)	-	(440)
Increase (decrease) in accounts and contracts payable	623,879	640,524	174,693
Increase (decrease) in deposits payable	163,298	93,256	(9,886)
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in net pension liability	4,568,132	2,341,531	3,039,291
Increase (decrease) in accrued payroll	25,564	38,047	18,078
Increase (decrease) in other postemployment benefits	266,958	111,152	120,688
(Increase) decrease in deferred outflows	1,143,737	586,256	760,956
Increase (decrease) in deferred inflows	(65,824)	(33,740)	(43,794)
Total adjustments	<u>19,752,582</u>	<u>5,617,710</u>	<u>4,914,829</u>
Net cash provided by operating activities	<u>\$ 28,790,371</u>	<u>\$ 13,752,532</u>	<u>\$ 2,859,125</u>
Non-cash investing, capital and financing activities:			
Contributions from developers	\$ 162,267	\$ -	\$ -

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

Activities Funds			Governmental Activities - Internal Service Funds
Stormwater Utility	Other Funds	Total	
\$ 3,000,829	\$ 1,113,879	\$ 19,231,615	\$ (4,425,137)
17,979	272,086	1,566,477	276,895
2,915,457	814,722	20,078,186	5,654,687
-	-	(1,015,300)	-
(112,316)	(5,755)	(285,269)	(4,198)
-	-	(611,904)	-
-	40,286	(66,962)	101,719
-	-	(444)	(67,734)
51,180	287,682	1,777,958	1,275,641
-	(12,798)	233,870	-
-	5,086	5,086	(63,805)
1,313,791	786,640	12,049,385	4,125,774
1,151	8,607	91,447	(120,539)
46,868	77,044	622,710	112,962
328,938	196,953	3,016,840	1,032,982
(18,931)	(11,335)	(173,624)	(59,450)
<u>4,544,117</u>	<u>2,459,218</u>	<u>37,288,456</u>	<u>12,264,934</u>
<u>\$ 7,544,946</u>	<u>\$ 3,573,097</u>	<u>\$ 56,520,071</u>	<u>\$ 7,839,797</u>
\$ -	\$ -	\$ 162,267	\$ -

City of Clearwater, Florida
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Pension Trust Funds	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash and investments	\$ 3,126,811	\$ 1,612,594
Managed investment accounts, at fair value:		
Cash and cash equivalents	21,307,942	-
Government bonds	75,308,848	-
Index linked government bonds	2,024,881	-
Agency bonds	6,809,064	-
Domestic corporate bonds	96,045,642	-
International equity securities	69,637,663	-
Domestic stocks	398,321,107	-
Mortgage backed bonds	67,280,842	-
Asset backed securities	8,083,271	-
Other/Rights/Warrants	184,045	-
Domestic equity mutual funds	46,362,735	-
International equity mutual funds	37,345,061	-
Real estate	59,090,421	-
Total managed investment accounts	<hr/> 887,801,522 <hr/>	<hr/> - <hr/>
Securities lending collateral	196,139,408	-
Receivables:		
Interest and dividends	2,566,950	303
Unsettled investment sales	4,793,812	-
Securities lending earnings receivable	27,041	-
Due from others	15,028	-
Total receivables	<hr/> 7,402,831 <hr/>	<hr/> 303 <hr/>
Total assets	<hr/> 1,094,470,572 <hr/>	<hr/> 1,612,897 <hr/>
LIABILITIES		
Accounts payable	921,265	-
Unsettled investment purchases	17,813,801	-
Obligations under securities lending	196,139,408	-
Other miscellaneous payables:		
Downtown Development Board	-	99,499
Special purpose funds	-	7,833
Other	-	1,505,565
Total miscellaneous payables	<hr/> - <hr/>	<hr/> 1,612,897 <hr/>
Total liabilities	<hr/> 214,874,474 <hr/>	<hr/> 1,612,897 <hr/>
FIDUCIARY NET POSITION		
Restricted for pensions	<hr/> 879,596,098 <hr/>	<hr/> - <hr/>
Total fiduciary net position	<hr/> \$ 879,596,098 <hr/>	<hr/> \$ - <hr/>

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

City of Clearwater, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2015

	Pension Trust Funds
ADDITIONS	
Contributions:	
Contributions from employer	\$ 14,923,098
Contributions from employer - state tax	2,092,231
Contributions from employees	6,483,666
Total contributions	<u>23,498,995</u>
Investment income:	
Net (depreciation) in fair value of investments	(18,828,394)
Interest	9,623,278
Dividends	9,625,834
	<u>420,718</u>
Less investment expenses:	
Investment management / custodian fees	<u>(5,224,747)</u>
Net income from investing activities	<u>(4,804,029)</u>
Securities lending income:	
Gross earnings	603,784
Rebate received	29,839
Bank fees	<u>(221,545)</u>
Net income from securities lending	<u>412,078</u>
Total additions	<u>19,107,044</u>
DEDUCTIONS	
Benefits and withdrawal payments:	
Benefits	42,148,396
Withdrawal payments	1,000,827
Total benefits and withdrawal payments	<u>43,149,223</u>
Income before administrative expenses	(24,042,179)
Administrative expenses	<u>(343,916)</u>
Net decrease	<u>(24,386,095)</u>
Fiduciary net position restricted for pensions	
Fiduciary net position - beginning - as previously reported	905,213,472
Correction of an error (See Note IV.K.)	(1,231,279)
Fiduciary net position - beginning - as restated	<u>903,982,193</u>
Fiduciary net position - ending	<u><u>\$ 879,596,098</u></u>

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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Note I – Summary of Significant Accounting Policies

The City of Clearwater was first incorporated in 1915 and reestablished in 1923 as a municipal corporation by Chapter 9710, Special Laws of Florida, 1923, as amended. The City is a Florida municipal corporation governed by a five member City Council including a mayor-council-member. The City has an estimated population of 110,679 and is located in the four-county Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA), which has an estimated population of 2,934,941.

The financial statements of the City of Clearwater, Florida, reporting entity (City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City's more significant accounting policies are described below.

I.A. Financial Reporting Entity

In evaluating the City as a reporting entity, management has included in the accompanying financial statements the City of Clearwater (the primary government) and its component units, entities for which the government is considered to be financially accountable. The City has adhered to the standards set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, in reporting the primary government (including blended component units), the reporting entity, and related organizations.

Blended Component Unit – Clearwater Community Redevelopment Agency: Component units that meet the criteria for blended presentation in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, are reported in a manner similar to that of the primary government itself. Accordingly, throughout this report, data presented for the primary government includes data of the following blended component unit. The Clearwater Community Redevelopment Agency (CRA), created by authority of Florida Statute Chapter 163, Part III, and City of Clearwater Resolutions 81-67 and 81-68, although it is legally separate, is reported as if it were part of the City (blended component unit) because the City Council serves as the governing board of the CRA, and city management has operational responsibility for the CRA. Separate financial statements for the CRA are not available. However financial statements for the CRA are included in the City's comprehensive annual financial report as a governmental non-major special revenue fund and a governmental non-major capital projects fund.

Related Organization – Clearwater Housing Authority (CHA): CHA is a public housing authority created by City Resolution 69-5 (1969), under Section 421.04 of the Florida Statutes. CHA receives primary funding from the Federal Department of Housing and Urban Development (HUD). The City Council appoints the governing board, however the City Council is not able to impose its will on the CHA, nor does the City have any responsibility for the budget, debt, financing deficits, or fiscal management of CHA. Consequently it is not a component unit of the City of Clearwater. Separate audited financial statements of CHA as of March 31, 2015 are available from CHA.

Related Organization – Downtown Development Board: The City of Clearwater serves as administrative agent for the Clearwater Downtown Development Board (DDB). The Downtown Development Board is an independent special district of the City of Clearwater with an independent board elected by its members, with its own levy (0.9651 mills for fiscal 2015) on downtown properties, and is not financially dependent upon the City. Consequently it is not a component unit of the City of Clearwater. The DDB's cash balance held by the City as administrative agent is reflected in the City's fiduciary agency fund. Separate audited financial statements of the DDB as of September 30, 2015, are available from the DDB.

Jointly governed organization – Florida Gas Utility: The City of Clearwater is a member of the Florida Gas Utility (FGU), a non-profit municipal public entity created for the primary purpose of reducing the costs of purchased gas for its members. FGU is a public body corporate and politic pursuant to Section 163.01 Florida Statutes (the Florida Interlocal Cooperation

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Act), as amended, and the Interlocal Agreement, dated September 1, 1989, which was subsequently amended by the Amended Interlocal Agreement on June 1, 1992, amended and restated by the Amended and Restated Interlocal Agreement, dated July 1, 1996, then amended and restated by the Second Amended and Restated Interlocal Agreement, dated July 27, 1999, and then amended and restated by the Third Amended and Restated Interlocal Agreement dated March 25, 2011 (the Interlocal Agreement), executed and delivered among FGU and its members, which include municipalities, municipal utilities, and an interlocal agreement consisting of such entities. Due to the diverse needs of municipal utility systems, FGU established itself as a project-oriented agency. Under this structure, each member has the option whether or not to participate in a project. FGU has the authority to, among other things, plan, finance, acquire, construct, manage, operate, deliver, service, utilize, own, broker, exchange, and distribute natural gas, or other energy and energy services, pursuant to the Interlocal Agreement. As of September 30, 2015, FGU has 22 members. Separate audited financial statements of FGU as of September 30, 2015, are available from FGU.

I.B. Basis of Presentation

The City's Basic Financial Statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

I.B.1. Government-wide financial statements. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit using the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources of the City. Net position is defined as the residual off all other elements presented in a statement of financial position. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Changes in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Taxes and other items not properly included among program revenues are reported instead as general revenues. All revenues and expenses are reported as soon as the underlying transaction has occurred, regardless of when cash is received or paid.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

I.B.2. Fund financial statements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. An emphasis is on the major funds in either the governmental or business-type categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds (by category) are summarized into a single column.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Development Fund is a special revenue fund used to account for impact fees, property taxes for road improvements, local option gas taxes, infrastructure taxes, and other revenues which are restricted legally or by City Council policy to be used for specific capital improvement projects.

The Capital Improvement Fund is used to provide combined accounting presentation for all City capital improvement projects except those financed from proprietary funds or bond proceeds where bond ordinance provisions require the segregation of bond proceeds in separate funds.

The City reports the following major enterprise funds:

The Water and Sewer Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the water and sewer services of the City from charges made to users of the service.

The Gas Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the gas services of the City from charges made to the users of the service.

The Solid Waste & Recycling Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the solid waste and recycling services of the City from charges made to the users of the service. Prior to fiscal 2015, the Recycling Utility was reported separately as a nonmajor enterprise fund.

The Stormwater Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the stormwater management system of the City from charges assessed against each developed property.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following fund types:

Internal service funds account for fleet management, information technology, telephone, employee relations, facilities management, radio communications, insurance, and risk management services provided to other City departments on a cost reimbursement basis. The Garage, Administrative Services, General Services, and Central Insurance funds primarily benefit governmental funds and are consequently included as governmental activities.

Pension trust funds account for the financial operation and condition of the Employees' Pension Plan, the Firefighters' Relief and Pension Plan, the Police Supplemental Pension Plan, and the Firefighters Supplemental Pension Plan.

The Treasurer's Escrow Agency Fund accounts for the receipt, custody, and expenditure of monies held temporarily in an agency capacity for other parties.

The pension trust funds and the agency fund are fiduciary funds used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

I.C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency fund included within the fiduciary fund financial statements also uses the accrual basis of accounting but does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. Other revenues are considered to be available if they are collected within 90 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met, and funds are available from the grantor agency or government.

Taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period for the governmental funds. All other revenue items are considered to be measurable and available only when cash is received by the City.

I.D. Assets, Liabilities, and Net position or Fund Balance

I.D.1. Deposits, pooled cash, and investments

Investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments in which the City's funds have equity are held by the City's consolidated pool of cash and investments. The City utilizes the consolidated cash pool to account for cash and investments of all City funds other than those that are required by ordinance to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all City receipts and disbursements.

Since fund equities in this cash management pool have the general characteristics of demand deposits in that additional funds may be deposited at any time and also funds may be withdrawn at any time without prior notice or penalty, each fund's equity account is considered a cash equivalent regardless of the maturities of investments held by the pool.

All individual fund cash equity in a deficit (overdraft) position with respect to the consolidated cash pool is reclassified at year-end to short-term interfund payables to the Capital Improvement Fund. The Capital Improvement Fund is the fund selected by management to reflect the offsetting interfund receivables in such cases.

The City has an agreement with its depository bank to provide that all excess cash is swept daily and automatically into an overnight money market account which pays interest at the federal funds rate, with no requirement for a minimum compensating balance. The federal funds rate was 0.07% at September 30, 2015. This account is collateralized through the State of Florida Public Deposits Program.

The City Charter and the current Investment Policy, adopted by the City Council on September 9, 2010, authorize consolidated cash pool investments in the following: direct federal government obligations; federal agencies and instrumentalities; SEC registered money market funds with the highest credit quality rating; interest bearing time deposits or savings accounts in qualified public depositories; debt issued by the State of Florida or any political subdivision thereof

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

including pools; securities of open-end or closed-end management-type investment companies as defined in the policy; collateralized repurchase agreements and reverse repurchase agreements; local government investment pools per Section 163.01, Florida Statutes; and commercial paper of prime quality as defined in the policy. All investments are reported at fair value.

The City utilizes a very conservative investment philosophy when it invests its pooled cash funds in that the return of the principal is more important than the return on the principal. The City does not actively trade its portfolio and generally holds investments until maturity. Through the use of a ladder approach to maturities and by timing maturities to cash needs, the City does not anticipate selling investments to meet cash flow requirements.

Under the City's Investment Policy, a performance measurement standard has been established. The performance measure chosen is a weighted average of: the overnight interest rate; and three month, six month, one year, three year, five year, and ten year Treasury rates, respectively. For the fiscal year ended September 30, 2015, the performance measure weighted average was 0.64%. The actual pooled cash earnings performance before bank charges was 1.49%.

Investments being held outside of the consolidated cash pool include escrowed debt service investments and employee retirement investments. Permissible escrowed debt service investments are specifically defined in each individual debt instrument, but generally follow the same limitations applicable to consolidated cash pool investments. The City maintains four different employee retirement programs, and each one has its own list of permitted investments. Generally, each plan allows the same type of investments as the consolidated cash pool, but additionally allows some portion of its assets to be invested in corporate bonds, notes of corporations, and stocks that are listed on one or more of the recognized national or international stock exchanges.

I.D.2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable less than 60 days are included in the trade accounts receivable allowance for uncollectible accounts at the five-year average loss experience rate of 2.77%. Trade accounts receivable in excess of 60 days are reserved at 40%. The property tax receivable allowance for uncollectible accounts is 10% of the current year portion of the receivable, and 30%, 50%, 70%, 90%, and 95% for the receivable portions attributable to the prior five years respectively (fiscal 2010 thru 2014), and 100% of the receivable attributable to fiscal years 2009 and prior.

Property tax revenue is recognized in the fiscal year for which the taxes are levied, provided the availability test is met, in conformance with National Council on Governmental Accounting Interpretation No. 3. Property taxes for the following fiscal year are levied by City Council action in September of each year. This levy is apportioned to property owners based on the previous January 1 assessed values. Tax bills are mailed out on or about November 1, and the collection period runs from November 1 through March 31. On April 1, unpaid property taxes are considered delinquent and become a lien. Tax certificates are sold in June for real property with delinquent taxes.

Since taxes are not collected prior to November 1, the City does not record revenue for advance collections. Uncollected taxes receivable at year-end are recorded, with an appropriate allowance for estimated uncollectible amounts. The net amount deemed to be collectible but not current (not expected to be collected within sixty days after the close of the fiscal year) is shown as deferred revenue in the appropriate fund.

All delinquent property taxes, except those levied specifically for the restricted purposes of financing activities accounted for in the Special Development Fund, are recorded in the General Fund. Property tax revenues are recognized in the

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

General Fund and the required transfers to the appropriate debt service or pension fund are recorded as operating transfers from the General Fund.

The City is permitted by State law to levy ten mills without referendum. Additional millage not subject to the ten mill limitation is authorized if approved by referendum, for a period not to exceed two years. The tax rate of 5.1550 mills for the year ended September 30, 2015 was the same rate that was levied for the five preceding fiscal years.

Water, gas, stormwater, solid waste and recycling charges to customers are based on actual consumption. Consumption is determined on a monthly cycle basis. The City recognizes the unbilled consumption as revenue as of September 30th.

I.D.3. Inventories, prepaid items and land held for resale

Inventories of proprietary funds are stated at cost and valued on the first-in first-out (FIFO) basis. In governmental funds, the majority of inventory items are accounted for under the purchases method, which provides that expenditures are recognized when the inventory item is purchased. The only governmental fund inventory that is accounted for under the consumption method is the General Fund inventory of items for resale at the City's public fishing pier. Under the consumption method, the expenditure/expense is recognized when the inventory item is sold (or consumed).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Land held for resale is intended to be sold and not to be used for City purposes. It is classified as a current asset and is recorded at acquisition cost, including costs incurred for pollution remediation, where applicable.

I.D.4. Restricted assets

Certain resources of the City's enterprise funds are classified as restricted assets. Restricted assets include: Water and Sewer improvement charges restricted by the authorizing ordinances to the construction of additions and improvements to the water and sewer systems; Gas Utility and Solid Waste & Recycling Utility restricted customer deposits; and assets of the Water & Sewer Utility, Gas Utility, and Stormwater Utility funds restricted under the provisions of authorizing ordinances for revenue bonds to the payment of future revenue bond debt service, system construction, and renewals and replacements.

I.D.5. Capital assets

Capital assets, which include property, plant, equipment, and certain infrastructure assets, (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, as defined by the City, are assets with an initial individual cost of more than \$5,000 (amount not rounded). Individual assets that cost less than \$5,000, but that operate as part of a network system, may be capitalized in the aggregate, using the group method. Additionally, higher thresholds for capitalization apply to the following categories: land improvements, \$50,000; buildings, building improvements, and utility systems, \$100,000; intangible assets, \$100,000; and infrastructure, \$500,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by business-type activities during the current fiscal year was \$8,878,935.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Interest expense amounts were netted against related project interest earnings of \$0, \$0, and \$0, respectively, to arrive at net capitalized interest of \$273,304, \$79,105 and \$35,526 for water & sewer, gas, and stormwater system projects, respectively.

Property, plant, equipment, and intangible assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 – 40
Public domain infrastructure	20 – 40
Utility systems	18 – 40
Machinery & equipment	3 – 15
Vehicles	5 – 10
Intangible assets	5 – 20

I.D.6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave "caps" vary depending upon an employee's bargaining unit, hire date, etc, but generally employees may accumulate vacation time not exceeding 320 hours and sick leave not exceeding 1,560 hours. Upon retirement from City service a qualified employee is paid for all vacation time not exceeding the applicable vacation "cap" and one-half of accumulated unused sick leave not exceeding the sick leave cap (i.e. maximum pay-out of 780 hours for an employee with a 1,560 hour cap). The City accrues for all earned but unused vacation pay up to the applicable cap and the portion of unused sick leave estimated to be payable upon retirement. The current portion of compensated absences is the amount estimated to be used in the following year. For governmental activities, compensated absences are liquidated within the same governmental funds where the employee vacation and/or sick leave was earned.

I.D.7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended when incurred.

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

I.D.8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption on net

City of Clearwater, Florida
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For the Year Ended September 30, 2015

position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The City reports deferred outflows related to bond refundings and pensions.

Similarly, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies for a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows related to pensions.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows related to deferred amounts on bond refundings are reported in the Water and Sewer Utility, Gas Utility and Stormwater Utility funds, as well as in the government-wide statements. These amounts represent the difference between the reacquisition price and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, changes in total pension liability arising from the differences between expected and actual experience, changes of assumption of future economic and demographic factors and the net difference between projected and actual earnings on pension plan investments are recognized as deferred outflows of resources or deferred inflows of resources and are reported in all enterprise and internal service funds, as well as in the government-wide statements. Changes between expected and actual experience and changes of assumptions are recognized in pension expense over a closed period equal to the average of the expected remaining service lives of all active and inactive employees, while the difference between projected and actual earnings is recognized in pension expense over a closed five-year period.

I.D.9. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both unrestricted resources and restricted resources, such as restricted bond or grant proceeds. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made regarding the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

I.D.10. Fund balance flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made regarding the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

I.D.11. Fund balance policies

The fund balance of governmental funds is reported in various classifications that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Each classification of fund balance is based on the relative strength of the constraints that control how specific amounts can be spent.

The order of spending follows the same hierarchy. Restricted resources are applied first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Nonspendable fund balance represents amounts that cannot be spent, such as inventories, prepaid amounts, and amounts that are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by the adoption of an ordinance prior to the end of the fiscal year by the City Council, the highest level of decision-making authority. Once adopted by ordinance, a commitment can only be revised or removed by the adoption of another ordinance.

Assigned fund balance includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed because they are supported by management's intent rather than a formal action of the City Council. The Finance Director is authorized by Section 2.511 of the Code of Ordinances to assign fund balance. Since assignments only exist temporarily, no further action is required to revise or remove them.

Unassigned fund balance includes amounts not classified in the above categories. Positive unassigned fund balance may only be reported in the general fund. In all other funds, unassigned fund balance is limited to negative residual fund balances.

Minimum fund balance: Per City Council Policy a minimum General Fund unassigned balance of 8.0% of the subsequent year's budgeted expenditures must be maintained as a contingency fund for unanticipated financial needs. In addition, 0.5% of the subsequent year's budgeted expenditures must be maintained to fund unanticipated retirements of employees residing in General Fund departments. Budgeted appropriations will maintain these minimum reserves of 8.5% of subsequent year's budgeted expenditures, with excess reserves available for specific capital improvement projects or other "one-time" needs.

Stabilization arrangement. As of September 30, 2015, the City Council has not established a revenue stabilization reserve.

I.D.12. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Note II – Stewardship, Compliance, and Accountability

II.A. Budgets and budgetary accounting

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

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

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

The Community Redevelopment Agency (CRA) Fund annual budget is adopted by the trustees of that agency in accordance with state law. The level of budgetary control is the total fund. The CRA Fund Budget is adopted on a basis consistent with GAAP, and all appropriations lapse at year-end.

Budget amounts presented in the accompanying financial statements reflect all amendments adopted by the City Council and the governing board of the component unit. All amendments were adopted in conformance with legal requirements. Individual amendments, as well as the net effects of all amendments during the fiscal year, were not material in relation to the original appropriations for the governmental funds in the aggregate.

Budgets for the Capital Projects Funds, the Special Programs Fund, the SHIP Local Housing Assistance Trust Fund, and the Pinellas County Local Housing Assistance Trust Fund are adopted on a multi-year completed program basis, where budgetary appropriations do not lapse at year-end, but may extend across two or more fiscal years. A comparison of annual results with these budgets would not be meaningful and is therefore not included in this report.

All City Council adopted budgets are integrated into the formal accounting system to allow for monthly comparison of projected and actual results in all funds for which budgets are adopted.

Note III – Detailed Notes on All Funds

III.A. Deposits and investments

Investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments in which the City's proprietary funds have equity are held by the City's consolidated pool of cash and investments. Since fund equities in this cash management pool have the general characteristics of demand deposits, in that additional funds may be deposited at any time and also funds may be withdrawn at any time without prior notice or penalty, each fund's equity account is considered a cash-equivalent regardless of the maturities of investments held by the

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

pool. Funds with deficit (overdraft) positions within the consolidated pool report the deficits as interfund payables to the City's Capital Improvement Fund.

Deposits

All cash of the City is entirely insured either by federal depository insurance or via banks' participation as qualified public depositories pursuant to Florida Statutes, Chapter 280, "Security for Public Deposits". The City is required to verify that monies are invested in "qualified public depositories" as defined in Florida Statutes section 280.02.

Pooled Cash and Investments

To increase returns and minimize fees, the City follows the practice of pooling available cash and investments of all funds with the exception of retirement plan investments and assets held under Bond Trust Indenture Agreements. Please refer to Note (I)(D)(1) for a discussion of allowable investments under the pooled cash and investments investment policy. All investments at year-end were in compliance with the pooled cash and investments investment policy.

Cash and investments as of September 30, 2015 are classified in the accompanying financial statements as follows:

<u>Statement of net position</u>	<u>09/30/15</u>
Primary Government:	
Cash and investments	\$ 315,131,226
Restricted cash and investments	55,444,752
Fiduciary Funds:	
Cash and investments-agency fund	<u>1,612,594</u>
Total cash and investments	<u><u>\$ 372,188,572</u></u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

<u>Pooled Cash and Investments</u>	Carrying	% of	Investment Maturities in Years			Moody's
	<u>Amount</u>	<u>Portfolio</u>	<u>Less than 1</u>	<u>1-3 Years</u>	<u>More than 3</u>	<u>Rating</u>
<u>Cash and cash equivalents:</u>						
Cash on hand	\$ 47,370	0.01%				N/A
Money Markets	<u>14,492,776</u>	3.89%				N/A
Total cash and cash equivalents	<u>14,540,146</u>					
<u>Investments:</u>						
Local Government Investment Pools:						Standard & <u>Poor's Rating</u>
Florida Safe Investment Pool	5,000,658	1.34%	5,000,658	-	-	AAAm
Florida Local Government Investment Trust						
Short Term Bonds	<u>56,083,548</u>	15.08%	-	<u>56,083,548</u>	-	AAAf
	<u>61,084,206</u>		<u>5,000,658</u>	<u>56,083,548</u>	<u>-</u>	
						Moody's <u>Rating</u>
Treasuries	<u>2,134,987</u>	0.57%	-	1,063,997	1,070,990	N/A
U.S. Agencies:						
Federal Home Loan Bank (FHLB)	82,044,001	22.04%	7,505,713	45,371,772	29,166,516	Aaa
Federal National Mortgage Assn (FNMA)	29,518,388	7.93%	-	18,051,272	11,467,116	Aaa
Federal Farm Credit Bank (FFCB)	27,064,705	7.27%	9,513,952	12,535,125	5,015,628	Aaa
Government National Mortgage Assn (GNMA)	13,505,682	3.63%	5,266,083	8,239,599	-	Aaa
Federal Home Loan Mortgage Corp (FHLMC)	39,085,003	10.50%	-	33,075,596	6,009,407	Aaa
Federal Home Loan Mortgage Corp Zeroes	4,681,550	1.26%	2,999,730	-	1,681,820	Aaa
Other Government Sponsored Agencies	4,031,747	1.08%	-	3,858,827	172,920	Aaa
Federal National Mortgage Assn (FNMA) Zeroes	8,819,465	2.37%	-	-	8,819,465	Aaa
Farmer Mac (FAMCA)	4,017,436	1.08%	2,001,170	2,016,266	-	Aaa
Small Business Administration (SBA)	4,161,653	1.12%	385,697	3,428,534	347,422	Aaa
Tennessee Valley Authority (TVA) Zeroes	<u>2,525,395</u>	0.68%	-	-	<u>2,525,395</u>	Aaa
Total U.S. Agencies	<u>219,455,025</u>		<u>27,672,345</u>	<u>126,576,991</u>	<u>65,205,689</u>	
Municipal bonds	24,714,193	6.64%	7,043,798	12,668,050	5,002,345	Aa1/Aa2/Aa3
Municipal bonds	14,413,427	3.87%	5,710,189	6,693,010	2,010,228	A1/A2/A3
Municipal bonds	<u>2,478,116</u>	0.67%	<u>954,329</u>	<u>1,523,787</u>	-	NR
Total municipal bonds	<u>41,605,736</u>		<u>13,708,316</u>	<u>20,884,847</u>	<u>7,012,573</u>	
Asset Backed Bonds	<u>22,465,622</u>	6.04%	<u>4,944,649</u>	<u>10,724,877</u>	<u>6,796,096</u>	Aaa
Collateralized mortgage obligations	<u>10,902,850</u>	2.93%	<u>7,270,562</u>	<u>3,632,288</u>	-	Aaa
Total investments	<u>357,648,426</u>		<u>58,596,530</u>	<u>218,966,548</u>	<u>80,085,348</u>	
Total pooled cash and investments	\$ 372,188,572	100.00%				

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Interest Rate Risk – Pooled Cash and Investments:

As a means of limiting exposure to fair value losses arising from rising interest rates, the City's pooled cash investment policy prohibits investments in securities maturing more than fifteen years from the date of purchase, unless matched to a specific cash flow requirement. Additionally, the policy allows no more than 10% of the portfolio to have maturities in excess of ten years unless specifically matched against a debt or obligation. Finally, the investment policy states that it is the City's intent to keep the weighted average maturity to three years or less, except for temporary situations due to market conditions and/or cash needs when the average maturity may exceed three years but shall not exceed five years. Weighted average maturities for the City's pooled cash investments are indicated in the table above.

Credit Risk – Pooled Cash and Investments:

The City's pooled cash investment policy, in accordance with Florida Statutes, allows investments to direct obligations of the United States, federal agencies, debt issued by the State of Florida or any political subdivision, and commercial paper of prime quality of the highest letter and numerical rating as provided by at least one nationally recognized rating service. Ratings for the City's pooled cash investments are disclosed in the preceding table.

Concentration of Credit Risk – Pooled Cash and Investments:

The City's pooled cash investment policy limits the investment in any one issuer to 40% of the portfolio. Concentrations for several issuers exceeded 5% as disclosed in the preceding table, though none exceeded the 40% limit per the policy.

Pension Plan Assets

The City reports four pension funds in the accompanying financial statements. Each of the plans has a separate governing board of trustees, a separate investment policy, and differing investment restrictions/risks. Consequently each is disclosed separately below. All investments at year-end were in compliance with the respective plan investment policies. Please refer to Note (I)(D)(1) for a discussion of allowable investments under the pension plans.

Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments in certain alternative investments are valued using the net asset value (NAV) per shares outstanding.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Employees Pension Plan

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

<u>Employees' Pension Plan Cash and Investments</u>	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted avg maturity (years)</u>	<u>Moody's Rating</u>
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents - pooled cash	\$ 664,633	0.08%	N/A	N/A
Cash in managed investment accounts	20,079,929	2.36%	N/A	N/A
Total cash and cash equivalents	20,744,562			
<u>Investments:</u>				
Government bonds	68,345,827	8.02%	5.6	Aaa
Government bonds	5,794,757	0.68%		A
Government bonds	187,000	0.02%		Baa
Index linked treasuries	2,024,881	0.24%	21.8	Aaa
U.S. agencies	1,868,598	0.22%	14.1	AGY
U.S. agencies	2,240,665	0.26%		Aaa
U.S. agencies	568,200	0.07%		A
Domestic corporate bonds	300,470	0.04%	10.5	Aaa
Domestic corporate bonds	2,448,460	0.29%		Aa
Domestic corporate bonds	21,466,122	2.52%		A
Domestic corporate bonds	61,204,564	7.19%		Baa
Domestic corporate bonds	3,693,436	0.43%		Ba
Domestic corporate bonds	492,813	0.06%		Caa
Domestic corporate bonds	3,826,822	0.45%		NR
Asset backed bonds	201,119	0.02%	6.1	AGY
Asset backed bonds	2,348,297	0.28%		Aaa
Asset backed bonds	24,558	0.00%		Baa
Asset backed bonds	5,509,297	0.65%		NR
Other/Rights/Warrants	184,045	0.02%	N/A	NR
Domestic stocks	385,095,014	45.21%	N/A	N/A
International equity securities	68,841,663	8.08%	N/A	N/A
Mortgage backed bonds	65,547,750	7.70%	22.2	AGY
Mortgage backed bonds	101,577	0.01%		Aaa
Mortgage backed bonds	174,399	0.02%		NR
International equity mutual funds	34,071,336	4.00%	N/A	N/A
Domestic equity mutual funds	37,540,241	4.41%	N/A	N/A
Real Estate/Timber	56,847,854	6.67%	N/A	N/A
Total investments	830,949,765			
Total cash and investments	\$ 851,694,327	100.00%		

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Interest Rate Risk – Employees’ Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Employees’ Pension Plan investment policy limits the investment in fixed income investments to no more than 50% of the portfolio. There are no limits related to weighted average maturities due to the long-term nature of pension plan investing.

Credit Risk – Employees’ Pension Plan:

The Employees’ Pension Plan investment policy limits credit risk by restricting equity investments to corporations that are listed on one of the national or international stock exchanges. Additionally, fixed income corporate bonds must carry an “investment grade” rating as established by one of the nationally recognized rating agencies. At September 30, 2015, the Plan had \$8,013,071 invested in domestic corporate bonds that had fallen below investment grade (Ba1 and lower) as the result of investment downgrades, as indicated on the previous table. The respective money managers notified the Plan administrators of the downgrades and the planned courses of action related to these securities on a timely basis, consistent with the policy’s individual manager guidelines.

Concentration of Credit Risk – Employees’ Pension Plan:

The Employees’ Pension Plan investment policy limits concentration of credit risk by limiting the investment in common stock or capital stock of any one corporation to 3% of the plan equity assets, unless due to a higher percentage included in a nationally recognized market index at least as broad as the Standard and Poor’s Composite Index of 500 companies, or upon a specific finding by the investment committee that such higher percentage is in the best interest of the fund. Additionally, the individual manager guidelines associated with the policy provide further diversification of both equity and fixed income investments to minimize concentration of credit risk.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Foreign Currency Risk – Employees’ Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Employees’ Pension Plan investment policy does not have a formal policy to limit foreign currency risk, other than a guideline of no more than 25% of the plan assets invested in international equities. The Pension Plan’s exposure to foreign currency risk is as follows:

<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>	<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>
Common Stock	Euro	\$ 12,414,582	Common Stock	Uae Dirham	\$ 529,843
Common Stock	Japanese Yen	8,484,809	Common Stock	Kuwaiti dinar	508,583
Common Stock	British Pound Sterling	7,646,966	Common Stock	Egyptian Pound	504,903
Common Stock	Hong Kong Dollar	3,394,075	Common Stock	Colombian Peso	496,108
Common Stock	Chinese Yuan	3,048,375	Common Stock	Jordanian Dinar	291,480
Common Stock	Indian Rupee	2,177,568	Common Stock	Saudi Riyal	284,291
Common Stock	Swiss Franc	2,155,870	Common Stock	Bahraini Dinar	272,332
Common Stock	South Korean Won	2,083,264	Common Stock	Sri Lankan Rupee	272,026
Common Stock	South African Rand	2,029,051	Common Stock	Nigeria Naira	270,969
Common Stock	Mexican Peso	2,061,726	Common Stock	Argentine Peso	265,825
Common Stock	New Taiwan Dollar	2,038,158	Common Stock	Pakistan Rupee	261,736
Common Stock	New Russian Ruble	2,108,767	Common Stock	Moroccan Dirham	260,646
Common Stock	Brazilian Real	1,725,714	Common Stock	Kenyan Shilling	260,169
Common Stock	Swedish Krona	1,544,529	Common Stock	Omani Rial	259,078
Common Stock	Norwegian Krone	1,455,866	Common Stock	Mauritian Rupee	254,786
Common Stock	Singapore Dollar	1,127,124	Common Stock	Danish Krone	253,058
Common Stock	Turkish Lira	1,106,773	Common Stock	Bangladesh Taka	252,741
Common Stock	Malaysian Ringgit	1,084,656	Common Stock	Vietnamese Dong	250,118
Common Stock	Polish Zloty	1,059,505	Common Stock	Croatian Kuna	246,234
Common Stock	Chilean Peso	1,022,822	Common Stock	Romanian leu	245,518
Common Stock	Phillipine Peso	1,014,935	Common Stock	Kazakhstan Tenge	201,362
Common Stock	Thailand Baht	1,007,907	Common Stock	Tunisain Dinar	102,964
Common Stock	Indonesian Rupiah	1,000,970	Common Stock	Lebanese Pounds	93,321
Common Stock	Czech Koruna	922,991	Common Stock	Botswana Pula	65,315
Common Stock	Canadian Dollar	842,115	Common Stock	Panama Balboa	63,918
Common Stock	Australian Dollar	667,802	Common Stock	Ukraine Hryvnia	48,722
Common Stock	Hungarian Forint	564,767	Common Stock	Ghana Cedi	25,894
Common Stock	Peruvian Nouveau Sol	532,671	Common Stock	Estonian Kroon	20,102
Common Stock	Qatari Rial	536,884	Common Stock	Bulgarian Lev	2,930
			Total		<u><u>\$ 73,726,214</u></u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Firefighters' Relief and Pension Plan

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

	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted avg maturity (years)</u>	<u>Moody's Rating</u>
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents	\$ 2,452,915	53.50%	N/A	N/A
Total cash and cash equivalents	<u>2,452,915</u>			
<u>Investments:</u>				
U.S. agency - Farmer Mac (FAMCA)	1,174,992	25.63%	8.63	Aaa
U.S. agency - Federal Home Loan Bank (FHLB)	956,609	20.87%	11.88	Aaa
Total investments	<u>2,131,601</u>			
Total managed cash and investments	<u>\$ 4,584,516</u>	100.00%		

Interest Rate Risk – Firefighters' Relief and Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Firefighters' Relief and Pension Plan investment policy limits the target investment in fixed income investments to no more than 70% of the portfolio. There are no limits related to weighted average maturities due to the long-term nature of pension plan investing.

Credit Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy limits credit risk by restricting the fixed income investments to investment grade securities, per a nationally recognized ranking agency.

Concentration of Credit Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy limits concentration of credit risk by limiting the target allocation of the plan to domestic fixed income to 70% of the portfolio, with the remainder of the portfolio allocated to the City's well-diversified pooled cash portfolio (see above disclosure). There are no additional limitations on concentrations with individual issuers or agencies due to the relatively small portfolio of this closed pension plan.

Foreign Currency Risk – Firefighters' Relief and Pension Plan:

The Firefighters' Relief and Pension Plan investment policy does not permit investment in foreign fixed income or equity securities.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Police Supplemental Pension Plan

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

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
<u>Cash and cash equivalents:</u>				
Cash in bank	\$ 9,263	0.05%	N/A	N/A
Cash in managed investment accounts	807,131	4.54%	N/A	N/A
Total cash and cash equivalents	<u>816,394</u>			
<u>Investments:</u>				
International equity securities	661,258	3.72%	N/A	N/R
Domestic stocks	9,594,426	53.97%	N/A	N/R
Domestic equity mutual funds	4,568,761	25.70%	N/A	N/R
International equity mutual funds	2,136,885	12.02%	N/A	N/R
Total investments	<u>16,961,330</u>			
Total managed cash and investments	<u>\$ 17,777,724</u>	100.00%		

Interest Rate Risk – Police Supplemental Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Police Supplemental Pension Plan investment policy limits the duration of the fixed income portfolio to 125% of the duration of the Barclays Intermediate Government/Credit Bond Index subject to quarterly review. Additionally, no issues, Treasury, or Corporate Bonds may be purchased with more than 15 years to maturity.

Credit Risk – Police Supplemental Pension Plan:

The Police Supplemental Pension Plan investment policy limits credit risk by restricting equity investments to corporations that are listed on any one or more of the recognized national stock exchanges. Additionally, fixed income security investments are limited to U.S. Government and agency obligations; “BBB” rated or higher corporate bonds, debentures and preferred stocks; and bonds and other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state, or organized territory of the United States or District of Columbia provided the corporation meets the standards set forth in section 185.06(1)(b), Florida Statutes as amended from time to time. Finally, the investment policy requires that investment managers dispose of any issue that has been downgraded below “BBB” as soon as is economically feasible.

Concentration of Credit Risk – Police Supplemental Pension Plan:

The Police Supplemental Pension Plan investment policy limits concentration of credit risk by limiting the stock position of the equity portfolio to no more than 3 percentage points in excess of the S&P 500. Additionally, any sector position of the equity portfolio may not exceed the S&P 500 sector weighting by more than 10 percentage points without written approval from the Board. Investments in fixed income securities of a single issuer with the exception of the U.S. Government and its agencies may not exceed 5 percent of the fixed income portfolio’s value at cost.

Foreign Currency Risk – Police Supplemental Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Police Supplemental Pension Plan investment policy does not have a formal policy to limit foreign currency risk, other than a guideline of that no more than 25% of the total portfolio at cost may be invested in foreign securities. The Plan has no current exposure to foreign currency risk.

City of Clearwater, Florida
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For the Year Ended September 30, 2015

Firefighters Supplemental Pension Plan

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

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
<u>Cash and cash equivalents:</u>				
Cash in managed investment accounts	\$ 420,882	2.49%	N/A	N/A
Total cash and cash equivalents	<u>420,882</u>			
<u>Investments:</u>				
U.S. Treasury obligations	553,940	3.28%	16.80	Aaa
Municipal obligations	224,297	1.33%	3.50	A1/A2/A3
Municipal obligations	137,653	0.82%		Aa1/Aa2/Aa3
Municipal obligations	35,133	0.21%		Baa1
Municipal obligations	30,241	0.18%		N/R
Domestic corporate bonds	1,201,135	7.12%	8.20	A1/A2/A3
Domestic corporate bonds	239,291	1.42%		Aaa/Aa2/Aa3
Domestic corporate bonds	25,250	0.15%		B1/B2/B3
Domestic corporate bonds	1,041,571	6.17%		Baa1/Baa2/Baa3
Domestic corporate bonds	105,708	0.63%	N/A	N/R
International equity securities	134,742	0.80%		N/R
Domestic stocks	3,631,667	21.53%	N/A	N/R
Mortgage backed bonds	1,457,116	8.64%	12.1	N/R
Domestic equity mutual funds	4,253,733	25.20%	N/A	N/R
International equity mutual funds	1,136,840	6.74%	N/A	N/R
Real estate	2,242,567	13.29%	N/A	N/R
Total investments	<u>16,450,884</u>			
Total managed cash and investments	<u>\$ 16,871,766</u>	100.00%		

Interest Rate Risk – Firefighters Supplemental Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Firefighters Supplemental Pension Plan investment policy limits the duration of the fixed income portfolio to less than 135% of the duration of the Barclay's Capital Aggregate Bond Index.

Credit Risk – Firefighters Supplemental Pension Plan:

The Firefighters Supplemental Pension Plan investment policy limits credit risk by restricting equity investments to securities that are fully and easily negotiable. Investments in corporations whose stock has been publicly traded for less than one year are limited to 15% at cost value of the equity portfolio. Investment in equity securities whose market capitalization is less than \$10 billion dollars shall be limited to 25% of the total equity portfolio. The average credit quality of the bond portfolio shall be "A" or higher, and those securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.

Concentration of Credit Risk – Firefighters Supplemental Pension Plan:

The Firefighters Supplemental Pension Plan investment policy limits concentration of credit risk by limiting the investment in common stock or capital stock of any one issuing company within an investment manager's portfolio to 5% of the portfolio. Similarly, no more than 5% of a fixed income investment manager's portfolio may be invested in the securities of

City of Clearwater, Florida
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any single corporate issuer per the plan investment policy. Finally, investments in collateralized mortgage obligations are limited to 25% of the market value of the investment manager's total portfolio.

Foreign Currency Risk – Firefighters Supplemental Pension Plan:

Risk of loss arises from changes in currency exchange rates. The Firefighters Supplemental Pension Plan requires that no more than 25% of the market value of the plan's total assets may be invested in foreign equity securities, commingled or mutual funds. Direct investment in foreign companies is limited to those traded on a national exchange and/or American Depository Receipts (ADR's).

III.B. Receivables

Receivables as of year-end for the City's governmental, proprietary and internal service funds, including the applicable allowances for uncollectible accounts for the proprietary funds, are segregated on the fund financial statements. Mortgages, Notes, and Other Loans in the amount of \$5,072,390 are reported on the Governmental Funds Balance Sheet net of an allowance for uncollectible accounts in the amount of \$13,414,180. The gross receivable of \$18,486,570 includes \$17,796,014 of long-term loans receivable that are not expected to be collected within the next fiscal year. Mortgage notes receivable and the related payment history are reviewed individually on an annual basis to determine collectability for allowance and bad debt determinations.

Receivables as of year-end for the primary government's individual major funds, as well as non-major funds and internal service funds in the aggregate, are as follows:

Receivables, net of applicable allowances for uncollectible accounts (amounts in thousands):

	<u>Taxes</u>	<u>Franchise Fees</u>	<u>Interest</u>	<u>Accounts and Contracts</u>	<u>Notes</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 1,483	\$ 929	\$ 124	\$ 385	\$ -	\$ 249	\$ 3,170
Special Development	50	-	162	-	-	-	212
Capital Improvement	-	-	1	-	-	2	3
Non-major governmental funds	-	-	66	-	18,486	8	18,560
Internal service funds	-	-	176	-	-	39	215
Total governmental	1,533	929	529	385	18,486	298	22,160
Less: Allowance for uncollectable accounts	(389)	-	-	-	(13,414)	-	(13,803)
Net governmental receivables	<u>\$ 1,144</u>	<u>\$ 929</u>	<u>\$ 529</u>	<u>\$ 385</u>	<u>\$ 5,072</u>	<u>\$ 298</u>	<u>\$ 8,357</u>
Water and Sewer Utility	\$ -	\$ -	\$ 235	\$ 6,516	\$ -	\$ 258	\$ 7,009
Gas Utility	-	-	130	2,775	-	138	3,043
Solid Waste Utility	-	-	113	1,980	-	-	2,093
Stormwater Utility	-	-	100	2,375	-	-	2,475
Non-major enterprise funds	-	-	75	32	-	-	107
Total business-type	-	-	653	13,678	-	396	14,727
Less: Allowance for uncollectable accounts	-	-	-	(206)	-	-	(206)
Net business-type receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 13,472</u>	<u>\$ -</u>	<u>\$ 396</u>	<u>\$ 14,521</u>

City of Clearwater, Florida
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For the Year Ended September 30, 2015

III.C. Capital assets

Capital asset activity for the year ended September 30, 2015:

	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 76,787,171	\$ 518,920	\$ -	\$ -	\$ 77,306,091
Construction in progress	15,432,742	1,848,798	(14,542,022)	-	2,739,518
Total non-depreciable capital assets	92,219,913	2,367,718	(14,542,022)	-	80,045,609
Depreciable capital assets:					
Buildings	152,821,063	19,144,844	-	-	171,965,907
Improvements other than buildings	33,266,351	3,806,748	-	-	37,073,099
Machinery and equipment	83,576,099	11,249,898	(3,426,328)	(7,995)	91,391,674
Infrastructure	147,642,463	643,499	-	-	148,285,962
Total depreciable capital assets	417,305,976	34,844,989	(3,426,328)	(7,995)	448,716,642
Less accumulated depreciation for:					
Buildings	(61,335,321)	(4,889,765)	-	-	(66,225,086)
Improvements other than buildings	(16,448,082)	(1,373,752)	-	-	(17,821,834)
Machinery and equipment	(66,178,798)	(6,296,312)	3,321,441	7,995	(69,145,674)
Infrastructure	(85,364,730)	(4,840,667)	-	-	(90,205,397)
Total accumulated depreciation	(229,326,931)	(17,400,496)	3,321,441	7,995	(243,397,991)
Net depreciable capital assets	187,979,045	17,444,493	(104,887)	-	205,318,651
Net governmental activities capital assets	\$ 280,198,958	\$ 19,812,211	\$ (14,646,909)	\$ -	\$ 285,364,260
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 30,509,054	\$ 18,000	\$ (576,758)	\$ -	\$ 29,950,296
Construction in progress	46,364,998	4,939,078	(41,862,480)	-	9,441,596
Total non-depreciable capital assets	76,874,052	4,957,078	(42,439,238)	-	39,391,892
Depreciable capital assets:					
Buildings	13,671,516	20,498,567	-	-	34,170,083
Improvements other than buildings	598,030,187	33,230,634	-	-	631,260,821
Machinery and equipment	10,150,440	8,167,676	(83,797)	7,995	18,242,314
Total depreciable capital assets	621,852,143	61,896,877	(83,797)	7,995	683,673,218
Less accumulated depreciation for:					
Buildings	(7,274,869)	(440,014)	-	-	(7,714,883)
Improvements other than buildings	(259,209,940)	(19,006,445)	-	-	(278,216,385)
Machinery and equipment	(7,723,621)	(631,727)	83,797	(7,995)	(8,279,546)
Total accumulated depreciation	(274,208,430)	(20,078,186)	83,797	(7,995)	(294,210,814)
Net depreciable capital assets	347,643,713	41,818,691	-	-	389,462,404
Net business-type activities capital assets	\$ 424,517,765	\$ 46,775,769	\$ (42,439,238)	\$ -	\$ 428,854,296

City of Clearwater, Florida
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For the Year Ended September 30, 2015

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

Governmental activities:	
General government	\$ 660,666
Public safety	844,406
Physical environment	21,172
Transportation, including depreciation on infrastructure assets	4,941,570
Economic environment	525,748
Culture and recreation	4,752,247
Capital assets held by governmental internal service funds are charged to the various functions based on their usage of assets	5,654,687
	<u><u>\$ 17,400,496</u></u>
Business-type activities:	
Water and sewer utility	\$ 13,855,405
Gas utility	2,143,057
Solid waste and recycling utility	349,545
Stormwater utility	2,915,457
Marine operations	67,623
Aviation operations	178,830
Parking system operations	238,406
Clearwater Harbor Marina operations	329,863
	<u><u>\$ 20,078,186</u></u>

Construction commitments

At September 30, 2015, material outstanding construction commitments were as follows:

<u>Project</u>	<u>Fund</u>	<u>Construction Commitments Outstanding</u>
Sanitary Sewer Extensions	Water & Sewer Utility Enterprise Fund	\$ 4,482,024
Island Estates Bridge Replacements	Capital Improvement Fund	3,180,409
Street Resurfacing	Capital Improvement Fund	2,500,864
Jeffords Street Outfall	Stormwater Utility Enterprise Fund	1,370,754
Resident Initiated Reclaimed Water Distribution Project	Water & Sewer Utility Enterprise Fund	1,122,561
Northeast Water Reclamation Facility Clarifiers Rehab	Water & Sewer Utility Enterprise Fund	821,476
Bayshore Trail	Capital Improvement Fund	725,400
East Water Reclamation Facility Effluent Filters Rehab	Water & Sewer Utility Enterprise Fund	609,193
Total Construction Commitments		<u><u>\$ 14,812,681</u></u>

III.D. Interfund receivables, payables, and transfers

III.D.1. Interfund balances

As discussed in Note III-A, individual fund deficits in the consolidated cash pool, if any, have been reclassified as of September 30, 2015, as interfund loans from the Capital Improvement Fund, which was selected by management for this purpose. This reclassification results in a corresponding reduction in the cash equity in the Capital Improvement Fund, offset by an increase in interfund receivables.

City of Clearwater, Florida
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As of September 30, 2015, the Community Redevelopment Agency fund reported a cash pool deficit of \$24,536.

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

Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds
Special Revenue Funds:				
Special Programs	\$ -	\$ -	\$ 325,440	\$ -
Community Redevelopment Agency	-	341,203	-	958,773
Capital Project Fund:				
Capital Improvement	24,536	670,838	-	748,663
Enterprise Fund:				
Aviation Operations	-	20,271	-	-
Internal Service Funds:				
Administrative Services	-	91,654	-	91,654
Central Insurance	1,099,430	-	1,473,650	-
	<u>\$ 1,123,966</u>	<u>\$ 1,123,966</u>	<u>\$ 1,799,090</u>	<u>\$ 1,799,090</u>

Descriptions of interfund loans as of September 30, 2015:

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

An internal five-year loan from the Central Insurance Fund to the Aviation Operations enterprise fund, for the construction of a new multi- plane hangar, in the amount of \$101,357. The loan provides for five annual payments of \$20,271 plus interest at the cash-pool rate, due on September 30 of each year. The loan commenced April 2, 2008, with the first principal payment due September 30, 2012, the year that construction was completed. Because the final principal payment (\$20,271) is due within one year, this loan is classified as due to/from other funds.

An internal loan from the Special Programs special revenue fund to the Community Redevelopment Agency special revenue fund in the amount of \$325,440, approved on September 1, 2011, for the environmental cleanup of the Car Pro site in the East Gateway area of the downtown. This loan is interest-free and is to be repaid upon the sale of the developed parcel. Because the first principal payment is not due within one year, this loan is classified as an advance.

An internal loan from the Central Insurance Fund to the Community Redevelopment Agency special revenue fund in the amount of \$1,900,000 to underwrite the acquisition, closing costs and site demolition costs related to the acquisition of the Economy Inn and surrounding properties in the East Gateway area for redevelopment purposes. This loan, which commenced on September 9, 2010, provides for interest-only payments at the cash-pool rate through fiscal year 2012, and

City of Clearwater, Florida
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level debt service (principal and interest) from fiscal year 2013 through fiscal year 2018. The current portion of this loan (\$316,667) is classified as due to/due from other funds, while the long-term portion (\$633,333) is classified as an advance.

An internal loan in the amount of \$3,432,015 from the Central Insurance Fund to the Capital Improvement Fund for the construction of a new Fire Station #45. This loan, which commenced on October 4, 2012, provides for interest at the cash pool rate and payment of principal and interest from infrastructure sales tax ("Penny for Pinellas") revenues beginning in fiscal 2013. The current portion of this loan (\$670,838) is classified as due to/due from other funds, while the long-term portion (\$748,663) is classified as an advance.

III.D.2. Interfund transfers

Interfund transfers for the year ended September 30, 2015 consisted of the following:

Transfers to General Fund from:	
Water & Sewer Utility Enterprise Fund	\$ 3,583,728
Gas Utility Enterprise Fund	3,838,538
Solid Waste & Recycling Utility Enterprise Fund	1,189,176
Stormwater Utility Enterprise Fund	897,720
Capital Improvement Fund	32,029
Nonmajor governmental funds	883,816
Nonmajor enterprise funds	649,292
Total	<u>11,074,299</u>
Transfers to Capital Improvements Fund from:	
General Fund	5,654,314
Special Development Fund	16,113,213
Nonmajor governmental funds	35,000
Total	<u>21,802,527</u>
Transfer to Gas Utility Enterprise Fund from:	
General Fund	<u>850,000</u>
Transfers to Stormwater Utility Fund from:	
General Fund	237,870
Nonmajor governmental funds	301,303
Total	<u>539,173</u>
Transfers to Special Development Fund from:	
Capital Improvement Fund	706,465
Nonmajor enterprise funds	390,818
Total	<u>1,097,283</u>
Transfer to Nonmajor enterprise funds from:	
Special Development Fund	<u>25,000</u>
Transfers to Nonmajor governmental funds from:	
General Fund	2,224,634
Nonmajor governmental funds	3,187,524
Total	<u>5,412,158</u>
Transfers to Internal service funds from:	
General Fund	15,433
Capital Improvement Fund	776,193
Water & Sewer Utility Enterprise Fund	158,923
Gas Utility Enterprise Fund	15,562
Solid Waste & Recycling Utility Enterprise Fund	20,495
Nonmajor governmental funds	146,950
Total	<u>1,133,556</u>
Total interfund transfers	<u><u>\$ 41,933,996</u></u>

City of Clearwater, Florida
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Transfers are primarily used to 1) transfer revenues that have been collected in the required fund per state law to the funds and activities that state law allows for expenditures; 2) transfer of "payment in lieu of taxes" contributions from the utility funds to the General Fund; 3) transfer funding from governmental funds to debt service and capital improvements funds; and 4) transfer matching funds from the General Fund to various grant programs.

Other non-routine interfund transfers occurring during the current fiscal year included a transfer of \$2.1 million from the Gas Fund to the General Fund representing an increase in the computed annual gas dividend payment for fiscal year 2013/14; the return of \$32 thousand from the Capital Improvement Fund to the General Fund for various closed out capital projects (Ladder Truck Equipment, Rescue Squad Replacement and Training Facility Concrete Pad Repairs); \$238 thousand from the General Fund and \$301 thousand from the Community Redevelopment Agency Fund to the Stormwater Fund to recognizing reimbursement for surplus land at Prospect Lake; \$40 thousand from the General Fund to the Gas Fund to offset the cost of the fireworks display; \$1 million from the Solid Waste & Recycling Fund to the Capital Improvement Fund for the Transfer Station Rebuild project; \$1 million from the Solid Waste & Recycling Fund to the Capital Improvement Fund for the Recycling Processing Center Expansion and Upgrade project; \$250 thousand from the Special Development Fund to the Capital Improvement Fund for the Bicycle Path/Bridges project; \$250 thousand from the Special Development Fund to the Capital Improvement Fund for the Rehabilitation of Airpark Hangar D project; \$844 thousand from the Special Development Fund to the Capital Improvement Fund for park land acquisition; \$4,700 from the Capital Improvement Fund to the Special Development Fund representing the unused portion of funding for the 2014 property purchase from CSX Transportation; \$650 thousand from the General Fund to the Capital Improvement Fund for the Centennial Monument project; \$25 thousand from the General Fund to the Capital Improvement Fund for the Countryside Library Renovation project; \$249 thousand from the Special Development Fund to the Capital Improvement Fund for the Countryside Library Renovation project; \$3,528 from the Capital Improvement Fund to the Special Development Fund representing the unused portion of the Sid Lickton Complex Renovation project; \$250 thousand from the General Fund to the Capital Improvement Fund for the Crest Lake Park Veterans War Memorial project; \$335 thousand from the General Fund to the Capital Improvement Fund for the Pier 60 and Beach Walk Repairs and Improvement project; \$190 thousand from the General Fund to the Capital Improvement Fund for the Missouri Avenue Median Beautification project; \$75 thousand from the General Fund to the Capital Improvement Fund for the Sailing Center Upgrades and Improvements project; \$28 thousand from the General Fund to the Special Programs Fund for the Nagano Sister City program; \$703 thousand from the Capital Improvement Fund to the Special Development Fund representing the unused portion of the Downtown Streetscape Phase II project; and \$391 thousand from the Capital Improvement Fund to the Special Development Fund representing the unused portion of the Downtown Boat Slips project.

III.E. Leases

The City purchases various equipment for governmental and business-type activities under lease purchase financing agreements. The equipment is purchased with cash and subsequently provided as collateral via a "lease purchase" financing arrangement, typically for a five-year term. Obligations under these lease purchase agreements are recorded at the present value of their future minimum lease payments as of date of inception. Purchase of the assets is recorded as a cash outflow and the subsequent receipt of the financing proceeds is recorded as "proceeds from issuance of debt" for Statement of Cash Flows reporting.

Capitalized equipment subject to lease purchase financing as of September 30, 2015:

	Governmental Activities	Business-type Activities
Equipment	\$ 21,668,274	\$ 793,278
Less: Accumulated Depreciation	(6,661,784)	(469,548)
Total	<u>\$ 15,006,490</u>	<u>\$ 323,730</u>

City of Clearwater, Florida
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The future minimum lease payments under capital lease purchase agreements are as follows as of September 30, 2015:

<u>Year Ending Sept. 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2016	\$ 4,465,398	\$ 133,658
2017	3,757,572	68,281
2018	2,988,941	32,728
2019	2,138,014	32,728
2020	1,296,091	21,780
	<u>14,646,016</u>	<u>289,175</u>
Deduction of the amount of imputed interest necessary to reduce net minimum lease payments to present value	(612,764)	(10,202)
	<u><u>\$ 14,033,252</u></u>	<u><u>\$ 278,973</u></u>

The City also leases personal computers under a three-year operating lease that is cancelable on an annual basis. Lease payments for fiscal year ended September 30, 2015, totaled \$377,741.

III.F. Long-term debt

III.F.1. Revenue Bonds

\$14,810,000 in Spring Training Facility Revenue Bonds, Series 2002; issued to provide a portion of the costs of the acquisition, construction, rehabilitation and equipping of a spring training facility to be used by the Philadelphia Phillies major league baseball team; serial bonds due in annual installments of \$660,000 due March 1, 2016, to \$295,000 due March 1, 2022, with maximum principal of \$845,000 due March 1, 2021; interest at 4.10% to 5.375%; 5.375% term bonds in the amount of \$1,730,000 due March 1, 2027; and 5.375% term bonds in the amount of \$1,750,000 due March 1, 2031.

\$8,255,000

Total revenue bonds for governmental activities

8,255,000

\$8,410,000 Water and Sewer Revenue Refunding Bonds, Series 2003; issued to refund and redeem on December 1, 2003, all of the City's Water and Sewer Refunding Revenue Bonds, Series 1993, maturing after December 1, 2003; serial bonds due in annual installments of \$230,000 at December 1, 2015, to \$260,000 due December 1, 2018, interest at 3.60% to 4.00%.

980,000

\$67,715,000 Water and Sewer Revenue Bonds, Series 2009A; issued to pay the costs of the design, acquisition, construction, or reconstruction of capital improvements to the City's water and sewer system; serial bonds due in annual installments of \$420,000 at December 1, 2019, to \$495,000 due December 1, 2023; interest at 4.375% to 5.00%; 5.125% term bonds in the amount of \$5,655,000 due December 1, 2032; and 5.25% term bonds in the amount of \$59,780,000 due December 1, 2039.

67,715,000

\$41,700,000 Water and Sewer Revenue Refunding Bonds, Series 2009B; issued to currently refund and redeem all of the outstanding principal amount of the City's Water and Sewer Refunding Revenue Bonds, Series 1998; serial bonds due in annual installments of \$4,430,000 at December 1, 2015 to \$5,150,000 due December 1, 2018; interest at 5.00%.

19,130,000

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\$47,025,000 Water and Sewer Revenue Refunding Bonds, Series 2011; issued to refund and redeem on December 1, 2011 the City's callable Water and Sewer Revenue Bonds, Series 2002, maturing after December 1, 2011; serial bonds due in annual installments of \$1,545,000 at December 1, 2015, to \$2,000,000 due December 1, 2030, interest at 4.00% to 5.00%; 4.50% term bonds in the amount of \$6,850,000 due December 1, 2032.	42,800,000
\$27,520,000 Water and Sewer Revenue Refunding Bonds, Series 2014; issued to refund and redeem the outstanding principal of the City's Water and Sewer Revenue Bonds, Series 2006, maturing on and after December 1, 2019; term bonds due in annual installments of \$170,000 at December 1, 2015, to \$2,305,000 due December 1, 2032; interest at 3.18%.	27,520,000
\$3,700,000 Gas System Revenue Refunding Bonds, Series 2007; issued to refund and redeem on December 1, 2007, all of the outstanding principal amount of the City's Gas System Revenue Bonds, Series 1998; serial bonds due in equal annual installments of \$370,000 due September 1, 2016, through September 1, 2017; interest at 4.00%.	740,000
\$7,365,000 Gas System Revenue Refunding Bonds, Series 2013; issued to current refund the City's callable Gas System Revenue Refunding Bonds, Series 2004, maturing after September 1, 2013; term bonds due in annual installments of \$375,000 due September 1, 2016, to \$1,520,000 due September 1, 2026; interest at 2.41%.	6,650,000
\$5,405,000 Gas System Revenue Refunding Bonds, Series 2014; issued to current refund the City's callable Gas System Revenue Refunding Bonds, Series 2005, maturing after September 1, 2014; term bonds due in annual installments of \$250,000 due September 1, 2016, to \$2,040,000 due September 1, 2027; interest at 2.67%.	5,160,000
\$19,365,000 Stormwater System Revenue Refunding Bonds, Series 2012, issued to pay and redeem all of the Stormwater Revenue Bonds, Series 2002, currently outstanding; serial bonds due in annual installments of \$680,000 due November 1, 2015, to \$1,350,000 due November 1, 2032, interest at 2.00% to 5.00%.	17,580,000
\$11,025,000 Stormwater System Revenue Refunding Bonds, Series 2013; issued to advance refund the City's callable Stormwater System Revenue Bonds, Series 2004, maturing after November 1, 2014; term bonds due in annual installments of \$480,000 due November 1, 2015, to \$780,000 due November 1, 2032; interest at 2.98%.	10,960,000
\$5,450,000 Stormwater System Revenue Refunding Bonds, Series 2014; issued to advance refund the City's callable Stormwater System Revenue Bonds, Series 2005, maturing after November 1, 2014; term bonds due in annual installments of \$295,000 due November 1, 2015, to \$435,000 due November 1, 2029; interest at 2.72%.	5,450,000
Total revenue bonds for business-type activities	<u>204,685,000</u>
Total revenue bonds	<u>\$212,940,000</u>

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For the Year Ended September 30, 2015

III.F.2. Restrictive covenants and collateral requirements

The Spring Training Facility Revenue Bonds are special, limited obligations of the City, payable solely from and secured by a lien upon and pledge of the (i) payments received by the City from the State of Florida pursuant to Section 212.20, Florida Statutes (State payments); and (ii) payments received by the City from Pinellas County, Florida pursuant to the Interlocal Agreement dated December 1, 2000 (County payments). The pledge of the State Payments and County Payments does not constitute a lien upon any property of the City. Furthermore, neither the City, Pinellas County, the State of Florida, nor any political subdivision thereof has pledged its faith or credit or taxing power to the payment of the bonds.

The Water and Sewer Revenue Bonds, Series 2009A; and the Water and Sewer Revenue Refunding Bonds, Series 2003, Series 2009B, Series 2011 and Series 2014; are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's water and sewer system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix and maintain such rates, and collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, which will provide gross revenues in each fiscal year sufficient to pay the cost of operation and maintenance of the system; one hundred fifteen percent (115%) of the bond service requirement becoming due in such fiscal year on the outstanding bonds; plus one hundred percent (100%) of all reserve and other payments required to be made pursuant to the ordinances authorizing the bonds. The City further covenants that such rates, fees, rentals and other charges will not be reduced so as to render them insufficient to provide gross revenues for such purpose.

The Gas System Revenue Refunding Bonds, Series 2007, Series 2013 and Series 2014 are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's gas system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix, establish, revise from time to time whenever necessary, maintain and collect always, such fees, rates, rentals and other charges for the use of the product, services and facilities of the System which will always provide revenues in each year sufficient to pay, and out of such funds pay, 100% of the cost of operations and maintenance of the system in such year and all reserve and other payments provided for in the ordinances authorizing the bonds, along with one hundred twenty five percent (125%) of the bond service requirement due in such year on all outstanding bonds.

The Stormwater Revenue Refunding Bonds, Series 2012, Series 2013 and Series 2014 are limited obligations of the City payable solely from and secured by a lien upon and pledge of the net revenues of the City's stormwater management system (System). The pledge of the System's net revenues does not constitute a lien upon any property of the City. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix, revise from time to time whenever necessary, and maintain and collect always such fees, rates, rentals and other charges for use of the products, services, and facilities which will always provide net revenues in each year sufficient to pay one hundred fifteen percent (115%) of the bond service requirement becoming due in such fiscal year on the outstanding bonds. The City further covenants that such rates, fees, rentals and other charges will not be reduced so as to render them insufficient to provide revenues for such purpose. Additionally, the covenants of each of the above issues includes a "Reserve Requirement" equal to the lesser of: the Maximum Bond Service Requirement for any given year; 125% of the Average Annual Bond Service Requirement; or the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. A Reserve Fund has been funded for the Series 2012 Bonds.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 660,000	\$ 412,376	\$ 8,825,000	\$ 8,666,869
2017	685,000	380,437	9,160,000	8,292,441
2018	725,000	342,543	9,185,000	7,885,770
2019	760,000	302,634	9,570,000	7,464,076
2020	805,000	260,574	6,155,000	7,142,574
2021-2025	2,120,000	897,930	35,480,000	31,945,959
2026-2030	2,030,000	410,381	41,425,000	24,567,177
2031-2035	470,000	12,631	40,005,000	16,430,792
2036-2040	-	-	44,880,000	6,137,250
2041-2045	-	-	-	-
Totals	<u>\$ 8,255,000</u>	<u>\$ 3,019,506</u>	<u>\$ 204,685,000</u>	<u>\$ 118,532,908</u>

III.F.3. Pledged revenues

State of Florida and Pinellas County Payments Pledged: The City has pledged future revenues derived from payments received from the State of Florida pursuant to Section 212.20, Florida Statutes, and payments from Pinellas County, Florida pursuant to an Interlocal Agreement, together with any investment income earned on the revenues, to repay \$14.8 million in Spring Training Facility Revenue bonds issued in September 2002. Proceeds from the bonds provided financing for a portion of the costs of the acquisition, construction, rehabilitation, and equipping of a spring training facility to be used by the Philadelphia Phillies major league baseball team. The bonds are payable solely from the State of Florida and Pinellas County, Florida payments and are payable through March 2031. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$11,274,506. Principal and interest paid for the current year and total revenue received were \$1,073,606 and \$1,099,824 respectively.

Water and Sewer Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Water & Sewer Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

\$8.4 million in Water & Sewer Revenue Refunding bonds issued in October 2003. Proceeds from the bonds provided financing to refund and redeem the City's then outstanding Water and Sewer Revenue Refunding Bonds, Series 1993. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2018.

\$67.7 million in Water & Sewer Revenue bonds issued in May 2009. Proceeds from the bonds provided financing for the costs of design, acquisition, construction or reconstruction of capital improvements to the City's water and sewer system. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2039.

\$41.7 million in Water and Sewer Revenue Refunding bonds issued in May 2009. Proceeds from the bonds provided financing to refund and redeem the City's then outstanding Water and Sewer Revenue Refunding Bonds, Series 1998. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2018.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

\$47.0 million in Water and Sewer Revenue Refunding bonds issued in September 2011. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing after December 1, 2011 of the City's Water and Sewer Revenue Bonds, Series 2002. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2032.

\$27.5 million in Water and Sewer Revenue Refunding bonds issued in December 2014. Proceeds from the bonds provided financing to refund and redeem the outstanding principal maturing on and after December 1, 2019 of the City's Water and Sewer Revenue Bonds, Series 2006. The bonds are payable solely from the Water and Sewer Utility net revenues and are payable through December 2032.

Annual principal and interest payments on the bonds are expected to require less than 85 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$263,486,931. Principal and interest paid for the current year (\$13,559,914) required 55.1% of total net revenue (\$24,622,899).

Stormwater Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Stormwater Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

\$19.4 million in Stormwater Revenue Refunding bonds issued in February 2012. Proceeds from the bonds provided sufficient funds to be available on March 5, 2012 to pay and redeem the City's outstanding Stormwater Revenue Bonds, Series 2002. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$11.0 million in Stormwater Revenue Refunding bonds issued in June 2013. Proceeds from the bonds provided sufficient funds to pay and redeem the City's Stormwater Revenue Bonds, Series 2004, maturing after November 1, 2014. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$5.4 million in Stormwater Revenue Refunding bonds issued in August 2014. Proceeds from the bonds provided sufficient funds to pay and redeem the City's Stormwater Revenue Refunding Bonds, Series, 2005, maturing after November 1, 2014. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2029.

Annual principal and interest payments on the bonds are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$44,748,264. Principal and interest paid for the current year (\$2,459,086) required 37.3% of total net revenue (\$6,594,115).

Gas System Utility Net Revenues Pledged: The City has pledged future net revenues of the City of Clearwater, Florida, Gas System Utility defined as all income or earnings, including any income from the investment of funds, derived by the City from the operation of the utility after deduction of current expenses for the operation, maintenance and repair of the system, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation to repay:

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

\$7.4 million in Gas System Revenue Refunding Bonds issued in June 2013. Proceeds from the bonds provided financing to refund the outstanding principal of the Gas System Revenue Refunding bonds, Series 2004. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2026.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

\$5.4 million in Gas System Revenue Refunding Bonds issued in June 2014. Proceeds from the bonds provided financing to refund the outstanding principal of the Gas System Revenue Refunding bonds, Series 2005. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2027.

Annual principal and interest payments on the bonds are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$14,982,713. Principal and interest paid for the current year (\$1,337,775) required 11.6% of total net revenue (\$11,554,219).

III.F.4. Advance refunding of bonds

On December 9, 2014, the City issued \$27,520,000 at par value of Water & Sewer Revenue Refunding Bonds, Series 2014, for the purpose of redeeming on December 1, 2015, \$26,430,000 principal of Water & Sewer Revenue Bonds, Series 2006, maturing on or after December 1, 2019. The net proceeds in the amount of \$27,590,897 (after payment of \$77,481 plus additional cash of \$148,378 from released debt service reserve escrow), were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunding transaction resulted in an aggregate debt service reduction in the amount of \$3,162,339 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,242,720.

The outstanding principal of the refunded bonds at September 30, 2015 was \$26,430,000.

III.F. 5. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 8,890,000	\$ -	\$ (635,000)	\$ 8,255,000	\$ 660,000
Add (subtract) deferred amounts:					
For issuance premiums (discounts)	162,960	-	(21,232)	141,728	-
Net revenue bonds payable	9,052,960	-	(656,232)	8,396,728	660,000
Net pension liability	-	39,031,142	(33,614,056)	5,417,086	-
Lease purchase contracts (a)	9,259,856	8,315,252	(3,541,856)	14,033,252	4,197,598
Compensated absences (b)	7,363,289	4,771,485	(4,401,859)	7,732,915	4,379,741
Other postemployment benefits (c)	8,373,997	2,211,002	(1,058,208)	9,526,791	-
Claims payable (d)	10,245,358	13,091,624	(13,794,332)	9,542,650	2,208,800
Governmental activity					
Long-term liabilities	\$ 44,295,460	\$ 67,420,505	\$ (57,066,543)	\$ 54,649,422	\$ 11,446,139
Business-type activities:					
Revenue bonds payable	\$ 211,835,000	\$ 27,520,000	\$ (34,670,000)	\$ 204,685,000	\$ 8,825,000
Less deferred amounts:					
For issuance premiums (discounts)	2,681,927	-	(368,298)	2,313,629	-
Net revenue bonds payable	214,516,927	27,520,000	(35,038,298)	206,998,629	8,825,000
Net pension liability	-	12,049,385	(10,377,067)	1,672,318	-
Lease purchase contracts (a)	296,549	155,355	(172,931)	278,973	128,533
Compensated absences (b)	1,913,053	1,207,761	(1,132,067)	1,988,747	1,126,380
Other postemployment benefits (c)	3,442,334	1,194,327	(571,617)	4,065,044	-
Unearned revenue	187,113	-	-	187,113	-
Business-type activity					
Long-term liabilities	\$ 220,355,976	\$ 42,126,828	\$ (47,291,980)	\$ 215,190,824	\$ 10,079,913

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

- (a) Governmental activities lease purchase contract additions of \$8,315,252 includes \$8,233,473 attributable to internal service funds and \$81,779 attributable to governmental funds. The lease purchase contracts reduction of \$3,541,856 includes \$3,248,380 for internal service funds and \$293,476 for governmental funds.
- (b) Compensated absences are paid by the fund where salaries are incurred, which is primarily the General Fund for governmental activities.
- (c) Since the plan's inception in fiscal 2008, other postemployment benefits costs are allocated to and paid by funds based on their percentage of full time equivalent employees, which is primarily the General Fund for governmental activities.
- (d) The Central Insurance Fund, an internal service fund, accrues for estimated claims and pays claims for all departments.

III.G. Restricted assets

Restricted assets are classified as current or noncurrent on the Statement of Net Position on the basis of the underlying liabilities payable from the restricted assets.

III.G.1. Water and Sewer Utility Fund

Assets in the Water and Sewer Utility Fund restricted for construction include:

Sewer Improvement charges, the use of which is restricted by the authorizing ordinance to the construction of additions to the sewer system; assets remaining at September 30, 2015, are:

Cash and Investments	\$1,756,629
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Assets of the Water and Sewer Utility Fund restricted under the provisions of the ordinances authorizing the issuance of Water and Sewer Revenue Bonds consisted of the following at September 30, 2015:

Water and Sewer Revenue Bonds Debt Service:

Cash and Investments	21,417,095
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Water and Sewer Revenue Bonds Renewals and Replacements:

Cash and Investments	12,344,577
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Due from Other Governmental Entities for advances to the Florida Department of Transportation for utility relocations related to improvements to State Road 590 west of Marilyn Street to east of Audrey Drive	425,741
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Assets of the Water and Sewer Utility Fund representing Customers' Deposits and therefore restricted, consisting entirely of Cash and Investments at September 30, 2015	<u>3,191,015</u>
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Total restricted assets – Water and Sewer Utility Fund	<u>\$39,135,057</u>
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City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

III.G.2. Gas Utility Fund

Assets in the Gas Utility Fund restricted under the provisions of the ordinance authorizing the issuance of revenue bonds consisted of the following at September 30, 2015:

Gas System Revenue Bonds

Debt Service:

Cash and Investments	\$ 110,953
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Renewals and Replacements:

Cash and Investments	300,000
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Assets of the Gas Utility Fund representing Customers' Deposits at September 30, 2015:

Cash and Investments	<u>2,790,990</u>
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Total restricted assets – Gas Utility Fund	<u>\$ 3,201,943</u>
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III.G.3. Solid Waste & Recycling Utility Fund

Restricted assets in the Solid Waste & Recycling Utility Fund represent customer deposits in the amount of \$1,065,879 at September 30, 2015, and consisted entirely of Cash and Investments.

III.G.4. Stormwater Utility Fund

Assets restricted under the provisions of the ordinances for the issuance of revenue bonds consisted of the following at September 30, 2015:

Stormwater Revenue Refunding Bonds – Series 2012

Debt Service: Cash and Investments	\$2,259,344
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Stormwater Revenue Refunding Bonds – Series 2013

Debt Service: Cash and Investments	576,087
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Stormwater Revenue Refunding Bonds – Series 2014

Debt Service: Cash and Investments	<u>332,183</u>
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Total restricted assets – Stormwater Utility Fund	<u>\$ 3,167,614</u>
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III.G.5. Parking System Fund

Assets in the Parking System restricted under the provisions of a development agreement between L.O.M., Inc. and the City of Clearwater as of September 30, 2015:

Equity in Pooled Cash and Investments	\$ 9,300,000
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Total restricted assets – Parking System Fund	<u>\$ 9,300,000</u>
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City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

III.H. Fund Balances Classification

	General Fund	Special Development Fund	Capital Improvement Fund	Non-Major Governmental Funds
Non Spendable:				
Inventories	\$ 40,535	\$ -	\$ -	\$ -
Restricted for:				
General government	-	-	217,998	103,567
Public safety	-	-	6,596,131	2,029,204
Physical environment	-	18,083	672,053	1,170,890
Transportation	-	1,190,645	13,268,803	-
Economic environment	-	-	-	17,561,370
Human services	-	-	-	617,457
Culture and recreation	-	763,624	11,231,920	657,716
Debt service reserve	-	-	-	-
Infrastructure capital projects	-	1,139,770	-	-
Committed to:				
General government	-	-	4,452,294	309,030
Public safety	-	-	727,130	2,411,708
Physical environment	-	-	869,854	-
Transportation	-	253,297	6,098,159	-
Economic environment	-	-	-	713,599
Human services	-	-	-	5,882
Culture and recreation	-	-	4,157,145	169,534
Assigned to:				
General government	118,653	-	-	138,562
Public safety	85,886	-	-	1,491,387
Physical environment	-	-	-	393,219
Transportation	29,300	-	-	-
Economic environment	15,079	-	-	697,568
Human services	-	-	-	209,336
Culture and recreation	197,891	23,912	-	69,036
Infrastructure capital projects	-	4,791,632	-	-
Unassigned	31,539,617	-	(1,223,384)	(1,329,866)
Total Fund Balances	<u>\$ 32,026,961</u>	<u>\$ 8,180,963</u>	<u>\$ 47,068,103</u>	<u>\$ 27,419,199</u>

General Fund assigned fund balance (\$446,809) relates to encumbrances.

In the Special Development Fund, restricted amounts relate to collections from drainage fees (\$18,083), sidewalk fees (\$152,337), transportation impact fees (\$890,080), local option gas tax (\$148,228), recreation impact fees (\$763,624) and the local infrastructure sales tax (\$1,139,770). Committed amounts relate to the portion of property tax revenues that is set

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

aside in the budget process to provide funding for road maintenance projects (\$253,297). Assigned amounts relate to interest earned on recreation impact fees (\$23,912) and local infrastructure sales tax balances (\$4,791,632).

Amounts in the Capital Improvement Fund all relate to funding for various capital projects.

Significant restrictions in the non-major governmental funds include public safety restrictions for law enforcement programs (\$2,000,592) and EMS programs (\$28,612); and economic environment restrictions for economic development programs (\$781,425), low income housing (\$7,417,837) and community redevelopment (\$9,362,108). Significant commitments include commitments to public safety for police vehicles (\$153,221), emergency operations (\$2,184,981) and law enforcement programs (\$73,506). Assigned amounts relate to interest earned on program balances for general government (\$138,562), public safety (\$1,491,387), physical environment (\$393,219), economic environment (\$502,072), human services (\$209,336), and culture and recreation (\$69,036). Additional amounts assigned for economic environment purposes are for low income housing (\$173,414) and community redevelopment (\$22,082).

Note IV - Other Information

IV.A. Risk management

The City is self-insured within certain parameters for losses arising from claims for general liability, auto liability, police professional liability, public official's liability, property damage, and workers' compensation. Insurance coverage has been maintained by the City to pay for or indemnify the City for losses in excess of certain specific retentions and up to specified maximum limits in the case of claims for liability, property damage, and workers' compensation. The liability excess coverage is \$7,000,000 per occurrence (\$14,000,000 aggregate) with self-insured retention of \$500,000. There is workers' compensation coverage to the statutory limit, with self-insured retention of \$600,000. The property damage excess coverage is \$500,000 per occurrence after either a \$100,000 self-insured retention for perils other than a named storm or 5% self-insured retention for named storm with a \$500,000 minimum. Settled claims have not exceeded excess coverage in any of the past three years.

On October 17, 2012, City Council authorized a partial self-insured funding arrangement with Cigna for health insurance effective for the plan year beginning January 1, 2013. Per this arrangement, the City is self-insured for medical and pharmacy claims up to \$250,000 per person per year. The City has purchased stop loss insurance from Cigna which covers 50% of individual claims for any amount of the claim between the amounts of \$250,000 and \$350,000 and covers 100% of individual claims for any amount of the claim exceeding the amount of \$350,000 per person per year. In accordance with the fully insured arrangement between the City and Cigna prior to January 1, 2013, the City has no liability for health insurance claims incurred prior to this date. The City estimates a liability for health insurance claims incurred but not yet paid as of September 30, 2015 in the amount of \$1,018,650.

The transactions relating to the self-insurance program are accounted for in the Central Insurance Fund, an internal service fund. The billings by the Central Insurance Fund to the various operating funds (the interfund premiums) are based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability reported at September 30, 2015, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Changes in the claims liability amounts in fiscal years 2014 and 2015 were:

	Self Insurance
Balance at September 30, 2013	\$ 10,403,285
Current year claims and changes in estimates	12,280,379
Claims paid	<u>(12,438,306)</u>
Balance at September 30, 2014	10,245,358
Current year claims and changes in estimates	13,091,624
Claims paid	<u>(13,794,332)</u>
Balance at September 30, 2015	<u>\$ 9,542,650</u>

IV.B. Statements of cash flows

For purposes of the statements of cash flows, investments with original maturities of three months or less are considered to meet the definition of cash equivalents. The majority of the investments in which the City's proprietary funds have equity are held by the City's consolidated pool of cash and investments. Since fund equities in this cash management pool have the general characteristics of demand deposits in that additional funds may be deposited at any time and also funds may be withdrawn at any time without prior notice or penalty, each fund's equity account is considered a cash equivalent regardless of the maturities of investments held by the pool. Funds with deficit (overdraft) positions within the consolidated pool report the deficits as interfund payables to the City's Capital Improvement Fund.

IV.D. Employee retirement systems and pension plans

IV.D.1. Defined benefit pension plans

The City contributes to two separate single-employer, self-administered defined benefit pension plans covering approximately three-fourths of all City employees. The Employees' Pension Plan covers all permanent, full-time City employees who successfully pass the required physical examination, except for firefighters employed prior to July 1, 1963, and certain unclassified (primarily managerial) employees. The Firefighters' Relief and Pension Plan covered eligible firefighters hired prior to July 1, 1963, and is closed to new entrants. As indicated, both plans are self-administered, and the administrative costs of the plans are financed from the respective plan assets.

Each pension fund is accounted for as a pension trust fund; therefore each is accounted for in substantially the same manner as proprietary funds with an economic resources measurement focus and the accrual basis of accounting. Fund assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Detailed information about each plan's fiduciary net position is available on pages 98-103 and pages 128-129 of this Comprehensive Annual Financial Report. Neither of these plans issues a stand-alone financial report.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

The **Employees' Pension Plan** is authorized by and operates under the provisions of Sections 2.391 through 2.428 of the Municipal Code of the City of Clearwater. Sections 2.391 through 2.401 apply to those participants who attained a vested benefit and terminated employment prior to January 1, 2013. Sections 2.410 through 2.428 apply to those participants who are actively employed by the City of Clearwater as of or after January 1, 2013. Plan provisions have been duly approved as required by the voters in referendums. There were no changes to either the plan provisions or the actuarial assumptions during the plan year.

Management of the Employees' Pension Plan is vested in the Clearwater City Council, serving as the Pension Trustees.

Plan membership/Employees covered by benefit terms. As of the most recent actuarial valuation date, January 1, 2015, the membership of the Employees' Pension Plan was as follows:

	Employees' Pension Plan
Retirees and beneficiaries currently receiving benefits	1,125
Terminated employees entitled to benefits but not yet receiving them	69
Active employees	1,482
Total number of participants	<u>2,676</u>

Benefits provided. The normal retirement benefit is a monthly benefit equal to 2.75% of average monthly compensation (2.00% for participants in non-hazardous duty hired on or after January 1, 2013) for the highest five of the final ten years of service multiplied by the number of years of service to date of retirement. Eligibility for normal retirement occurs upon completion of 10 years of service and the attainment of age 65, or completion of 20 years of service and the attainment of age 55, or completion of 30 years of service regardless of age, for employees hired before January 1, 2013 who are engaged in non-hazardous duty. For employees hired on or after January 1, 2013 who are engaged in non-hazardous duty, eligibility for normal retirement occurs upon completion of 25 years of service and attainment of age 60 or completion of 10 years of service and attainment of age 65. For those engaged in hazardous duty, eligibility occurs upon completion of 20 years of service or upon completion of 10 years of service and attainment of age 55. For all hazardous duty participants and non-hazardous duty participants eligible to retire as of January 1, 2013, the normal monthly benefit is payable for the life of the participant and will continue, after the participant's death, to be paid at the same amount for 5 years to the surviving spouse; after 5 years, the survivor annuity is reduced to 50% of the original amount and ceases upon death or remarriage of the spouse. For non-hazardous duty participants not eligible to retire as of January 1, 2013, the normal benefit is a monthly annuity paid for the life of the participant. There are several other benefit payment options that are computed to be the actuarial equivalent of the normal benefit. The plan provides for an annual cost of living increase of up to 1.5% for benefits accrued prior to January 1, 2013. For non-hazardous duty members, there is a five-year delay until the cost of living increase is applied to benefits accrued after January 1, 2013, and for hazardous duty members, there is no cost of living increase for benefits accrued after January 1, 2013. The plan also provides for disability and death benefits, vesting after completion of 10 years of service and the refund of employee contributions in case of a non-vested termination. Covered employees in non-hazardous duty and employees in hazardous duty who are eligible to retire as of January 1, 2013 contribute 8% of their compensation. Covered employees in hazardous duty who are not eligible to retire as of January 1, 2013 contribute 10% of their compensation. It is the City's obligation to provide a sufficient additional contribution to maintain the actuarial soundness of the fund but, in any event, not less than 7% of participating employee's compensation per the ordinance governing the plan.

Contributions. Employer contributions are made in equal installments during the first two quarters of the fiscal year based upon the actuarially determined percentage of payroll and the actual payroll payable at the time contributions are made. The minimum required City contribution is 7% of covered payroll. Member contributions are made continuously throughout the year.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Investment policy. The Employees' Pension Plan investment policy was adopted by the Pension Trustees on December 13, 2011. The policy requires an annual review by the Pension Investment Committee with a recommendation to the Pension Trustees to confirm or revise. The following was the Trustees' adopted asset allocation policy as of September 30, 2015:

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

The Employees' Pension Plan has invested in real estate and timber limited partnership funds. The strategies of these funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. These investments partnerships are valued using their respective net asset value (NAV), and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors, and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. All timber acquisitions are valued per an independent expert third party appraisal within one year of acquisition and similar independent third party appraisals of fair value are conducted at least every three years thereafter.

Concentrations. As of September 30, 2015, the Employees' Pension Plan held no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits.

Rate of return. For the fiscal year ended September 30, 2015, the annual money-weighted rate of return on investments of the Employees' Pension Plan, net of pension plan investment expense, was (0.03)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Net pension liability. The components of the net pension liability of the City for the Employees' Pension Plan at September 30, 2015, were as follows:

Total pension liability	\$ 847,358,253
Plan fiduciary net position	840,268,849
City's net pension liability	<u>\$ 7,089,404</u>
Plan fiduciary net position as a percentage of the total pension liability	99.16%

The changes in the net pension liability of the City for the Employees' Pension Plan for the year ending September 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/14	<u>\$ 819,598,826</u>	<u>\$ 863,589,949</u>	<u>\$ (43,991,123)</u>
Changes for the year:			
Service cost	14,585,979	-	14,585,979
Interest	56,983,247	-	56,983,247
Differences between expected and actual experience	(3,532,969)	-	(3,532,969)
Contributions - employer	-	14,923,098	(14,923,098)
Contributions - employee	-	6,483,666	(6,483,666)
Contributions - state tax	-	12,000	(12,000)
Net investment income	-	(4,165,092)	4,165,092
Benefit payments, including refunds of employee contributions	(40,276,830)	(40,276,830)	-
Administrative expense	-	(297,942)	297,942
Net changes	<u>27,759,427</u>	<u>(23,321,100)</u>	<u>51,080,527</u>
Balances at 9/30/15	<u>\$ 847,358,253</u>	<u>\$ 840,268,849</u>	<u>\$ 7,089,404</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2015 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2015 (Measurement Date):

Inflation	2.50%
Salary increases	3.50% to 7.90% depending on service, including inflation
Investment rate of return	7.00% net of investment expense

City of Clearwater, Florida
Notes to the Basic Financial Statements
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Mortality rates were based on the fully generational RP-2000 Combined Healthy Participant Mortality Tables for males and females. Mortality improvements are projected to all future years from the year 2000 using Scale BB.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an experience study of the 5-year period from January 1, 2007 to January 1, 2012. There were no benefit or assumption changes during the year.

Long-term expected rate of return. The long-term expected rate of return on investments of the Employees' Pension Plan was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2015, these best estimates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Growth	6.70%
Large Cap Value	6.60%
Mid Cap Growth	7.70%
Mid Cap Value	7.30%
Small Cap Growth	8.40%
Small Cap Value	8.00%
Intermediate Fixed	2.00%
International Equity	7.10%
Emerging Markets Equity	9.80%
Private Real Estate - Core	4.80%
US REITS	5.80%
Timber	4.70%

Discount rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Employee Pension Plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

1% Decrease 6.00%	Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 117,815,456	\$ 7,089,404	\$ (83,780,938)

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended September 30, 2015, the City recognized pension expense of \$17,655,817 for the Employees' Pension Plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,796,933	\$ (2,796,933)
Net differences between projected and actual earnings on pension plan investments	51,156,742	-	51,156,742
Total	<u>\$ 51,156,742</u>	<u>\$ 2,796,933</u>	<u>\$ 48,359,809</u>

Amounts reported as deferred outflows or resources and deferred inflows on resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2016	\$	12,053,151
2017		12,053,151
2018		12,053,151
2019		12,200,356
2020		-
Thereafter		-
	<u>\$</u>	<u>48,359,809</u>

The **Firefighters' Relief and Pension Plan** is authorized and operated under the provisions of Subpart B, Article I (Laws of Florida, Chapter 30658, 1955 and amendments), Sections 1 through 27 of the Municipal Charter and Related Law of the City of Clearwater and Chapter 26, Article III, Sections 26.50 through 26.52 of the Municipal Code of the City of Clearwater. Since the last actuarial valuation as of October 1, 2014, the Mortality Assumption for retired participants has changed from the 1994 Unisex Mortality Table projected to 2010 using Scale AA, to the RP2000 table projected to 2020 using Scale BB. There is no change to the tables used for disabled participants.

Management of the Firefighters' Relief and Pension Plan rests with the Board of Trustees, which consists of the Mayor, the Fire Chief and three members of the Fire Department, which can be either active or retired members of the Firefighters' Relief and Pension Plan, as stipulated in Chapter 2008-287, Laws of Florida. If no one is available to stand for election or to participate in the voting, then members of the Board of Trustees will be appointed by the City Council from membership of the City Council.

Plan membership/Employees covered by benefit terms. As of the most recent actuarial valuation date, October 1, 2015, the membership of the Firefighters' Relief and Pension Plan was as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

	Firefighters' Relief and Pension Plan
Retirees and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	-
Total number of participants	<u>22</u>

Benefits provided. The normal retirement benefit is a monthly benefit in the amount of 50% of the prevailing wage at the date of retirement of the lowest rank held by the participant during the three years immediately preceding retirement plus 2% of such prevailing wage for each year of service in excess of 20 years up to a maximum of 60%. Participants retiring at the age of 65 years are entitled to a benefit of 60% of the prevailing wage of the lowest rank held by the participant during the three years immediately preceding retirement. The ending rate of pay specified above may not exceed the highest rate of pay for the rank of Captain. Eligibility for normal retirement occurs upon completion of 20 years of service or attainment of age 65. The monthly benefits are payable for the life of the participant and continue, after the participant's death, to be paid to certain eligible surviving beneficiaries at an amount that is one-half of the amount received by the participant. Benefits are also provided for children of the deceased participant who are less than 18 years of age subject to certain limitations as to amount. The plan also provides for disability and death benefits and for vesting upon completion of at least 12 years of service. The plan provides for post retirement cost of living increases equal to the increase in the prevailing wage for the rank at which the participant retired with a limitation for those retiring on or after January 1, 1972, of 100% of the initial pension benefit for total cost of living increases. Participating employees are required to contribute 6% of their salaries up to the equivalent of the salary of a fireman holding the rank of Captain. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), is fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future valuations show an actuarial need for such.

Contributions. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), was fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future annual valuations show an actuarial need for such.

Investment policy. The Firefighters' Relief and Pension Plan investment policy was adopted on September 28, 2000. It must be reviewed annually by the Board of Trustees. The following was the adopted asset allocation policy as of September 30, 2015:

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

Concentrations. As of September 30, 2015, the Firefighters' Relief and Pension Plan held no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net position available for benefits.

Rate of return. For the fiscal year ended September 30, 2015, the annual money-weighted rate of return on investments of the Firefighters' Relief and Pension Plan, net of pension plan investment expense, was 4.315 %. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Net pension liability/(asset). The components of the net pension liability/(asset) of the City for the Firefighters' Relief and Pension Plan at September 30, 2015, were as follows:

Total pension liability	\$ 3,771,835
Plan fiduciary net position	4,615,299
City's net pension liability	<u>\$ (843,464)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.36%

The changes in the net pension liability of the City for the Firefighters' Relief and Pension Plan for the year ending September 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/14	<u>\$ 3,797,780</u>	<u>\$ 4,860,303</u>	<u>\$ (1,062,523)</u>
Changes for the year:			
Service cost	-	-	-
Interest	100,650	-	100,650
Differences between expected and actual experience	114,258	-	114,258
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	199,776	(199,776)
Benefit payments, including refunds of employee contributions	(442,775)	(442,775)	-
Administrative expense	-	(2,005)	2,005
Other changes	201,922	-	201,922
Net changes	<u>(25,945)</u>	<u>(245,004)</u>	<u>219,059</u>
Balances at 9/30/15	<u>\$ 3,771,835</u>	<u>\$ 4,615,299</u>	<u>\$ (843,464)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015 (Valuation Date), using the following actuarial assumptions, applied to September 30, 2015 (Measurement Date):

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

City of Clearwater, Florida
Notes to the Basic Financial Statements
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Mortality rates were based on the RP2000 table projected to 2020 using Scale BB for retired participants. Mortality rates for disabled participants were based on PBGC Tables 3 and 4 for males and females, respectively. There is no projection of mortality improvement due to the small number of participants and their advanced age.

Long-term expected rate of return. Because the Firefighters' Relief and Pension Plan is limited to investments in fixed income securities and pooled cash, the long-term expected rate of return will approximate the discount rate of 3.00%.

Discount rate. A discount rate of 3.00% was used to measure the total pension liability. The discount rate was based on the actuary's expectation of future yields and consideration of the City's projection of future weighted yield based on current asset holdings.

Sensitivity of the net pension liability/(asset) to changes in the discount rate. The following presents the Firefighters' Relief and Pension Plan's net pension liability/(asset), calculated using a discount rate of 3.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

1% Decrease 2.00%	Discount Rate Assumption 3.00%	1% Increase 4.00%
\$ (642,860)	\$ (843,464)	\$ (1,027,253)

Pension expense. For the year ended September 30, 2015, the City recognized pension expense of \$0 for the Firefighters' Relief and Pension Plan.

IV.D.2. Police Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible policemen, which is funded by earmarked revenues received from the State and is administered by the Board of the Police Supplemental Pension Plan. The revenues received from the State are allocated among eligible police officers on the basis of days employed as Clearwater Police Officers. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, totaled \$908,419 for the year ended September 30, 2015, and are obtained from an eighty-five one hundredths of one percent (0.85%) excise tax on the gross receipts from premiums collected on casualty insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund police department expenditures in the current year. The current year contributions represent 4.95% of current year covered payroll. The fair value of cash and investments at September 30, 2015, totaled \$17,777,724.

The Police Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.471 through 2.480 of the Municipal Code of the City of Clearwater and Chapter 185 of Florida Statutes. Under the plan provisions, the total monies received during each fiscal year, after payment or provision for all costs and expenses of management and operation of the plan, are allocated to participants on the basis of the total number of shares to which each participant is entitled. Each participant is entitled to one share in the fund for each day of service as a police officer of the City.

All police officers, as defined in Section 26.70(g) of the Code of Ordinances of the City of Clearwater, who are elected, appointed, or employed full-time by the City are eligible to participate in the plan. There are no employee contributions to the supplemental plan. Benefits are fully vested for a lump sum distribution after twenty years from the date of hire, with provision for partial vesting after ten or more years under the plan. Accumulated benefits are payable in full in case of

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

death while employed by the City or in case of total and permanent job-related disability. Non-vested participants' account values upon termination of employment during any fiscal year are added to the monies received during that fiscal year for allocation to the remaining participants in the plan on the basis of total days worked.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2015, the payroll of the covered officers' was \$18,347,664; the City's total payroll for the same period was \$86,804,948.

Since the entitlement to benefits is based entirely upon the allocation of monies received by the plan to the participants' share accounts, there is no actuarial liability on the part of either the State or the City.

IV.D. 3. Firefighters Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible firefighters, which is funded by earmarked revenues received from the State and is administered by the Board of the Clearwater Firefighters Supplemental Pension Plan. The revenues received from the State are allocated among eligible firefighters on the basis of days worked during the previous year. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, amounted to \$1,171,812 in the year ended September 30, 2015, and are obtained from a one and eighty-five one hundredths percent (1.85%) excise tax on the gross receipts from premiums collected on property insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund fire department expenditures in the current year. The contributions represent 9.0% of current year covered payroll. The fair value of cash and investments at September 30, 2015, totaled \$16,871,766.

As the plan is described as a money purchase pension plan, whereby contributions are allocated based on the number of days worked during the fiscal year ended September 30, and interest earnings allocated based on the beginning balances in each participant's account, there is no actuarial liability on the part of the State or the City.

The Firefighters Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.441 through 2.455 of the Municipal Code of the City of Clearwater and Chapter 175 of Florida Statutes. Eligibility requires two years of credited calendar year service as a firefighter with concurrent participation in the Employees' Pension Plan. There is no employee contribution to the supplemental plan, and benefits are vested for a lump sum distribution at ten years unless there is early retirement, disability or death. Non-vested participants' account values upon termination of employment are reallocated among the remaining participants on the basis of days worked during the previous year.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2015, the covered payroll was \$13,669,674; the City's total payroll for the same period was \$86,804,948.

IV.D.4. Pension Plan Financial Statements

Separate financial statements are provided in the Notes per the guidance of GASB Statement No. 34 as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Statement of Fiduciary Net Position:

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters Supplemental Pension Fund
ASSETS				
Cash and investments	\$ 664,633	\$ 2,452,915	\$ 9,263	\$ -
Managed investment accounts, at fair value:				
Cash and cash equivalents	20,079,929	-	807,131	420,882
Government bonds	74,327,584	-	-	981,264
Index linked government bonds	2,024,881	-	-	-
Agency bonds	4,677,463	2,131,601	-	-
Domestic corporate bonds	93,432,687	-	-	2,612,955
International equity securities	68,841,663	-	661,258	134,742
Domestic stocks	385,095,014	-	9,594,426	3,631,667
Mortgage backed bonds	65,823,726	-	-	1,457,116
Asset backed securities	8,083,271	-	-	-
Other/Rights/Warrants	184,045	-	-	-
Domestic equity mutual funds	37,540,241	-	4,568,761	4,253,733
International equity mutual fund	34,071,336	-	2,136,885	1,136,840
Real estate	56,847,854	-	-	2,242,567
Total managed investment accounts	851,029,694	2,131,601	17,768,461	16,871,766
Securities lending collateral	196,139,408	-	-	-
Receivables:				
Interest and dividends	2,473,707	30,783	10,199	52,261
Unsettled investment sales	4,793,812	-	-	-
Securities lending earnings	27,041	-	-	-
Due from others	15,028	-	-	-
Total receivables	7,309,588	30,783	10,199	52,261
Total assets	1,055,143,323	4,615,299	17,787,923	16,924,027
LIABILITIES				
Accounts payable	921,265	-	-	-
Unsettled investment purchases	17,813,801	-	-	-
Obligations under securities lending	196,139,408	-	-	-
Total liabilities	214,874,474	-	-	-
FIDUCIARY NET POSITION				
Net position restricted for pension benefits	\$ 840,268,849	\$ 4,615,299	\$ 17,787,923	\$ 16,924,027

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Statement of Changes in Fiduciary Net Position:

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters Supplemental Pension Fund
ADDITIONS				
Contributions:				
Contributions from employer	\$ 14,923,098	\$ -	\$ -	\$ -
Contributions from employer - state tax	12,000	-	908,419	1,171,812
Contributions from employees	6,483,666	-	-	-
Total contributions	21,418,764	-	908,419	1,171,812
Investment income (loss):				
Net appreciation in fair value of investments	(17,161,321)	91,553	(877,078)	(881,548)
Interest	9,301,014	108,223	531	213,510
Dividends	8,385,894	-	221,986	1,017,954
	525,587	199,776	(654,561)	349,916
Less investment expenses:				
Investment management / custodian fees	(5,102,757)	-	(22,589)	(99,401)
Net income from investing activities	(4,577,170)	199,776	(677,150)	250,515
Securities lending income:				
Gross earnings	603,784	-	-	-
Rebate received	29,839	-	-	-
Bank fees	(221,545)	-	-	-
Net income from securities lending	412,078	-	-	-
Total additions	17,253,672	199,776	231,269	1,422,327
DEDUCTIONS				
Benefits and withdrawal payments:				
Benefits	39,276,003	442,775	1,516,743	912,875
Withdrawal payments	1,000,827	-	-	-
Total benefits and withdrawal payments	40,276,830	442,775	1,516,743	912,875
Income (loss) before administrative expenses	(23,023,158)	(242,999)	(1,285,474)	509,452
Administrative expenses	(297,942)	(2,005)	(13,478)	(30,491)
Net increase (decrease)	(23,321,100)	(245,004)	(1,298,952)	478,961
Fiduciary net position restricted for pensions				
Fiduciary net position - beginning (as previously reported)	863,589,949	4,860,303	19,086,875	17,676,345
Correction of an error (See Note IV.K.)	-	-	-	(1,231,279)
Fiduciary net position - beginning (as restated)	863,589,949	4,860,303	19,086,875	16,445,066
Fiduciary net position - ending	\$ 840,268,849	\$ 4,615,299	\$ 17,787,923	\$ 16,924,027

City of Clearwater, Florida
Notes to the Basic Financial Statements
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IV.D.5. 401(a) defined contribution plan

For all management employees not covered under either of the defined benefit pension plans, the City provides pension benefits through a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are participants from the date of employment and are fully vested upon enrollment. The plan is totally contributory on the part of the City in an amount equal to 15% of compensation on behalf of the City Manager and the City Attorney and 8% of compensation on behalf of all other management contract employees and Assistant City Attorneys. The City makes bi-weekly contributions to the Trust throughout the plan year to meet its funding obligations under the plan. Plan provisions and contribution requirements are established and may be amended by the City Council.

The International City Management Association Retirement Corporation (ICMA-RC), the trustee for the defined annuity, offers participants a variety of investment options.

The City's total payroll for the fiscal year ended September 30, 2015 was \$86,804,948. The Plan members' payroll for the same period totaled \$4,233,550. The City's contribution, per the above contribution rates, totaled \$363,538. The assets, reported at fair value based on quoted market prices, totaled \$6,982,489 at September 30, 2015.

IV.D.6. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, Federal legislation converted the Section 457 deferred compensation assets from City assets to employee assets. As a result of these changes, plan assets are no longer subject to the claims of the City's general creditors.

Consequently, these assets are no longer reported in the accompanying financial statements, in compliance with GASB Statement No. 32.

IV.E. Post-employment Benefits Other Than Pension

Plan Description - The City of Clearwater administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance benefits to its employees and their eligible dependents. Because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required by Section 112.0801 of the Florida Statutes to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Council and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. Additionally the City provides and pays for \$1,000 of term life insurance for retirees who retired before October 1, 2008. The term life insurance benefit provision was also established, and may be amended, by action of the City Council. The City does not issue stand-alone financial statements for these programs.

Funding Policy - Contribution rates for the Plan are established on an annual basis by the City Council. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for health insurance and 0% of the cost for the \$1,000 term life insurance. For the year ended September 30, 2015, the estimated retiree contributions for health insurance premiums totaled \$1,358,083. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees, constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is

City of Clearwater, Florida
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For the Year Ended September 30, 2015

considered an “other post-employment benefit” (OPEB) obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended September 30, 2015, the City estimated it subsidized \$1,611,464 of health care costs for retirees and their covered dependents, and \$18,361 of life insurance benefits for retirees.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan, including both the implicit rate subsidy for health insurance and the term life insurance benefit:

Annual required contribution	\$ 3,446,429
Interest on net OPEB obligation	472,653
Adjustment to annual required contribution	<u>(513,753)</u>
Annual OPEB cost (expense)	3,405,329
Contributions made	<u>(1,629,825)</u>
Increase in net OPEB obligation	1,775,504
Net OPEB obligation - beginning of year	<u>11,816,331</u>
Net OPEB obligation - end of year	<u><u>\$ 13,591,835</u></u>

The actuarially determined contribution requirements for the City’s fiscal year ended September 30, 2015, are based on an actuarial valuation as of January 1, 2014, supplemented by an actuarial roll-forward to adjust the results to be applicable to the fiscal year ending September 30, 2015.

No trust or agency fund has been established for the plan and there were no adjustments to the annual required contribution or interest earnings.

The City’s annual required contribution, the employer contributions made to the plan, and the percentage of the annual required contribution that was contributed for the fiscal year ending September 30, 2015, are presented below:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Costs Contributed	Net OPEB Obligation
9/30/2013	\$ 2,935,226	44.05%	\$ 9,721,023
9/30/2014	\$ 3,298,390	36.47%	\$ 11,816,331
9/30/2015	\$ 3,405,329	47.86%	\$ 13,591,835

As of September 30, 2015, the accrued liability for benefits was \$34,091,536, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$72.7 million and the ratio of the unfunded actuarial liability (UAL) to covered payroll was 46.9%.

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

City of Clearwater, Florida
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valuations for other post-employment benefits involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and consequently actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

For the September 30, 2015 report, the entry age normal actuarial cost method was used, with an increasing normal cost pattern consistent with the salary increase assumptions. The Unfunded Actuarial Accrued Liability (UAAL) reflects a 23-year, closed level percent of expected payroll amortization method. The actuarial assumptions included a 4.0% investment rate of return and projected salary increases of 6.0%, which reflects the general wage inflation assumption of 2.5% in addition to merit and seniority increases of 3.5%. The rates for salary increases, rates of disability, rates of termination and rates of retirement are the same as used by the Pension Plan Actuary.

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

IV.F. Securities lending transactions

The City of Clearwater Employees' Pension Plan participates in securities lending transactions, as authorized by the Pension Trustees on April 14, 2003, via a Securities Lending Authorization Agreement with Northern Trust Company, who is also the pension plan's custodian. Securities are loaned versus collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. government securities are loaned versus collateral at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral at 105% of the fair value plus any accrued interest. The Plan's investment policy places no restrictions on the amount of securities that can be loaned.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower. The average term for the pension plans loans at September 30, 2015 was 38 days. If a borrower fails to return the loaned security because of bankruptcy, insolvency, reorganization, liquidations, receivership, conservatorship, or a similar event, Northern Trust Company shall, at its expense, credit the City with the difference between the fair value of such loaned security and the fair value of the related collateral. At September 30, 2015, there was no failure by a borrower to return a loaned security.

Cash "open" collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 38 days as of September 30, 2015. Cash collateral may also be invested separately in "term loans" in which investments match the loan term. These term loans may be terminated on demand by either the lender or the borrower.

There were no significant violations of legal or contractual provisions, nor any borrower or lending agent defaults known to the securities lending agent. The Plan did not impose any restrictions on the amount of loans made by Northern Trust during fiscal year 2015.

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

City of Clearwater, Florida
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The following is a summary of securities on loan and their collateral at fair value:

Security Type	Securities Collateralized by Cash		Securities Collateralized by Non- Cash	
	Loaned Securities	Cash Collateral	Loaned Securities	Cash Collateral
U.S. Equity	\$ 144,184,644	\$ 145,834,197	\$ -	\$ -
U.S. Corporate Fixed	7,924,418	8,032,464	-	-
U.S. Government Fixed	40,936,631	41,673,939	-	-
Global Equities	573,348	598,808	-	-
Total	<u>\$ 193,619,041</u>	<u>\$ 196,139,408</u>	<u>\$ -</u>	<u>\$ -</u>

On the statement of fiduciary net position, a securities lending asset of \$196,139,408 was reported that represents the fair value of the investments made with cash collateral at September 30, 2015. In addition, a securities lending obligation of \$196,139,408 was reported that represents the collateral that the City is required to maintain to cover the fair value of the loaned securities.

IV.G. Contingencies and commitments

Loan Guarantee - PACT, Inc.

PACT, Inc. is a nonprofit corporation formed in 1978, for the purpose of financing, constructing, and operating a performing arts center. Per a Guaranty Agreement dated May 18, 2001, the City guaranteed \$1,000,000 on a \$5,000,000 mortgage note for PACT, Inc., used to refinance a previous mortgage with a similar City guarantee. City management does not consider it probable that this guarantee will be called, and, accordingly, no amounts have yet been accrued or otherwise recorded in the accompanying financial statements to reflect this possibility.

Loan Guarantee – Chi Chi Rodriguez Youth Foundation, Inc.

On March 30, 1992, the City Council approved a contingent loan guarantee of \$1,000,000 on a \$2,500,000 note for the Chi Chi Rodriguez Youth Foundation, Inc. The proceeds of the note were used to refinance existing foundation debt incurred to construct a golf course on a parcel of City-owned land. Subsequently, the note was refinanced with Variable Rate Demand Revenue Bonds (Chi Chi Rodriguez Youth Foundation Project), Series 1998, on August 1, 1998. In the event of default, the City is obligated to contribute \$1,000,000 out of legally available non-ad valorem revenues. In addition, the City has the option to retire the entire unpaid balance and assume ownership and operation of the golf course facility.

Pollution Remediation Claims Liabilities

Pursuant to GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the City is required to analyze known polluted sites to determine future component cost outlays, including estimation where required, for pollution remediation. At September 30, 2014, accruals totaled \$478,503 consisting of \$7,859 for removal of hydraulic lifts at various parcels which comprise the Prospect Lake Park site, \$6,250 in the Airpark Fund (a non-major proprietary fund) for contamination cleanup from a fuel spill, \$238,493 for the Harbor Drive Fill Area site which was a former landfill area, and \$225,901 for assessment and remediation at the Gas Plant site (see the Soil and groundwater contamination site note below).

During fiscal year 2015 net additions to estimates and contractual commitments totaled \$44,989 with payments totaling \$74,374. At September 30, 2015, accruals totaled \$449,118 consisting of \$232,574 for the Harbor Drive Fill Area site

City of Clearwater, Florida
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which was a former landfill area, \$11,551 for removal of hydraulic lifts at a recently acquired property on McMullen Booth Road, and \$204,993 for assessment and remediation at the Gas Plant site.

In addition to the above sites for which accruals exist, the City has 17 other sites that have known contamination from petroleum products, metals, arsenic, chlorine or coal tar. Ten of these sites are on the State of Florida Petroleum Clean-up Program. When any of these ten sites will be scheduled for cleanup cannot be determined at this time. The remaining seven sites are under monitoring plans or are awaiting responses from the FDEP on data submitted by the City. Any additional cleanup costs for these sites cannot be estimated at this time.

On November 19, 2013, the FDEP approved the certification of closure construction completion of the former fill area at Philip Jones Field. However, this site remains on the list as it includes the Harbor Drive Fill Area for which assessment and remedial planning remain.

On October 30, 2014, the Prospect Lake Park site was sold to Prospect Park Development, LLC. Construction began on 257 market-rate apartments in early 2015. The 6.85 acre site, adjacent to Prospect Lake Park, is located at the eastern end of the Cleveland Street business district. Since the City no longer owns this property, this site has been removed from the list.

On April 27, 2015, the FEDP issued a Site Rehabilitation Completion Order for the Clearwater Airpark site at 1000 North Hercules Avenue, which releases the City from any further obligation to conduct site rehabilitation at the facility for petroleum product contamination associated with discharge events that occurred in 2001 and 2002. Therefore, this site has been removed from the list.

Soil and groundwater contamination site

The City is the owner of property located at 400 Myrtle Street, Clearwater, Pinellas County, Florida ("Property"). The Property occupies approximately six acres and is currently used by the City Gas Division as its administrative offices and operating facility. The City operated a manufactured gas plant at the Property from approximately 1929 to 1960. Following the discovery in June 1990 of soil and groundwater impacts at the Property allegedly resulting from the prior operation of the manufactured gas plant, the Florida Department of Environmental Protection ("FDEP") directed the City to implement measures to delineate the area and vertical extent of the impacts at the Property and, if necessary, implement appropriate remedial actions.

Contamination assessment activities were initiated at the Property in 1995. On April 17, 1996, the City executed an Intergovernmental Agreement with FDEP, governing the scope of assessment and remediation work performed at the Property. The material terms and conditions of the Intergovernmental Agreement require the City to perform contamination assessment activities to delineate the area and vertical extent of soil and groundwater impacts and, if necessary, to remediate such impacts to the extent required by Florida law.

Field activities to delineate the extent of impacts were performed from 1995 to 2003. The results of the final field work are presented in a Supplemental Assessment Report dated May 2003, in which the City's consultant concluded that field activities to delineate the extent of soil and groundwater impacts were complete and that a risk assessment should be undertaken to evaluate an appropriate remedy for the reported impacts.

By letter dated April 19, 2004, FDEP directed the City to install two additional monitoring wells within the source area on site to delineate the vertical extent of groundwater impacts. The City and FDEP previously discussed the potential harm to the underlying aquifer that may result from the installation of monitoring wells through a source area and the underlying clay confining unit during a meeting with FDEP held on November 29, 2003. Based on the advice of its environmental consultant and other specialists consulted concerning this issue, the City has consistently maintained that the installation of the additional monitoring wells requested by FDEP will likely provide a pathway for the migration of impacts into the aquifer underlying the clay confining unit that is otherwise not presently impacted by the former operations of the MGP

City of Clearwater, Florida
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based on existing perimeter monitoring well data. The City responded to the FDEP by letter dated April 29, 2004, requesting that FDEP advise the City whether the directive to install the additional vertical extent wells was deemed by FDEP to be final agency action that would otherwise be subject to review in an administrative proceeding. The City's April 29, 2004 response included a request for an extension of time to file an administrative proceeding in the event that FDEP deemed the April 19, 2004 FDEP communication to be final agency action.

During fiscal 2005, the Myrtle Avenue Utility and Roadway Widening project began, requiring extensive dewatering during construction. Consulting, equipment, laboratory, permitting, and labor costs for dewatering in areas where there was suspected or known contamination from the former MGP plant were charged to the City of Clearwater Gas Division. All activities related to the Myrtle Avenue dewatering project were documented in the "Supplemental Site Assessment Report – North Myrtle Ave Roadway Corridor" dated March 2007.

On January 17, 2008, FDEP issued a letter to the City stating FDEP was willing to replace the need for additional vertical delineation wells with periodic sampling of existing deep wells, as long as they remain unaffected by the contaminants of concern on the site. In May 2009, FDEP issued a status report on all Manufactured Gas Plant sites in Florida. In the report it referenced the January 17, 2008 letter and reaffirmed FDEP's agreement to forego additional on-site vertical delineation if the City continues to monitor the perimeter wells on the facility. On June 22, 2009, the perimeter monitoring wells were tested and the results were reported to FDEP. On February 3, 2010, FDEP issued a letter that formally accepted Clearwater Gas System's Contamination Assessment Report (CAR) and required no further site assessment activities. Furthermore, the DEP required CGS to re-sample all monitoring wells on the site within 60 days of the February 3, 2010 letter.

In May 2010, CGS issued a Request for Proposal (RFP) to prepare a Feasibility Study, for DEP approval, that would offer a long-term corrective action plan for the gas plant site. Arcadis, Inc. was selected to conduct the Feasibility Study; however, two months into the project the City's Environmental Attorney recommended an alternate method of site remediation. He proposed that the City work with the University of Waterloo (Canada) to treat the contaminated soils with sodium persulfate, a chemical oxidant, which would stop the off-site groundwater impacts that are currently experienced on the Pinellas County Health Department site. Chemical oxidation is accepted as a very effective method of dealing with Manufactured Gas Plant residuals. This project was approved by the City Council in January 2011. The project is scheduled to last approximately 6 years at an estimated cost of \$600,000.

In addition, the City has pursued insurance claims under certain insurance policies covering the Property for the period of time from June 1961 through July 1986. On September 17, 2001, the City agreed to reduce its claim against Southern American Insurance Company ("SAIC"), the sole remaining excess carrier with the City, at an undiscounted value of \$300,000. In December 2007, the liquidator managing the SAIC liquidation made an initial payment to the City in the amount of \$96,000. In September 2008, a second distribution payment of \$174,000 was issued to the City. Finally, in December 2009, the City received a payment of \$30,000 for a total collection amount of \$300,000. In summary, the City has recovered \$787,500 on all of its outstanding insurance claims.

Expenses related to MGP assessment activities, which include both environmental consultant and outside attorney fees, were \$53,507 for fiscal 2015. From 1993 through September 30, 2015, the City spent a total of \$1,289,998.

Contractual Commitment – Water and Sewer Utility

Under the terms of a 30-year contract between the City and Pinellas County, which is effective through September 30, 2035, the maximum amount of water available to the City is 15 million gallons per day on an annual average basis with no minimum quantity purchase requirement. Effective October 1, 2014, the rate, which is set by the Pinellas County Board of County Commissioners (BOCC), was \$3.8557 per 1,000 gallons. The rate effective October 1, 2015 is \$3.9232 per 1,000 gallons. The cost of water purchased from the County during fiscal years 2014 and 2015 was \$10,009,342 and \$7,176,114 respectively.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

Contractual Commitment – Parking System

Under the terms of a put agreement dated October 29, 2010, related to a development agreement between the City and L.O.M., Inc. (developer) for development of a condominium retail/commercial project including a parking garage, the City is obligated to purchase the parking garage component of the project for \$9,300,000 from the lender if the developer defaults under the terms of the financing agreement within five years of the project's completion on July 1, 2011. The City has segregated and restricted \$9.3 million of Parking System enterprise funds per the terms of this put agreement, which expires on June 30, 2016.

Contractual Commitment – Clearwater Marine Aquarium

In a special election held on November 5, 2013, Clearwater voters approved a referendum to amend the Clearwater City Charter to allow the City to negotiate and enter into a lease with the Clearwater Marine Aquarium, Inc. (CMA) for the construction, operation and maintenance of an aquarium for an initial term of 60 years on City owned property which includes the current Clearwater City Hall. Because the City and the CMA did to enter into a lease on or before June 15, 2015, the exemptions created by the charter amendment expired and have no further force or effect.

Grant Revenues

During the current fiscal year and prior fiscal years, the City received revenues and contributions related to grants from the State of Florida, the federal government, and other grantors. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Encumbrances

Encumbrance accounting is used in governmental funds to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At September 30, 2015, the amount of encumbrances expected to be honored upon performance by the vendor in the coming year were:

General fund	\$ 446,809
Capital Improvement fund	10,207,621
Nonmajor governmental funds	443,943
	<u>\$ 11,098,373</u>

IV.H. Pending litigation

In the normal course of operations the City is a defendant in various legal actions, the ultimate resolution of which is not expected to have a material effect on the financial statements, other than for amounts that have been reserved and recorded as liabilities in the Central Insurance Fund.

IV.I. Conduit debt

The City has one issue of conduit debt outstanding as follows:

<u>Description / Purpose</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding at 9/30/14</u>	<u>Amount Outstanding at 9/30/15</u>
Drew Gardens Refunding Bonds / residential rental facility	\$ 3,425,000	\$ 2,060,000	\$ 1,940,000

The bonds do not constitute a debt, liability, or obligation of the City of Clearwater, the State of Florida, or any political subdivision thereof and accordingly have not been reported in the accompanying financial statements.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

IV.J. Restatement of Prior Year Net Position

During the fiscal year ended September 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, for the Employees' Pension Plan and the Firefighters' Relief and Pension Plan. The objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. It requires the liability of employers to employees for defined benefit pension plans (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition to establishing deferred inflows of resources and deferred outflows of resources as described in Note I.D.8., implementation of these statements resulted in the restatement of net position as of October 1, 2014, which increased the net position of governmental and business-type activities in the amounts of \$76,806,809 and \$23,268,912, respectively.

During the current year it was determined that an allowance for uncollectible accounts would be recorded for mortgage loans receivable to reflect the likelihood of payment, deferral or loan forgiveness associated with each type of loan. This resulted in a prior period adjustment to net position as of October 1, 2014, which decreased the net position of governmental activities in the amount of \$12,383,909.

	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported	\$ 406,841,428	\$ 404,312,255
Net pension asset - Firefighters' Relief and Pension Plan	1,062,523	-
Net pension asset - Employees' Pension Plan	29,582,138	9,018,101
Deferred Outflows - Employees' Pension Plan	48,861,725	15,084,203
Deferred Inflows - Employees' Pension Plan	(2,699,577)	(833,392)
Restatements related to Pensions	<u>76,806,809</u>	<u>23,268,912</u>
Prior period adjustment related to mortgage receivables (See Note IV.L.)	<u>(12,383,909)</u>	<u>-</u>
Total restatements	<u>64,422,900</u>	<u>23,268,912</u>
Beginning net position, as restated	<u><u>\$ 471,264,328</u></u>	<u><u>\$ 427,581,167</u></u>

IV.K. Restatement - Correction of an Error

During the current year it was noted that an investment asset was incorrectly recorded twice due to a change in reporting by the custodian of the Firefighters Supplemental Defined Contribution Pension Trust Fund. As a result, the September 30, 2014 financial statements have been restated to properly reflect the correction of an error. The effects of this adjustment to the previously issued financial statements are as follows:

	Total Managed Investment Accounts	Net Appreciation (Depreciation) in Fair Value of Investments	Net Increase (Decrease) in Fiduciary Net Position	Fiduciary Net Position
Balances, as previously reported	\$ 17,616,341	\$ 1,862,588	\$ 2,626,098	\$ 17,676,345
Correction of error	(1,231,279)	(1,231,279)	(1,231,279)	(1,231,279)
Balances, as restated	<u><u>\$ 16,385,062</u></u>	<u><u>\$ 631,309</u></u>	<u><u>\$ 1,394,819</u></u>	<u><u>\$ 16,445,066</u></u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2015

IV.L. Prior Period Adjustment

During the current year it was determined that an allowance for uncollectible accounts would be recorded for mortgage loans receivable reported in the Special Programs Fund, the SHIP Local Housing Assistance Trust Fund and the Pinellas County Local Housing Assistance Trust Funds (nonmajor governmental funds) to reflect the likelihood of payment, deferral or loan forgiveness associated with each type of loan. This methodology was applied to mortgage loans receivable as of October 1, 2014, and recorded as a prior period adjustment as follows:

	Allowance for Uncollectable Accounts	Fund Balance
Balances, as previously reported:		
Special Programs Fund	\$ 202,321	\$ 22,764,449
SHIP Local Housing Assistance Trust Fund	209,062	7,068,127
Pinellas County Local Housing Assistance Trust Fund	-	896,506
	<u>411,383</u>	<u>30,729,082</u>
Prior period adjustments:		
Special Programs Fund	7,130,743	(7,130,743)
SHIP Local Housing Assistance Trust Fund	5,031,689	(5,031,689)
Pinellas County Local Housing Assistance Trust Fund	221,477	(221,477)
	<u>12,383,909</u>	<u>(12,383,909)</u>
Balances, as restated:		
Special Programs Fund	7,333,064	15,633,706
SHIP Local Housing Assistance Trust Fund	5,240,751	2,036,438
Pinellas County Local Housing Assistance Trust Fund	221,477	675,029
	<u>\$ 12,795,292</u>	<u>\$ 18,345,173</u>

IV.M. Extraordinary Item – Deepwater Horizon Oil Spill

In the time period following the Deepwater Horizon Oil Spill of April 2010, the City incurred reduced revenues that were determined to be directly or indirectly attributed to the oil spill. On July 13, 2015, the City adopted Resolution 15-18 and accepted a full and final settlement of all claims against BP Exploration and Production, Inc. and others in the amount of \$6,480,352, net of \$1,658,687 attorney's fees. Because this event was infrequent in occurrence and would not be reasonably expected to recur in the foreseeable future, the proceeds are categorized as an Extraordinary Item on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance as well as the Government-wide Statement of Activities.

IV.N. Subsequent Event

On November 18, 2015, City Council approved a Third Amendment to the lease between the City of Clearwater and Marina Cantina, LLC for the lease of 9,285 square feet of interior space and 11,237 square feet of exterior patio space for development of a destination restaurant at the Clearwater Marina. The amendment modifies the terms of the lease dated September 17, 2012, to provide reimbursement to the lessee for numerous unanticipated emergency repairs and upgrades to the marina building in the amount of \$409,606 that were not contemplated in the original lease and were incurred prior to September 30, 2015.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Employees' Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 14,585,979	14,670,375
Interest on the Total Pension Liability	56,983,247	55,622,257
Benefit Changes	-	-
Difference between Expected and Actual Experience	(3,532,969)	(11,230,163)
Assumption Changes	-	-
Benefit Payments	(39,276,003)	(37,118,458)
Refunds	(1,000,827)	(1,675,419)
Net Change in Total Pension Liability	<u>27,759,427</u>	<u>20,268,592</u>
Total Pension Liability - Beginning	819,598,826	799,330,234
Total Pension Liability - Ending (a)	<u>\$ 847,358,253</u>	<u>819,598,826</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 14,923,098	18,860,463
Contributions - Non-Employer Contributing Entity	12,000	12,000
Contributions - Employee	6,483,666	7,073,440
Net Investment Income	(4,165,092)	82,832,149
Benefit Payments	(39,276,003)	(37,118,458)
Refunds	(1,000,827)	(1,675,419)
Administrative Expense	(297,942)	(175,212)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>(23,321,100)</u>	<u>69,808,963</u>
Plan Fiduciary Net Position - Beginning	863,589,949	793,780,986
Plan Fiduciary Net Position - Ending (b)	<u>\$ 840,268,849</u>	<u>863,589,949</u>
Net Pension Liability/(Asset) - Beginning	(43,991,123)	5,549,248
Net Pension Liability/(Asset) - Ending (a) - (b)	7,089,404	(43,991,123)
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability	99.16%	105.37%
Covered Employee Payroll	76,767,125	75,629,669
Net Pension Liability as a Percentage of		
Covered Employee Payroll	9.23%	-58.17%

Notes to Schedule:

Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Firefighters' Relief and Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ -	-
Interest on the Total Pension Liability	100,650	92,956
Benefit Changes	-	-
Difference between Expected and Actual Experience	114,258	(426,528)
Assumption Changes	201,922	-
Benefit Payments	(442,775)	(525,760)
Refunds		
Other	-	143,654
Net Change in Total Pension Liability	<u>(25,945)</u>	<u>(715,678)</u>
Total Pension Liability - Beginning	<u>3,797,780</u>	<u>4,513,458</u>
Total Pension Liability - Ending (a)	<u><u>\$ 3,771,835</u></u>	<u><u>3,797,780</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	-	-
Contributions - Non-Employer Contributing Entity	-	-
Contributions - Employee	-	-
Net Investment Income	199,776	169,627
Benefit Payments	(442,775)	(525,760)
Refunds	-	-
Administrative Expense	(2,005)	(5,808)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>(245,004)</u>	<u>(361,941)</u>
Plan Fiduciary Net Position - Beginning	<u>4,860,303</u>	<u>5,222,244</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,615,299</u></u>	<u><u>4,860,303</u></u>
Net Pension Liability/(Asset) - Beginning	(1,062,523)	(495,433)
Net Pension Liability/(Asset) - Ending (a) - (b)	(843,464)	(1,062,523)
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability	122.36%	127.98%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of		
Covered Employee Payroll	N/A	N/A

Notes to Schedule:

Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Employees' Pension Plan
Schedule of Contributions

FY Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 10,803,098	\$ 14,935,098	\$ (4,132,000)	\$ 76,767,125	19.46%
2014	19,608,078	18,872,463 *	735,615	75,629,669	24.95%

* A portion of the plan's credit balance was applied to meet the remainder of the actuarially determined contribution for the fiscal year ending September 30, 2014.

Notes to Schedule of Contributions

Valuation Date: January 1, 2015

Measurement Date: September 30, 2015

Notes: Actuarially determined contributions are calculated as of January 1, which is nine months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	5-year smoothed market; 20% corridor
Inflation	2.50%
Salary Increases	3.50% to 7.90% depending on service; including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the employment classification and type of eligibility condition.
Mortality	RP-2000 Combined Healthy Participant Mortality Tables for males and females with future mortality improvements projected from 2000 to all future years by using Scale BB.

Other Information:

Notes: There were no benefit or assumption changes during the year. The above assumptions were last updated for the January 1, 2013 valuation pursuant to an experience study of the 5-year period from January 1, 2007 through January 1, 2012. Effective for the January 1, 2015 valuation, the actuarial cost method was changed from the Frozen Entry Age method to the Entry Age Normal method.

Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Firefighters' Relief and Pension Plan
Schedule of Contributions

FY Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ -	\$ -	\$ -	\$ -	0.00%
2014	-	-	-	-	0.00%

Note: Data unavailable prior to 2014.

Notes to Schedule of Contributions

Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), was fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future valuations show an actuarial need for such.

**City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited**

**Employees' Pension Plan
Schedule of Investment Returns**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-0.03%	10.90%

Note: Data unavailable prior to 2014.

City of Clearwater, Florida
Defined Benefit Pension Plans
Required Supplementary Information - Unaudited

Firefighters' Relief and Pension Plan
Schedule of Investment Returns

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.315%	3.902%

Note: Data unavailable prior to 2014.

City of Clearwater, Florida
Other Post-Employment Benefits
Required Supplementary Information - Unaudited

Schedule of Employer Contributions:

Fiscal Year Ending	Annual Required Contribution	Estimated Contributions (1)	Percentage of ARC Contributed
September 30, 2008	\$ 2,415,000	\$ 618,900	25.63%
September 30, 2009	\$ 2,657,200	\$ 642,600	24.18%
September 30, 2010	\$ 2,676,849	\$ 1,226,290	45.81%
September 30, 2011	\$ 2,591,067	\$ 1,267,980	48.94%
September 30, 2012	\$ 2,634,280	\$ 1,168,342	44.35%
September 30, 2013	\$ 2,922,797	\$ 1,292,849	44.23%
September 30, 2014	\$ 3,314,592	\$ 1,203,082	36.30%
September 30, 2015	\$ 3,446,429	\$ 1,629,825	47.29%

(1) Since there is no funding, these are the estimated benefit payments.

Schedule of Funding Progress:

Actuarial Valuation Date (Biannual)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a) /c)
October 1, 2007 (1)	\$ -	\$ 23,215,500	\$ 23,215,500	0.00%	\$ 83,100,000	27.94%
January 1, 2010	\$ -	\$ 32,823,521	\$ 32,823,521	0.00%	\$ 80,987,124	40.53%
January 1, 2012	\$ -	\$ 30,721,086	\$ 30,721,086	0.00%	\$ 68,293,356	44.98%
January 1, 2014	\$ -	\$ 34,091,536	\$ 34,091,536	0.00%	\$ 70,649,261	48.25%

(1) Initial year of plan disclosure.

Significant changes affecting the presented trend information include: The actuarial valuation of the Plan as of January 1, 2014, reflected changes in actuarial assumptions and methods from the previous valuation as of January 1, 2012 as follows: The Health Care Cost Trend Rate decreased from 8.5% in 2012 to 8.0% in 2014, with planned decreases of ½% each subsequent year so that it is projected to reach the ultimate goal of 5% in 2021 rather than 2019. There were no changes to the Investment Discount Rate, Mortality Tables or Medicare Benefits.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Programs Fund – to account for grants and contributions, the use of which is restricted for certain programs.

Community Redevelopment Agency Fund – to account for receipt, custody, and expenditure of property tax increment funds associated with related redevelopment projects.

Local Housing Assistance SHIP Trust Fund – to account for monies allocated to the City under the State Local Housing Assistance SHIP grant program.

Pinellas County Local Housing Assistance Trust Fund – to account for monies allocated to the City under the Pinellas County Local Housing Assistance grant program.

Debt Service Funds

Debt service funds provide separate accounting records for all debt interest, principal, and reserve requirements for general government long-term. Debt of proprietary funds is serviced through restricted accounts maintained within the individual enterprise or internal service fund associated with the debt.

Notes and Mortgages Debt Service Fund - to account for the advance monthly accumulation of resources by transfer of General Revenues from the General and Special Revenue Funds and the payment of currently maturing installments of principal and interest on the various note and mortgage obligations of the governmental funds during each fiscal year.

Spring Training Facility Revenue Bonds Debt Service Fund – to account for the advance monthly accumulation of resources received from the State of Florida and Pinellas County, and the payment of currently maturing installments of principal and interest each year.

Capital Projects Funds

Capital projects funds are used to account for resources to be used for the acquisition or construction of **major** capital improvement projects, other than those financed by proprietary funds. A major capital improvement project is a property acquisition, a major construction undertaking, or a major improvement to an existing facility or property, with a cost greater than \$25,000 and a minimum useful life of at least five years.

Community Redevelopment Agency Capital Projects Fund – to provide separate accounting records for the acquisition or construction of capital improvement projects for the Clearwater Community Redevelopment Agency.

City of Clearwater, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

Special Revenue Funds					
	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total
ASSETS					
Cash and investments	\$ 12,398,713	\$ -	\$ 412,310	\$ 370,065	\$ 13,181,088
Receivables:					
Accrued interest	39,730	21,323	1,756	1,195	64,004
Mortgage notes	3,097,706	-	1,696,291	278,393	5,072,390
Other	8,148	-	-	-	8,148
Due from other governments - grants	124,592	-	-	-	124,592
Due from other governments - other	228,204	-	-	-	228,204
Land held for resale	220,741	3,118,011	-	-	3,338,752
Advances to other funds	325,440	-	-	-	325,440
Total assets	<u>\$ 16,443,274</u>	<u>\$ 3,139,334</u>	<u>\$ 2,110,357</u>	<u>\$ 649,653</u>	<u>\$ 22,342,618</u>
LIABILITIES					
Accounts and contracts payable	\$ 409,674	\$ 3,213	\$ 9,426	\$ -	\$ 422,313
Accrued payroll	36,708	-	-	-	36,708
Due to other funds	-	316,667	-	-	316,667
Due to other funds (deficit in pooled cash)	-	24,536	-	-	24,536
Due to other governmental entities	899	48,000	-	-	48,899
Construction escrows	-	-	3,383	-	3,383
Advances from other funds	-	958,773	-	-	958,773
Total liabilities	<u>447,281</u>	<u>1,351,189</u>	<u>12,809</u>	<u>-</u>	<u>1,811,279</u>
FUND BALANCES					
Restricted	9,409,214	3,118,011	2,097,548	649,653	15,274,426
Committed	3,609,753	-	-	-	3,609,753
Assigned	2,977,026	-	-	-	2,977,026
Unassigned	-	(1,329,866)	-	-	(1,329,866)
Total fund balances	<u>15,995,993</u>	<u>1,788,145</u>	<u>2,097,548</u>	<u>649,653</u>	<u>20,531,339</u>
Total liabilities and fund balances	<u>\$ 16,443,274</u>	<u>\$ 3,139,334</u>	<u>\$ 2,110,357</u>	<u>\$ 649,653</u>	<u>\$ 22,342,618</u>

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

Debt Service Funds			Capital	
	Spring		Project	
	Training		Fund	Total
Notes	Facility		Community	Nonmajor
and	Revenue		Redevelopment	Governmental
Mortgages	Bonds	Total	Agency	Funds
\$ -	\$ 619,734	\$ 619,734	\$ 6,276,811	\$ 20,077,633
-	1,947	1,947	-	65,951
-	-	-	-	5,072,390
-	-	-	-	8,148
-	-	-	-	124,592
-	-	-	-	228,204
-	-	-	-	3,338,752
-	-	-	-	325,440
<u>\$ -</u>	<u>\$ 621,681</u>	<u>\$ 621,681</u>	<u>\$ 6,276,811</u>	<u>\$ 29,241,110</u>
\$ -	\$ -	\$ -	\$ 10,632	\$ 432,945
-	-	-	-	36,708
-	-	-	-	316,667
-	-	-	-	24,536
-	-	-	-	48,899
-	-	-	-	3,383
-	-	-	-	958,773
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,632</u>	<u>1,821,911</u>
-	621,681	621,681	6,244,097	22,140,204
-	-	-	-	3,609,753
-	-	-	22,082	2,999,108
-	-	-	-	(1,329,866)
<u>-</u>	<u>621,681</u>	<u>621,681</u>	<u>6,266,179</u>	<u>27,419,199</u>
<u>\$ -</u>	<u>\$ 621,681</u>	<u>\$ 621,681</u>	<u>\$ 6,276,811</u>	<u>\$ 29,241,110</u>

City of Clearwater, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

	Special Revenue Funds				
	Special Programs	Community Redevelopment Agency	SHIP Local Housing Assistance Trust	Pinellas County Local Housing Assistance Trust	Total
REVENUES					
Intergovernmental:					
Federal	\$ 1,408,884	\$ -	\$ -	\$ -	\$ 1,408,884
State	241,383	-	442,764	-	684,147
Local	350,978	1,009,429	-	-	1,360,407
Charges for services	1,364,328	-	-	-	1,364,328
Fines and forfeitures	410,576	-	-	-	410,576
Investment earnings	281,285	133,488	19,282	11,972	446,027
Miscellaneous	994,113	66,421	-	13,372	1,073,906
Total revenues	<u>5,051,547</u>	<u>1,209,338</u>	<u>462,046</u>	<u>25,344</u>	<u>6,748,275</u>
EXPENDITURES					
Current:					
General government	200,282	-	-	-	200,282
Public safety	2,016,005	-	-	-	2,016,005
Physical environment	81,440	-	-	-	81,440
Economic environment	1,443,348	774,766	57,160	-	2,275,274
Human services	223,207	-	-	-	223,207
Culture and recreation	1,631,755	-	-	-	1,631,755
Debt service:					
Principal	-	-	-	-	-
Interest & fiscal charges	-	18,445	-	-	18,445
Capital outlay	56,751	-	-	-	56,751
Total expenditures	<u>5,652,788</u>	<u>793,211</u>	<u>57,160</u>	<u>-</u>	<u>6,503,159</u>
Excess (deficiency) of revenues over / (under) expenditures	<u>(601,241)</u>	<u>416,127</u>	<u>404,886</u>	<u>25,344</u>	<u>245,116</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,403,988	1,160,102	-	-	2,564,090
Transfers out	(440,460)	(3,215,738)	(343,776)	(50,720)	(4,050,694)
Total other financing sources (uses)	<u>963,528</u>	<u>(2,055,636)</u>	<u>(343,776)</u>	<u>(50,720)</u>	<u>(1,486,604)</u>
Net change in fund balances	<u>362,287</u>	<u>(1,639,509)</u>	<u>61,110</u>	<u>(25,376)</u>	<u>(1,241,488)</u>
Fund balances - beginning (as previously reported)	22,764,449	3,427,654	7,068,127	896,506	34,156,736
Prior period adjustment (See Note IV.L.)	(7,130,743)	-	(5,031,689)	(221,477)	(12,383,909)
Fund balances - beginning (restated)	<u>15,633,706</u>	<u>3,427,654</u>	<u>2,036,438</u>	<u>675,029</u>	<u>21,772,827</u>
Fund balances - ending	<u>\$ 15,995,993</u>	<u>\$ 1,788,145</u>	<u>\$ 2,097,548</u>	<u>\$ 649,653</u>	<u>\$ 20,531,339</u>

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

Debt Service Funds			Capital	
	Spring		Project	
	Training		Fund	Total
Notes	Facility		Community	Nonmajor
and	Revenue		Redevelopment	Governmental
Mortgages	Bonds	Total	Agency	Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,408,884
-	500,004	500,004	-	1,184,151
-	587,650	587,650	-	1,948,057
-	-	-	-	1,364,328
-	-	-	-	410,576
-	12,170	12,170	-	458,197
-	-	-	210	1,074,116
-	1,099,824	1,099,824	210	7,848,309
-	-	-	-	200,282
-	-	-	-	2,016,005
-	-	-	-	81,440
-	-	-	39,702	2,314,976
-	-	-	-	223,207
-	-	-	-	1,631,755
293,476	635,000	928,476	-	928,476
13,417	438,906	452,323	-	470,768
-	-	-	-	56,751
306,893	1,073,906	1,380,799	39,702	7,923,660
(306,893)	25,918	(280,975)	(39,492)	(75,351)
306,893	-	306,893	2,541,175	5,412,158
-	-	-	(503,899)	(4,554,593)
306,893	-	306,893	2,037,276	857,565
-	25,918	25,918	1,997,784	782,214
-	595,763	595,763	4,268,395	39,020,894
-	-	-	-	(12,383,909)
-	595,763	595,763	4,268,395	26,636,985
\$ -	\$ 621,681	\$ 621,681	\$ 6,266,179	\$ 27,419,199

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City of Clearwater, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Community Redevelopment Agency
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental - Local	\$ 1,035,016	\$ 1,009,429	\$ 1,009,429	\$ -
Investment earnings	50,000	75,129	133,488	58,359
Miscellaneous	<u>63,724</u>	<u>64,924</u>	<u>66,421</u>	<u>1,497</u>
Total revenues	<u>1,148,740</u>	<u>1,149,482</u>	<u>1,209,338</u>	<u>59,856</u>
EXPENDITURES				
Current - Economic environment	260,164	329,666	774,766	(445,100)
Debt Service - Interest & fiscal charges	<u>-</u>	<u>-</u>	<u>18,445</u>	<u>(18,445)</u>
Total expenditures	<u>260,164</u>	<u>329,666</u>	<u>793,211</u>	<u>(463,545)</u>
Excess of revenues over expenditures	<u>888,576</u>	<u>819,816</u>	<u>416,127</u>	<u>(403,689)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	854,967	824,991	1,160,102	335,111
Transfers out	<u>(1,743,543)</u>	<u>(1,946,110)</u>	<u>(3,215,738)</u>	<u>(1,269,628)</u>
Total other financing sources (uses)	<u>(888,576)</u>	<u>(1,121,119)</u>	<u>(2,055,636)</u>	<u>(934,517)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(301,303)	(1,639,509)	(1,338,206)
Fund balances - beginning	<u>3,427,654</u>	<u>3,427,654</u>	<u>3,427,654</u>	<u>-</u>
Fund balances - ending	\$ <u>3,427,654</u>	\$ <u>3,126,351</u>	\$ <u>1,788,145</u>	\$ <u>(1,338,206)</u>

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

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Nonmajor Enterprise Funds

Enterprise funds are used to account for the financing, acquisition, operation, and maintenance of governmental facilities that are supported primarily by user charges.

Marine Operations Fund - to account for the financing, operation, and maintenance of the City's marine operations (excluding the downtown boat slips) and associated real property from rents collected from users.

Aviation Operations Fund - to account for the financing, operation, and maintenance of the City's airpark operations from rents collected from users.

Parking System Fund - to account for the financing, construction, operation and maintenance of the City's parking system, including on- and off-street parking on Clearwater Beach and Downtown Clearwater, from parking charges.

Clearwater Harbor Marina Fund - to account for the financing, operation, and maintenance of the City's downtown boat slips from boat slip rentals.

City of Clearwater, Florida
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2015

	<u>Marine</u> <u>Operations</u>	<u>Aviation</u> <u>Operations</u>	<u>Parking</u> <u>System</u>	<u>Clearwater</u> <u>Harbor Marina</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 1,024,066	\$ 160,757	\$ 11,423,181	\$ 1,127,792	\$ 13,735,796
Accrued interest receivable	2,148	1,473	67,772	3,484	74,877
Accounts and contracts receivable				31,844	31,844
Due from other governmental entities	1,225	435,656	-	-	436,881
Inventories, at cost	34,778	-	-	-	34,778
Total current assets - unrestricted	<u>1,062,217</u>	<u>597,886</u>	<u>11,490,953</u>	<u>1,163,120</u>	<u>14,314,176</u>
Current assets - restricted:					
Restricted cash and investments	-	-	9,300,000	-	9,300,000
Total current assets - restricted	<u>-</u>	<u>-</u>	<u>9,300,000</u>	<u>-</u>	<u>9,300,000</u>
Total current assets	<u>1,062,217</u>	<u>597,886</u>	<u>20,790,953</u>	<u>1,163,120</u>	<u>23,614,176</u>
Noncurrent assets:					
Capital assets:					
Land and other nondepreciable assets	670,086	3,991,862	981,282	-	5,643,230
Capital assets, net of accumulated depreciation	181,794	1,680,185	2,698,945	11,527,997	16,088,921
Total noncurrent assets	<u>851,880</u>	<u>5,672,047</u>	<u>3,680,227</u>	<u>11,527,997</u>	<u>21,732,151</u>
Total assets	<u>1,914,097</u>	<u>6,269,933</u>	<u>24,471,180</u>	<u>12,691,117</u>	<u>45,346,327</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pension	292,105	19,951	439,948	35,810	787,814
Total deferred outflows of resources	<u>292,105</u>	<u>19,951</u>	<u>439,948</u>	<u>35,810</u>	<u>787,814</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	130,305	119,395	114,711	27,172	391,583
Accrued payroll	43,469	1,321	31,137	3,988	79,915
Deposits	40,714	-	4,378	41,918	87,010
Unearned revenue and liens	-	-	17,777	27,079	44,856
Current portion of long-term liabilities:					
Compensated absences	60,110	2,634	34,940	2,583	100,267
Due to other funds	-	20,271	-	-	20,271
Total current liabilities	<u>274,598</u>	<u>143,621</u>	<u>202,943</u>	<u>102,740</u>	<u>723,902</u>
Noncurrent liabilities:					
Compensated absences	46,021	2,016	26,750	1,978	76,765
Other postemployment benefits	135,918	11,145	267,895	44,581	459,539
Net pension liability	40,481	2,764	60,969	4,962	109,176
Total non-current liabilities	<u>222,420</u>	<u>15,925</u>	<u>355,614</u>	<u>51,521</u>	<u>645,480</u>
Total liabilities	<u>497,018</u>	<u>159,546</u>	<u>558,557</u>	<u>154,261</u>	<u>1,369,382</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pension	15,970	1,091	24,054	1,958	43,073
Total deferred inflows of resources	<u>15,970</u>	<u>1,091</u>	<u>24,054</u>	<u>1,958</u>	<u>43,073</u>
NET POSITION					
Net investment in capital assets	851,880	5,672,047	3,680,227	11,527,997	21,732,151
Restricted for:					
Developer agreement	-	-	9,300,000	-	9,300,000
Unrestricted	841,334	457,200	11,348,290	1,042,711	13,689,535
Total net position	<u>\$ 1,693,214</u>	<u>\$ 6,129,247</u>	<u>\$ 24,328,517</u>	<u>\$ 12,570,708</u>	<u>\$ 44,721,686</u>

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

City of Clearwater, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2015

	<u>Marine Operations</u>	<u>Aviation Operations</u>	<u>Parking System</u>	<u>Clearwater Harbor Marina</u>	<u>Totals</u>
Operating revenues:					
Sales to customers	\$ 2,679,738	\$ 17,922	\$ 5,822,674	\$ -	\$ 8,520,334
User charges to customers	189,984	-	-	37,498	227,482
Rentals	<u>1,273,019</u>	<u>258,238</u>	<u>387,282</u>	<u>625,350</u>	<u>2,543,889</u>
Total operating revenues	<u>4,142,741</u>	<u>276,160</u>	<u>6,209,956</u>	<u>662,848</u>	<u>11,291,705</u>
Operating expenses:					
Personal services	1,351,079	84,784	2,017,441	225,801	3,679,105
Purchases for resale	1,928,088	-	-	420	1,928,508
Operating materials and supplies	105,282	10,244	113,773	54,643	283,942
Transportation	10,012	1,033	90,576	3,354	104,975
Utility service	231,047	44,575	48,702	69,747	394,071
Depreciation	67,623	178,830	238,406	329,863	814,722
Interfund administrative charges	192,912	53,964	961,152	143,448	1,351,476
Other current charges:					
Professional fees	64,657	14,010	304,255	27,492	410,414
Advertising	11,081	-	24	3,751	14,856
Communications	15,044	-	20,773	1,579	37,396
Printing and binding	-	-	7,815	-	7,815
Insurance	17,244	6,348	29,952	37,080	90,624
Repairs and maintenance	60,070	450	433,665	1,085	495,270
Rentals	1,870	-	25,884	-	27,754
Miscellaneous	81,363	1,355	353,611	5,171	441,500
Data processing charges	34,908	2,820	48,756	8,148	94,632
Taxes	<u>766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>766</u>
Total other current charges	<u>287,003</u>	<u>24,983</u>	<u>1,224,735</u>	<u>84,306</u>	<u>1,621,027</u>
Total operating expenses	<u>4,173,046</u>	<u>398,413</u>	<u>4,694,785</u>	<u>911,582</u>	<u>10,177,826</u>
Operating income (loss)	<u>(30,305)</u>	<u>(122,253)</u>	<u>1,515,171</u>	<u>(248,734)</u>	<u>1,113,879</u>
Nonoperating revenues (expenses):					
Investment earnings	13,907	9,539	427,802	22,133	473,381
Interest expense	-	(590)	-	-	(590)
Other	<u>209,465</u>	<u>6,296</u>	<u>4,972</u>	<u>51,353</u>	<u>272,086</u>
Total nonoperating revenue (expenses)	<u>223,372</u>	<u>15,245</u>	<u>432,774</u>	<u>73,486</u>	<u>744,877</u>
Income (loss) before contributions and transfers	193,067	(107,008)	1,947,945	(175,248)	1,858,756
Capital grants and contributions	5,090	716,801	-	-	721,891
Transfers in	-	25,000	-	-	25,000
Transfers out	<u>(232,992)</u>	<u>(14,364)</u>	<u>(371,348)</u>	<u>(421,406)</u>	<u>(1,040,110)</u>
Change in net position	<u>(34,835)</u>	<u>620,429</u>	<u>1,576,597</u>	<u>(596,654)</u>	<u>1,565,537</u>
Net position - beginning (as previously reported)	1,177,763	5,469,666	21,865,208	13,094,279	41,606,916
Prior period restatements (Note IV.J.)	<u>550,286</u>	<u>39,152</u>	<u>886,712</u>	<u>73,083</u>	<u>1,549,233</u>
Net position - beginning (restated)	1,728,049	5,508,818	22,751,920	13,167,362	43,156,149
Net position - ending	<u>\$ 1,693,214</u>	<u>\$ 6,129,247</u>	<u>\$ 24,328,517</u>	<u>\$ 12,570,708</u>	<u>\$ 44,721,686</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2015

	<u>Marine Operations</u>	<u>Aviation Operations</u>	<u>Parking System</u>	<u>Clearwater Harbor Marina</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,126,510	\$ 276,160	\$ 6,212,159	\$ 663,409	\$ 11,278,238
Cash payments to suppliers	(2,364,846)	42,225	(1,119,652)	(138,833)	(3,581,106)
Cash payments to employees	(972,788)	(58,893)	(1,414,791)	(174,724)	(2,621,196)
Cash payments to other funds	(296,487)	(64,165)	(1,220,665)	(193,608)	(1,774,925)
Other revenues	<u>209,465</u>	<u>6,296</u>	<u>4,972</u>	<u>51,353</u>	<u>272,086</u>
Net cash provided (used) by operating activities	<u>701,854</u>	<u>201,623</u>	<u>2,462,023</u>	<u>207,597</u>	<u>3,573,097</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	25,000	-	-	25,000
Transfers to other funds	(232,992)	(14,364)	(371,348)	(421,406)	(1,040,110)
Payment of cash on loans to/from other funds	<u>-</u>	<u>(20,271)</u>	<u>-</u>	<u>-</u>	<u>(20,271)</u>
Net cash (used) by noncapital financing activities	<u>(232,992)</u>	<u>(9,635)</u>	<u>(371,348)</u>	<u>(421,406)</u>	<u>(1,035,381)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest paid	-	(590)	-	-	(590)
Acquisition of capital assets	(14,803)	(773,530)	-	(120,334)	(908,667)
Capital contributed by other governmental entities	3,865	-	-	-	3,865
Capital contributed by developers	<u>-</u>	<u>342,322</u>	<u>-</u>	<u>-</u>	<u>342,322</u>
Net cash (used) by capital and related financing activities	<u>(10,938)</u>	<u>(431,798)</u>	<u>-</u>	<u>(120,334)</u>	<u>(563,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	<u>13,098</u>	<u>8,978</u>	<u>423,308</u>	<u>21,633</u>	<u>467,017</u>
Net cash provided by investing activities	<u>13,098</u>	<u>8,978</u>	<u>423,308</u>	<u>21,633</u>	<u>467,017</u>
Net increase (decrease) in cash and cash equivalents	471,022	(230,832)	2,513,983	(312,510)	2,441,663
Cash and cash equivalents at beginning of year	<u>553,044</u>	<u>391,589</u>	<u>18,209,198</u>	<u>1,440,302</u>	<u>20,594,133</u>
Cash and cash equivalents at end of year	<u>\$ 1,024,066</u>	<u>\$ 160,757</u>	<u>\$ 20,723,181</u>	<u>\$ 1,127,792</u>	<u>\$ 23,035,796</u>
Cash and cash equivalents classified as:					
Cash and investments	\$ 1,024,066	\$ 160,757	\$ 11,423,181	\$ 1,127,792	\$ 13,735,796
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>9,300,000</u>	<u>-</u>	<u>9,300,000</u>
Total cash and cash equivalents	<u>\$ 1,024,066</u>	<u>\$ 160,757</u>	<u>\$ 20,723,181</u>	<u>\$ 1,127,792</u>	<u>\$ 23,035,796</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2015

	<u>Marine Operations</u>	<u>Aviation Operations</u>	<u>Parking System</u>	<u>Clearwater Harbor Marina</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (30,305)	\$ (122,253)	\$ 1,515,171	\$ (248,734)	\$ 1,113,879
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other nonoperating revenue	209,465	6,296	4,972	51,353	272,086
Depreciation	67,623	178,830	238,406	329,863	814,722
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	-	(5,755)	(5,755)
(Increase) decrease in inventory	40,286	-	-	-	40,286
Increase (decrease) in accounts and contracts payable	52,725	112,859	98,621	23,477	287,682
Increase (decrease) in deposits	(16,231)	-	1,809	1,624	(12,798)
Increase (decrease) in unearned revenue	-	-	394	4,692	5,086
Increase (decrease) in net pension liability	291,670	19,921	439,293	35,756	786,640
Increase (decrease) in accrued payroll	1,461	(68)	5,799	1,415	8,607
Increase (decrease) in other postemployment benefits	16,337	1,337	53,901	5,469	77,044
(Increase) decrease in deferred outflows	73,026	4,988	109,987	8,952	196,953
Increase (decrease) in deferred inflows	(4,203)	(287)	(6,330)	(515)	(11,335)
Total adjustments	<u>732,159</u>	<u>323,876</u>	<u>946,852</u>	<u>456,331</u>	<u>2,459,218</u>
Net cash provided (used) by operating activities	<u>\$ 701,854</u>	<u>\$ 201,623</u>	<u>\$ 2,462,023</u>	<u>\$ 207,597</u>	<u>\$ 3,573,097</u>

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Internal Service Funds

Internal service funds are used to account for services and commodities furnished by a designated department to other departments within the City or to other governments on a cost reimbursement basis.

Garage Fund - to account for the cost of automotive and other motorized equipment of the City. The acquisition cost of new or upgraded equipment is financed through user departments and the asset value is simultaneously contributed to the Garage Fund. The cost of replacement of existing equipment is financed by the Garage Fund.

Administrative Services Fund - to account for various support activities including information technology, printing, mailing, and telephone services. The cost for these services is charged to user departments based on the cost of providing units of service.

General Services Fund - to account for various support activities including building maintenance and custodial services for all City departments and facilities. The cost for these services is charged to user departments based on the cost of providing units of service.

Central Insurance Fund - to account for the City's limited self-insurance program wherein all funds are assessed charges based on damage claims incurred and on management's assessment of individual funds' risk exposure. All claims and premiums are paid out of this fund, together with other costs necessary to administer the program. Medical self-insurance costs and employee health clinic operating expenses are also paid from this fund.

City of Clearwater, Florida
Combining Statement of Net Position
Internal Service Funds
September 30, 2015

	<u>Garage</u>	<u>Administrative Services</u>	<u>General Services</u>	<u>Central Insurance</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 8,146,883	\$ 9,980,293	\$ 2,127,959	\$ 36,487,486	\$ 56,742,621
Accrued interest receivable	26,782	35,597	6,720	107,155	176,254
Other receivables	5,818	-	-	32,670	38,488
Due from other funds	-	-	-	1,099,430	1,099,430
Inventories, at cost	429,235	-	-	-	429,235
Prepaid expenses and other assets	-	444	-	1,746,474	1,746,918
Total current assets	<u>8,608,718</u>	<u>10,016,334</u>	<u>2,134,679</u>	<u>39,473,215</u>	<u>60,232,946</u>
Noncurrent assets:					
Advances to other funds	-	-	-	1,473,650	1,473,650
Capital assets:					
Land and other nondepreciable assets	729,591	-	-	-	729,591
Capital assets, net of accumulated depreciation	19,226,337	2,398,815	4,620	-	21,629,772
Total noncurrent assets	<u>19,955,928</u>	<u>2,398,815</u>	<u>4,620</u>	<u>1,473,650</u>	<u>23,833,013</u>
Total assets	<u>28,564,646</u>	<u>12,415,149</u>	<u>2,139,299</u>	<u>40,946,865</u>	<u>84,065,959</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pension	<u>935,657</u>	<u>2,096,403</u>	<u>872,222</u>	<u>227,648</u>	<u>4,131,930</u>
Total deferred outflows of resources	<u>935,657</u>	<u>2,096,403</u>	<u>872,222</u>	<u>227,648</u>	<u>4,131,930</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	2,085,451	222,003	165,906	226,652	2,700,012
Accrued payroll	69,581	145,736	41,767	16,707	273,791
Unearned revenue	446,639	-	-	-	446,639
Current portion of long-term liabilities:					
Compensated absences	60,494	247,722	71,776	14,243	394,235
Capital lease purchases payable	3,681,130	275,294	-	-	3,956,424
Due to other funds	-	91,654	-	-	91,654
Claims payable	-	-	-	2,208,800	2,208,800
Total current liabilities (payable from current assets)	<u>6,343,295</u>	<u>982,409</u>	<u>279,449</u>	<u>2,466,402</u>	<u>10,071,555</u>
Noncurrent liabilities:					
Compensated absences	46,314	189,659	54,955	10,904	301,832
Other postemployment benefits	270,342	606,604	256,750	67,551	1,201,247
Capital lease purchases payable	9,289,392	415,971	-	-	9,705,363
Advances from other funds	-	91,654	-	-	91,654
Claims payable	-	-	-	7,333,850	7,333,850
Net pension liability	129,665	290,524	120,874	31,548	572,611
Total noncurrent liabilities	<u>9,735,713</u>	<u>1,594,412</u>	<u>432,579</u>	<u>7,443,853</u>	<u>19,206,557</u>
Total liabilities	<u>16,079,008</u>	<u>2,576,821</u>	<u>712,028</u>	<u>9,910,255</u>	<u>29,278,112</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pension	<u>51,156</u>	<u>114,618</u>	<u>47,688</u>	<u>12,446</u>	<u>225,908</u>
Total deferred inflows of resources	<u>51,156</u>	<u>114,618</u>	<u>47,688</u>	<u>12,446</u>	<u>225,908</u>
NET POSITION					
Net investment in capital assets	6,985,406	1,707,550	4,620	-	8,697,576
Unrestricted	6,384,733	10,112,563	2,247,185	31,251,812	49,996,293
Total net position	<u>\$ 13,370,139</u>	<u>\$ 11,820,113</u>	<u>\$ 2,251,805</u>	<u>\$ 31,251,812</u>	<u>\$ 58,693,869</u>

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

City of Clearwater, Florida
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2015

	<u>Garage</u>	<u>Administrative Services</u>	<u>General Services</u>	<u>Central Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 12,312,064	\$ 9,994,032	\$ 4,533,360	\$ 21,766,356	\$ 48,605,812
Other	-	-	-	133,700	133,700
Total operating revenues	<u>12,312,064</u>	<u>9,994,032</u>	<u>4,533,360</u>	<u>21,900,056</u>	<u>48,739,512</u>
Operating expenses:					
Personal services	3,519,676	7,278,398	3,168,659	845,590	14,812,323
Purchases for resale	4,234,170	-	-	-	4,234,170
Operating materials and supplies	196,973	144,130	369,488	179,638	890,229
Transportation	2,286	81,838	79,897	9,803	173,824
Utility service	100,237	-	425,572	3,387	529,196
Depreciation	4,911,663	728,817	14,207	-	5,654,687
Interfund administrative charges	289,116	3,996	-	-	293,112
Other current charges:					
Professional fees	422,249	660,965	-	3,332,563	4,415,777
Communications	19,761	1,061,804	33,870	5,332	1,120,767
Printing and binding	501	17,980	60	-	18,541
Insurance:					
Premiums	60,192	15,444	38,592	2,886,288	3,000,516
Claims incurred	-	-	-	13,091,624	13,091,624
Repairs and maintenance	825,762	1,389,627	1,226,352	16,096	3,457,837
Rentals	38,405	389,832	17,648	49,240	495,125
Miscellaneous	32,772	70,936	57,992	268,216	429,916
Data processing charges	162,576	221,784	121,692	29,244	535,296
Taxes	11,709	-	-	-	11,709
Total other current charges	<u>1,573,927</u>	<u>3,828,372</u>	<u>1,496,206</u>	<u>19,678,603</u>	<u>26,577,108</u>
Total operating expenses	<u>14,828,048</u>	<u>12,065,551</u>	<u>5,554,029</u>	<u>20,717,021</u>	<u>53,164,649</u>
Operating income (loss)	<u>(2,515,984)</u>	<u>(2,071,519)</u>	<u>(1,020,669)</u>	<u>1,183,035</u>	<u>(4,425,137)</u>
Nonoperating revenues (expenses)					
Investment earnings	168,667	224,323	42,310	726,103	1,161,403
Interest expense	(208,216)	(21,997)	-	-	(230,213)
Gain on sale of capital assets	544,272	-	-	-	544,272
Loss on disposal of capital assets	(58,787)	(225)	-	-	(59,012)
Other	276,846	-	-	49	276,895
Total nonoperating revenue (expenses)	<u>722,782</u>	<u>202,101</u>	<u>42,310</u>	<u>726,152</u>	<u>1,693,345</u>
Income (loss) before contributions and transfers	<u>(1,793,202)</u>	<u>(1,869,418)</u>	<u>(978,359)</u>	<u>1,909,187</u>	<u>(2,731,792)</u>
Transfers in	<u>1,133,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133,556</u>
	<u>1,133,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133,556</u>
Change in net position	<u>(659,646)</u>	<u>(1,869,418)</u>	<u>(978,359)</u>	<u>1,909,187</u>	<u>(1,598,236)</u>
Net position - beginning (as previously reported)	12,191,455	9,631,421	1,450,074	28,882,647	52,155,597
Prior period restatements (See Note IV.J.)	<u>1,838,330</u>	<u>4,058,110</u>	<u>1,780,090</u>	<u>459,978</u>	<u>8,136,508</u>
Net position - beginning (restated)	<u>14,029,785</u>	<u>13,689,531</u>	<u>3,230,164</u>	<u>29,342,625</u>	<u>60,292,105</u>
Net position - ending	<u>\$ 13,370,139</u>	<u>\$ 11,820,113</u>	<u>\$ 2,251,805</u>	<u>\$ 31,251,812</u>	<u>\$ 58,693,869</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2015

	<u>Garage</u>	<u>Administrative Services</u>	<u>General Services</u>	<u>Central Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 12,312,064	\$ 9,994,032	\$ 4,533,360	\$ 21,896,062	\$ 48,735,518
Cash payments to suppliers	(4,025,035)	(3,380,397)	(1,961,178)	(20,412,771)	(29,779,381)
Cash payments to employees	(2,356,952)	(4,698,568)	(2,102,706)	(562,368)	(9,720,594)
Cash payments to other funds	(723,524)	(547,254)	(287,182)	(50,672)	(1,608,632)
Other revenues	<u>212,837</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>212,886</u>
Net cash provided (used) by operating activities	<u>5,419,390</u>	<u>1,367,813</u>	<u>182,294</u>	<u>870,300</u>	<u>7,839,797</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,133,556	-	-	-	1,133,556
Receipt of cash on loans to/from other funds				4,661,638	4,661,638
Payment of cash on loans to/from other funds	<u>-</u>	<u>(91,653)</u>	<u>-</u>	<u>-</u>	<u>(91,653)</u>
Net cash provided (used) by noncapital financing activities	<u>1,133,556</u>	<u>(91,653)</u>	<u>-</u>	<u>4,661,638</u>	<u>5,703,541</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on debt	(2,928,314)	(320,066)	-	-	(3,248,380)
Interest paid	(208,216)	(21,997)	-	-	(230,213)
Acquisition of capital assets	(10,564,834)	(323,667)	-	-	(10,888,501)
Sale of capital assets	485,485	-	-	-	485,485
Proceeds from issuance of debt	<u>7,896,262</u>	<u>337,211</u>	<u>-</u>	<u>-</u>	<u>8,233,473</u>
Net cash (used) by capital and related financing activities	<u>(5,319,617)</u>	<u>(328,519)</u>	<u>-</u>	<u>-</u>	<u>(5,648,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	<u>167,641</u>	<u>222,681</u>	<u>42,062</u>	<u>726,259</u>	<u>1,158,643</u>
Net cash provided by investing activities	<u>167,641</u>	<u>222,681</u>	<u>42,062</u>	<u>726,259</u>	<u>1,158,643</u>
Net increase in cash and cash equivalents	1,400,970	1,170,322	224,356	6,258,197	9,053,845
Cash and cash equivalents at beginning of year	<u>6,745,913</u>	<u>8,809,971</u>	<u>1,903,603</u>	<u>30,229,289</u>	<u>47,688,776</u>
Cash and cash equivalents at end of year	<u>\$ 8,146,883</u>	<u>\$ 9,980,293</u>	<u>\$ 2,127,959</u>	<u>\$ 36,487,486</u>	<u>\$ 56,742,621</u>
Cash and cash equivalents classified as:					
Cash and investments	<u>\$ 8,146,883</u>	<u>\$ 9,980,293</u>	<u>\$ 2,127,959</u>	<u>\$ 36,487,486</u>	<u>\$ 56,742,621</u>

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

City of Clearwater, Florida
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2015

	<u>Garage</u>	<u>Administrative Services</u>	<u>General Services</u>	<u>Central Insurance</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (2,515,984)	\$ (2,071,519)	\$ (1,020,669)	\$ 1,183,035	\$ (4,425,137)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other nonoperating revenue	276,846	-	-	49	276,895
Depreciation	4,911,663	728,817	14,207	-	5,654,687
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(204)	-	-	(3,994)	(4,198)
(Increase) decrease in inventory	101,719	-	-	-	101,719
(Increase) decrease in prepaid expenses	-	216	-	(67,950)	(67,734)
Increase (decrease) in accounts and contracts payable	1,546,431	130,469	122,803	(524,062)	1,275,641
Increase (decrease) in unearned revenue	(63,805)	-	-	-	(63,805)
Increase (decrease) in net pension liability	934,263	2,093,280	870,923	227,308	4,125,774
Increase (decrease) in accrued payroll	(24,588)	(80,366)	(6,322)	(9,263)	(120,539)
Increase (decrease) in other postemployment benefits	32,597	72,978	(4,155)	11,542	112,962
(Increase) decrease in deferred outflows	233,914	524,101	218,056	56,911	1,032,982
Increase (decrease) in deferred inflows	(13,462)	(30,163)	(12,549)	(3,276)	(59,450)
Total adjustments	<u>7,935,374</u>	<u>3,439,332</u>	<u>1,202,963</u>	<u>(312,735)</u>	<u>12,264,934</u>
Net cash provided (used) by operating activities	<u>\$ 5,419,390</u>	<u>\$ 1,367,813</u>	<u>\$ 182,294</u>	<u>\$ 870,300</u>	<u>\$ 7,839,797</u>

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Fiduciary Funds

Fiduciary Funds are used to account for resources that are managed in a trustee capacity or as an agent for other parties or funds.

Employees' Pension Fund - to account for the financial operation and condition of the major employee retirement system.

Firefighters' Relief and Pension Fund - to account for the financial operation and condition of the Firefighters' Relief and Pension Plan, closed to new members in 1962, and containing 22 retired members with no active members. The Plan was fully funded effective with fiscal year 2007.

Police Supplemental Pension Fund - to account for the financial operation and condition of a supplemental pension plan funded by the State for sworn police officers.

Firefighters' Supplemental Pension Fund - to account for the financial operation and condition of a supplemental pension plan funded by the State for firefighters.

Treasurer's Escrow Agency Fund - to account for the receipt, custody, and expenditure of funds held temporarily in trust for other parties.

City of Clearwater, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds		
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters' Supplemental Pension Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 664,633	\$ 2,452,915	\$ 9,263	\$ -	\$ 3,126,811
Managed investment accounts, at fair value:					
Cash and cash equivalents	20,079,929	-	807,131	420,882	21,307,942
Government bonds	74,327,584	-	-	981,264	75,308,848
Index linked government bonds	2,024,881	-	-	-	2,024,881
Agency bonds	4,677,463	2,131,601	-	-	6,809,064
Domestic corporate bonds	93,432,687	-	-	2,612,955	96,045,642
International equity securities	68,841,663	-	661,258	134,742	69,637,663
Domestic stocks	385,095,014	-	9,594,426	3,631,667	398,321,107
Mortgage backed bonds	65,823,726	-	-	1,457,116	67,280,842
Asset backed securities	8,083,271	-	-	-	8,083,271
Other/rights/warrants	184,045	-	-	-	184,045
Domestic equity mutual funds	37,540,241	-	4,568,761	4,253,733	46,362,735
International equity mutual funds	34,071,336	-	2,136,885	1,136,840	37,345,061
Real estate	<u>56,847,854</u>	<u>-</u>	<u>-</u>	<u>2,242,567</u>	<u>59,090,421</u>
Total managed investment accounts	<u>851,029,694</u>	<u>2,131,601</u>	<u>17,768,461</u>	<u>16,871,766</u>	<u>887,801,522</u>
Securities lending collateral	196,139,408	-	-	-	196,139,408
Receivables:					
Interest and dividends	2,473,707	30,783	10,199	52,261	2,566,950
Unsettled investment sales	4,793,812	-	-	-	4,793,812
Securities lending earnings	27,041	-	-	-	27,041
Due from others	<u>15,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,028</u>
Total receivables	<u>7,309,588</u>	<u>30,783</u>	<u>10,199</u>	<u>52,261</u>	<u>7,402,831</u>
Total assets	<u>1,055,143,323</u>	<u>4,615,299</u>	<u>17,787,923</u>	<u>16,924,027</u>	<u>1,094,470,572</u>
LIABILITIES					
Accounts payable	921,265	-	-	-	921,265
Unsettled investment purchases	17,813,801	-	-	-	17,813,801
Obligations under securities lending	<u>196,139,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,139,408</u>
Total liabilities	<u>214,874,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,874,474</u>
FIDUCIARY NET POSITION					
Net position restricted for pensions	<u>\$ 840,268,849</u>	<u>\$ 4,615,299</u>	<u>\$ 17,787,923</u>	<u>\$ 16,924,027</u>	<u>\$ 879,596,098</u>

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

City of Clearwater, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2015

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds		
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters' Supplemental Pension Fund	Totals
ADDITIONS					
Contributions:					
Contributions from employer	\$ 14,923,098	\$ -	\$ -	\$ -	\$ 14,923,098
Contributions from employer - state tax	12,000	-	908,419	1,171,812	2,092,231
Contributions from employees	6,483,666	-	-	-	6,483,666
Total contributions	21,418,764	-	908,419	1,171,812	23,498,995
Investment income (loss):					
Net appreciation (depreciation) in fair value of investments	(17,161,321)	91,553	(877,078)	(881,548)	(18,828,394)
Interest	9,301,014	108,223	531	213,510	9,623,278
Dividends	8,385,894	-	221,986	1,017,954	9,625,834
Less investment expenses:					
Investment management/custodian fees	(5,102,757)	-	(22,589)	(99,401)	(5,224,747)
Net investment income (loss)	(4,577,170)	199,776	(677,150)	250,515	(4,804,029)
Securities lending income:					
Gross earnings	603,784	-	-	-	603,784
Rebate received	29,839	-	-	-	29,839
Bank fees	(221,545)	-	-	-	(221,545)
Net income from securities lending	412,078	-	-	-	412,078
Total additions	17,253,672	199,776	231,269	1,422,327	19,107,044
DEDUCTIONS					
Benefits and withdrawal payments:					
Benefits	39,276,003	442,775	1,516,743	912,875	42,148,396
Refunds	1,000,827	-	-	-	1,000,827
Total benefits and refunds	40,276,830	442,775	1,516,743	912,875	43,149,223
Income (loss) before administrative expenses	(23,023,158)	(242,999)	(1,285,474)	509,452	(24,042,179)
Less administrative expenses	(297,942)	(2,005)	(13,478)	(30,491)	(343,916)
Net increase (decrease)	(23,321,100)	(245,004)	(1,298,952)	478,961	(24,386,095)
Fiduciary net position restricted for pensions					
Fiduciary net position - beginning (as previously reported)	863,589,949	4,860,303	19,086,875	17,676,345	905,213,472
Correction of an error (See Note IV.K.)	-	-	-	(1,231,279)	(1,231,279)
Fiduciary net position - beginning (as restated)	863,589,949	4,860,303	19,086,875	16,445,066	903,982,193
Fiduciary net position - ending	\$ <u>840,268,849</u>	\$ <u>4,615,299</u>	\$ <u>17,787,923</u>	\$ <u>16,924,027</u>	\$ <u>879,596,098</u>

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

City of Clearwater, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2015

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>
<u>TREASURER'S ESCROW FUND</u>				
ASSETS				
Cash and investments	\$ 945,786	1,058,251	391,443	\$ 1,612,594
Accrued interest receivable	<u>275</u>	<u>408</u>	<u>380</u>	<u>303</u>
Total Assets	\$ <u><u>946,061</u></u>	<u><u>1,058,659</u></u>	<u><u>391,823</u></u>	\$ <u><u>1,612,897</u></u>
LIABILITIES				
Other miscellaneous payables:				
Downtown Development Board	\$ 90,444	398,343	389,288	\$ 99,499
Special purpose funds	7,833	-	-	7,833
Other	<u>847,784</u>	<u>660,316</u>	<u>2,535</u>	<u>1,505,565</u>
Total Liabilities	\$ <u><u>946,061</u></u>	<u><u>1,058,659</u></u>	<u><u>391,823</u></u>	\$ <u><u>1,612,897</u></u>

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

Supplemental Information

**City of Clearwater, Florida
Continuing Disclosure – Gas System Revenue Bonds
Series 2007, 2013 and 2014
Supplemental Information**

The System:

Rates, Fees and Charges

The City Council has established a schedule of rates and charges by ordinance, which includes a purchased gas cost adjustment provision allowing the City to pass-through to customers any increase or decrease in the purchased price of gas. The City is not subject to regulation by any State agency in establishing or revising its rates. Where competitive fuel sources or transportation service are available to the customer, the City Council has authorized the City Manager to enter into contract gas service rates at special rates and/or conditions as required to obtain/retain the customer load. Such contract service must meet the normal construction feasibility formula to insure profitable payback to the City. For the fiscal year ending September 30, 2015, contract rates applied to an average of 182 customer accounts per month and impacted 7.0% of total revenues.

The rates charged by the System through September 30, 1996, were part of the Phase I Gas Rate Case implemented October 1, 1995, which was based on a comprehensive cost of service study performed by the Utility Advisory Services Group of the international accounting firm of Coopers & Lybrand, LLP (the "Rate Study"). This Phase I implementation resulted in an extensive overhaul of the Gas System customer rates, providing numerous classes of service and a modernized billing methodology.

The new rates, effective October 1, 1996, were designed to be industry-based and responsive to the competitive energy challenges. The goal of the Rate Study was to establish rates which would be fair to all classes of customers, provide funding to implement planned expansion in both existing northern Pinellas County services area and into the newly acquired southwestern Pasco service area, and provide an adequate growth potential in return to the City of Clearwater to further offset the ad valorem tax rates (current impact is about 0.5 mills).

As the result of experiences during the first seven months of the Phase I implementation, adjustments made to the Phase II rates were implemented October 1, 1996, and additional adjustments (Phase III) were implemented effective October 1, 1997. The total projected impact of both new phases of the rate case was \$1.05 million, or less than 7.9% of total gas sales revenues.

The rate ordinance containing the Phase II and Phase III rate changes was approved by the City Council on June 6, 1996. Gas rates for customer charges were increased effective April 1, 2005. The total estimated annual impact of this rate increase was \$373,352.

New rates, effective October 1, 2008, were designed to recover the costs of providing service to respective classes of customers. The goal of the "Cost of Service and Rate Study" was to establish rates which would be sufficient to meet Clearwater Gas System's total revenue requirements and reflect cost of service consideration and practical rate implementation constraints as required.

CLEARWATER GAS SYSTEM
NATURAL GAS RATE BILLING FACTORS
 FOR AUGUST 1, 2015 - SEPTEMBER 30, 2015 BASED ON APPROVED GAS ADJUSTMENT FACTORS

	Firm Natural Gas Rate Schedules												NGV (Non-Resl)	NSS (Non-Resl)	Interr. NG Rate	Contract NG Rate
	RS	SMF	MMF	LMF	SGS	MGS	LGS	RAC	GAC	LAC	SL	SL w/M& Relight			IS	CNS
Applicable Annual Therm Range or Other Rate Determinant	NA (1 - 3 Units)	NA (4 + Units)	NA (4 + Units)	NA (4 + Units)	0 - 17,999	18,000- 99,999	100,000 & up	NA (1 - 3 Units)	NA (0 - 149 tons)	NA (150 tons & +)	NA	NA	NA	NA	100,000 & up	NA
Monthly Customer Charge (For Central Pasco Territory)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$12.00 (\$20.00) if not prev. billed	\$25.00 (\$40.00) if not prev. billed	\$40.00 (\$70.00) if not prev. billed	\$20.00 (\$30.00)	\$20.00 (\$30.00)	By Contract (By Contract)	\$50.00 (\$75.00)	\$250.00 \$400.00	By Contract (By Contract)
<u>Non-Fuel Energy Charge/Therm</u>																
Non-Fuel Energy Charge	\$0.44	\$0.44	\$0.44	\$0.44	\$0.42	\$0.38	\$0.34	\$0.20	\$0.15	\$0.10	\$0.20	\$0.35	By Contract	\$0.42	\$0.24	By Contract
Energy Conservation Adj. (ECA)	0.15	0.15	0.15	0.15	0.15	0.15	0.15	NA	NA	NA	NA	NA	NA	NA	NA	NA
Regulatory Imposition Adj. (RIA)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	NA	NA	NA	NA	NA	NA	NA	NA	NA
Usage & Inflation Adj. (UIA)	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Total Non-Fuel Energy Charge	\$0.70	\$0.70	\$0.70	\$0.70	\$0.69	\$0.65	\$0.61	\$0.20	\$0.15	\$0.10	\$0.20	\$0.35	By Contract	\$0.42	\$0.24	By Contract
Purchased Gas Adjustment (PGA)	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.87</u>	<u>0.77</u>	<u>0.87</u>	<u>0.77</u>	<u>0.77</u>
Total Energy Charge/Therm	1.57	1.57	1.57	1.57	1.56	1.52	1.48	1.07	1.02	0.97	1.07	1.22	0.77	1.29	1.01	0.77
Minimum Monthly Bill (For Central Pasco Territory)	\$12.00 (\$20.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$25.00 (\$40.00)	\$40.00 (\$70.00)	\$95.00 (\$160.00)	\$12.00 (\$20.00) @ premise	\$25.00 (\$40.00) @ premise	\$40.00 (\$70.00) @ premise	\$20.00 (\$30.00) + FAC	\$20.00 (\$30.00) + FAC	By Contract (By Contract) + FAC	\$50.00 (\$75.00) + FAC	\$250.00 \$400.00 + Non-Fuel Ther Rate for Contrac # of Therms	Customer Charge + Non-Fuel Therm Rate for Contrac # of Therms
Compares to LP/Gallon Rate of	\$ 1.44 \$ 1.52	\$ 1.44 \$ 1.52	\$ 1.44 \$ 1.52	\$ 1.44 \$ 1.52	\$ 1.43 \$ 1.51	\$ 1.39 \$ 1.47	\$ 1.35 \$ 1.44	\$ 0.98 \$ 1.04	\$ 0.93 \$ 0.99	\$ 0.89 \$ 0.94	\$ 0.98 \$ 1.04	\$ 1.12 \$ 1.18	\$ 0.70 \$ 0.75	\$ 1.18 \$ 1.25	\$ 0.92 \$ 0.98	
Change from 9/2014 Therm Rate	\$ (0.18)	\$ (0.18)	\$ (0.18)	\$ (0.18)	\$ (0.15)	\$ (0.13)	\$ (0.11)	\$ (0.07)	\$ (0.07)	\$ (0.07)	\$ (0.07)	\$ (0.07)	\$ (0.08)	\$ (0.11)	\$ (0.12)	\$ (0.08)
% Change from 9/2014 Therm Rate	-8.0%	-8.0%	-8.0%	-8.0%	-7.0%	-6.2%	-5.4%	-3.7%	-3.8%	-3.9%	-3.7%	-3.5%	-4.5%	-5.1%	-6.9%	-5.5%
<u>Utility Tax Note:</u>																
Fuel Rate per Therm 10/01/1973	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.069	\$0.055	\$0.069
Non-Utility Taxable Fuel/Therm	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.801	\$0.701	\$0.801	\$0.715	\$0.701
<u>BTU FACTOR = THERMS/100 CUBIC FEET (CCF)</u>																
	<u>10/2014</u>	<u>11/2014</u>	<u>12/2014</u>	<u>01/2015</u>	<u>02/2015</u>	<u>03/2015</u>	<u>04/2015</u>	<u>05/2015</u>	<u>06/2015</u>	<u>07/2015</u>	<u>08/2015</u>	<u>09/2015</u>	FY 14/15 Avg.			
Firm Service Rates	1.047	1.048	1.048	1.051	1.053	1.047	1.045	1.046	1.044	1.044	1.045	1.045	1.047			
Interruptible Service Rates	1.026	1.028	1.027	1.030	1.032	1.026	1.025	1.025	1.024	1.024	1.024	1.024	1.026			

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

GAS SUPPLY

On August 1, 1990, the Federal Energy Regulatory Commission (FERC) deregulated the natural gas pipeline industry. This allows other natural gas suppliers and local distribution companies, like the City of Clearwater, to transport gas over the Florida Gas Transmission (FGT) pipelines as opposed to purchasing natural gas supply from only FGT.

The two natural gas transmission companies that serve within the State of Florida are Florida Gas Transmission (FGT) and Gulfstream. Currently FGT is the sole provider of transportation service to the City. FGT is owned by Citrus Corp. Citrus Corp is owned 50% by Energy Transfer Partners, LLC AND 50% by Kinder Morgan, Inc. FGT is operated by Panhandle Energy, a subsidiary of Energy Transfer Partners.

The City joined Florida Gas Utility (FGU) in October 2000 by Resolution 00-35. FGU is responsible for the purchase & management of the City's natural gas supply. An updated All Requirements Gas Service Agreement, which was approved by Resolution 02-02 in January 2002, required the City to purchase 100% of its supply through FGU. FGU was formed through an Interlocal Agreement among its members. The Interlocal Agreement became effective on September 1, 1989 and consisted of five municipal utilities. Over the next several years, additional electric and gas distribution utilities joined FGU, bringing its current membership to 22 entities.

In addition, the City has entered into a Gas Supply & Transportation Agreement with Peoples Gas System (PGS), dated 12/02/04, to purchase natural gas to serve customers located in our Central Pasco territory, generally east of the Suncoast Parkway in Pasco County. The City received a letter from FGU Council, dated 8/31/04, granting the City permission to utilize TECO Peoples Gas as a third party gas supplier since FGU is unable and unwilling to provide gas to the City within the meaning of the provisions of Section 3 (a)(i) and (ii) of the ALL Requirements Gas Service Agreement between the City and FGU.

The City has two Firm Transportation Service agreements (FTS-1 & FTS-2) with FGT in order to deliver natural gas to the City's four gate stations. FGU is currently managing the City's Phase II (FTS-1) and Phase III (FTS-2) transportation capacity on a daily basis. Table 1 shows the breakdown of the City's annual gas supply entitlements with FGT. The total annual entitlement is 3,212,226 decatherms of natural gas transportation.

Table 1 Breakdown of Transportation Capacity

Contract Period	Phase II (FTS-1) MMBtu Per Day 2/01/07 - 1/31/17	Phase III (FTS-2) MMBtu Per Day 12/9/91 - 2/28/25	Total MMBtu Per Day
October	170,438	41,788	212,226
Nov-Mar	1,543,069	268,931	1,812,000
April	216,570	53,430	270,000
May-Sept	711,756	206,244	918,000
Total Annual	2,641,833	570,393	3,212,226

**City of Clearwater, Florida
Continuing Disclosure – Gas System Revenue Bonds
Series 2007, 2013 and 2014
Supplemental Information**

Service Area

The Clearwater Gas System (CGS) is owned and operated as an enterprise utility by the City of Clearwater. CGS operates over 884 miles of underground gas main and handles the supply and distribution of both natural and propane (LP) gas throughout northern Pinellas County and western Pasco County. As a “full service” gas utility, CGS provides gas appliance sales, installation of inside customer gas piping, domestic and commercial gas equipment service, construction and maintenance of underground gas mains and service lines, and 24-hour response to any gas emergency within the service area. The Florida Public Service Commission and the Federal Department of Transportation regulate CGS for safety.

CGS has been serving customers in the Clearwater area for over 92 years (since 1923) when operations began with a manufactured gas plant operation from coal and coke. In 1959, when natural gas transmission lines were finally extended to the Florida peninsula, CGS discontinued manufacturing gas and began receiving piped natural gas from Florida Gas Transmission.

Clearwater Gas System serves over 20,719 customers in a 330 square mile service territory, which includes 20 municipalities as well as the unincorporated areas of northern Pinellas County and western Pasco County. The Pinellas County service territory is 158 square miles and extends generally from Ulmerton and Walsingham Roads on the south to the Pasco County line on the north and from the Gulf of Mexico on the West to the Hillsborough County line on the east. This includes all of the Pinellas beach communities south to Redington Beach. The Pasco County service territory is 172 square miles and extends from the Gulf of Mexico on the West inland about 20 miles to just east of State Road 41 and Land O’ Lakes and from the Pinellas and Hillsborough County lines on the South to generally State Road 52 on the north. The CGS service territory extends 42.3 miles from the southwestern-most to the northwestern-most points.

Clearwater Gas System prides itself in being a competitive and public service-minded utility, providing safe, economical and environmentally-friendly gas, which is made in America, available in our communities for all of the homes and businesses in our service area, with special focus on the residential customers who make up 88.84% of our customer base.

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

As of September 30, 2015 the System's active natural gas customers were located as shown in the following table:

Location	Meters	Percentage
Belleair	458	2.36%
Belleair Beach	200	1.03%
Belleair Bluffs	31	0.16%
Belleair Shores	30	0.15%
Clearwater	6,869	35.48%
Dunedin	1,177	6.08%
Indian Rocks Beach	118	0.61%
Indian Shores	90	0.46%
Largo	1,027	5.30%
New Port Richey	82	0.42%
North Redington Beach	36	0.19%
Oldsmar	127	0.66%
Port Richey	14	0.07%
Redington Beach	134	0.69%
Redington Shores	61	0.31%
Safety Harbor	609	3.14%
Tarpon Springs	1,566	8.09%
Unincorporated Areas Pasco	3,156	16.30%
Central Pasco	718	3.71%
Unincorporated Areas Pinellas	2,865	14.79%
Total	19,368	100.00%

The following table shows the five largest interruptible customers by peak monthly consumption and the percent of the System's revenues derived from such customers during the 12 months ending September 30, 2015:

Customer Name	Peak Monthly Therms	% of Gross Revenues
Morton Plant Hospital	143,595.4	2.90%
New Port Richey Hospital Inc.	174,329.2	2.76%
Ajax Paving Industries	81,540.7	2.33%
Metal Industries	73,592.6	1.67%
Angelica Textile Service	99,996.5	1.63%

The following table shows the breakdown of the System's customers by category as well as the volume of gas sold and the sales revenues generated by each category for the year ended September 30, 2015:

	Average No. Customers	Gas Volume	Gas Sales
Interruptible (including Gas Station)	16	31.30%	16.67%
Residential	17,073	13.98%	23.02%
Commercial (excluding Gas Station)	2,279	54.72%	60.31%
	Therms	Revenues	
Interruptible (including Gas Station)	7,601,595.2	\$ 5,743,111	
Residential	3,395,615.3	7,929,170	
Commercial (excluding Gas Station)	13,287,447.0	20,772,226	
Totals	24,284,657.5	\$ 34,444,507	

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011 and 2014; and Revenue Bonds Series 2009A
Supplementary Information

Historical Financial Information

Water System:

Source and Volume of Water Pumped

(in million gallons per day, averaged over the fiscal year)

<u>FY</u>	<u>City Wells</u>	<u>County</u>	<u>Total</u>
2011	4.946	6.371	11.317
2012	5.925	4.999	10.924
2013	5.414	5.555	10.969
2014	5.191	6.854	12.045
2015	5.093	5.542	10.635

Historical Growth in Number of Water Customers

(all figures are as of September of the year indicated)

<u>Year</u>	<u>Water Customers</u>
2011	41,391
2012	41,988
2013	43,500
2014	43,701
2015	44,236

Ten Largest Water Customers
Fiscal Year Ending September 30, 2015

<u>Name of User</u>	<u>Water Used (in 100 Cubic Feet)</u>	<u>Revenues Produced</u>
1. CITY OF CLEARWATER	71,562	\$ 878,383
2. CHURCH OF SCIENTOLOGY	116,184	709,207
3. MORTON PLANT HOSPITAL	64,091	466,543
4. PINELLAS COUNTY SCHOOLS	38,041	342,469
5. PINELLAS COUNTY GOVERNMENT	25,071	289,178
6. RH MACARTHUR PARK LLC	40,757	255,457
7. SANDPEARL RESORT LLC	34,072	207,950
8. CLEARWATER APARTMENTS I LP	32,709	188,551
9. 301 SOUTH GULFVIEW LLC	24,132	185,778
10. RADISSON BAYSIDE HOTEL	24,979	170,138
	<u>471,598</u>	<u>\$ 3,693,654</u>

Reclaimed Water System:

<u>Year</u>	<u>Average Daily Flow MGD</u>
2011	5.75
2012	6.67
2013	5.03
2014	5.27
2015	4.73

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011 and 2014; and Revenue Bonds Series 2009A
Supplementary Information

Sewer System:**Average Sewage Flow and Historical Growth in Number of Sewer Customers**

(as of September of the year indicated)

Year	Flow in MGD	Sewer Customers
2011	14.8	33,063
2012	14.5	33,093
2013	13.2	33,405
2014	12.3	33,564
2015	13.8	33,390

Ten Largest Sewer Customers
Fiscal Year Ending September 30, 2015

Name of User	Sewer Used (in 100 Cubic Feet)	Revenues Produced
1. CHURCH OF SCIENTOLOGY	89,139	\$ 610,830
2. CITY OF CLEARWATER	28,682	521,283
3. MORTON PLANT HOSPITAL	60,245	510,635
4. PINELLAS COUNTY SCHOOLS	37,532	457,922
5. RH MACARTHUR PARK LLC	40,757	260,353
6. SANDPEARL RESORT LLC	34,072	217,649
7. CLEARWATER APARTMENTS I LP	32,710	215,945
8. CP CLEARWATER, LLC	31,208	207,900
9. SHERATON SAND KEY	30,066	205,645
10. CLEARWATER HOUSING AUTHORITY	26,522	200,188
	<u>410,933</u>	<u>\$ 3,408,350</u>

Rates, Fees And Charges

The City uses a three-tiered rate structure for water and sewer usage. The base rate for water includes a minimum usage for residential and nonresidential water rates. Any usage over the minimum is billed at one rate per 1,000 gallons up to a designated level and at a second rate for usage over that level. For irrigation, there is a base rate, with no usage allowance, and a charge per 1,000 gallons of water usage up to a designated level and a higher charge for usage over that amount. The sewer base rate includes a minimum usage and a fixed charge per 1,000 gallons of water usage over the basic allowance. The minimum usage and second and third tier usage levels vary with the size of the meters. For fiscal year 2015 there were no changes to the three-tiered rate structure for water or sewer usage.

City of Clearwater, Florida
Continuing Disclosure – Water and Sewer Revenue Refunding Bonds
Series 2003, 2009B, 2011 and 2014; and Revenue Bonds Series 2009A
Supplementary Information

Residential and Nonresidential Water Rates		October 1, 2011	October 1, 2012	October 1, 2013	October 1, 2014	October 1, 2015
<u>Size of Meter</u>						
Minimum -	Under 1 inch	\$ 16.30	\$ 17.03	\$ 17.80	\$ 18.60	\$ 19.44
	1 inch	38.04	39.75	41.54	43.41	45.36
	1.5 inch	543.40	567.85	593.40	620.10	648.00
	2 inch	1,266.12	1,323.10	1,382.64	1,444.86	1,509.88
	3 or 2 inch manifold	1,950.81	2,038.60	2,130.34	2,226.21	2,326.39
	4 inch	3,754.89	3,923.86	4,100.43	4,284.95	4,477.77
	6 inch	9,645.35	10,079.39	10,532.96	11,006.94	11,502.25
	8 inch	16,302.00	17,035.59	17,802.19	18,603.29	19,440.44

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

Rates for Irrigation (Lawn) Meters		October 1, 2011	October 1, 2012	October 1, 2013	October 1, 2014	October 1, 2015
<u>Size of Meter</u>						
Minimum -	Under 1 inch	\$ 5.81	\$ 6.07	\$ 6.34	\$ 6.63	\$ 6.93
	1 inch	17.44	18.22	19.04	19.90	20.80
	1.5 inch	87.27	91.20	95.30	99.59	104.07
	2 inch	244.34	255.34	266.83	278.84	291.39
	3 or 2 inch manifold	482.86	504.59	527.30	551.03	575.83
	4 inch	930.84	972.73	1,016.50	1,062.24	1,110.04
	6 inch	2,809.97	2,936.42	3,068.56	3,206.65	3,350.95

Sewer Rates		October 1, 2011	October 1, 2012	October 1, 2013	October 1, 2014	October 1, 2015
<u>Size of Meter</u>						
Minimum -	Under 1 inch	\$ 22.44	\$ 23.46	\$ 24.51	\$ 25.62	\$ 26.76
	1 inch	52.36	54.74	57.19	59.78	62.44
	1.5 inch	748.00	782.00	817.00	854.00	892.00
	2 inch	1,742.84	1,822.06	1,903.61	1,989.82	2,078.36
	3 or 2 inch manifold	2,685.32	2,807.38	2,933.03	3,065.86	3,202.28
	4 inch	5,168.68	5,403.62	5,645.47	5,901.14	6,163.72
	6 inch	13,277.00	13,880.50	14,501.75	15,158.50	15,833.00
	8 inch	22,440.00	23,460.00	24,510.00	25,620.00	26,760.00

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

	7.48	7.82	8.17	8.54	8.92
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Additional Indebtedness

No additional indebtedness was incurred for capital improvements to the water and sewer systems. Additional indebtedness in the amount of \$155,355 was incurred for the lease purchase of capital equipment.

City of Clearwater, Florida
Continuing Disclosure – Stormwater System Revenue Refunding Bonds
Series 2012, 2013 and 2014
Supplementary Information

Rates, Fees, and Charges

The City uses a measurement of one equivalent residential unit or ERU as the basis for the stormwater management utility fee. The rates per ERU from the inception of the utility are as follows:

<u>Effective Date</u>	<u>Rate per ERU</u>	<u>Effective Date</u>	<u>Rate per ERU</u>
January 1, 1991	\$3.00	October 1, 2007	\$10.51
October 1, 1998	4.00	October 1, 2008	11.14
October 1, 1999	4.17	October 1, 2009	11.80
October 1, 2000	4.35	October 1, 2010	12.51
October 1, 2001	4.54	October 1, 2011	13.04
January 1, 2002	6.13	October 1, 2012	13.40
October 1, 2002	7.16	October 1, 2013	13.77
October 1, 2003	8.01	October 1, 2014	14.15
October 1, 2004	8.65	October 1, 2015	14.33
October 1, 2005	9.35	October 1, 2016	14.51
October 1, 2006	9.71		

Single-family homes, multifamily units, condominium units, apartments and mobile homes are rated as one ERU per dwelling unit. Nonresidential property is charged at the rate of 1,830 square feet of impervious area per ERU.

HISTORICAL NET REVENUES

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Operating Revenues (Excluding Depreciation)	\$ 7,247,625	\$ 7,343,936	\$ 8,105,045	\$ 4,207,288	\$ 5,916,286
Interest Income and other					
Non-operating Revenues (Expenses)	491,645	530,796	(92,148)	495,462	677,829
Total Net Revenues	<u>\$ 7,739,270</u>	<u>\$ 7,874,732</u>	<u>\$ 8,012,897</u>	<u>\$ 4,702,750</u>	<u>\$ 6,594,115</u>
Maximum Annual Debt Service	\$ 2,889,994	\$ 2,693,144	\$ 2,608,421	\$ 2,568,762	\$ 2,568,762
Coverage	2.68	2.92	3.07	1.83	2.57

**City of Clearwater, Florida
Fire Services Program
Supplementary Information**

Pursuant to agreements between the City of Clearwater, the Pinellas County Fire Authority and the Pinellas County Emergency Medical Services Authority, the City has provided fire and emergency medical services to the respective authorities. With respect to fire services, the services are provided for the benefit of properties located outside the corporate limits of the City, but within a designated service area. Emergency medical services are provided for the benefit of persons residing both inside and outside the corporate limits of the City, based on the Authority's nearest unit dispatch policy.

With respect to the Fire Services Program, a budget was prepared by Fire Department personnel covering proposed expenditures for fiscal year ending September 30, 2015, for the Fire Department as a whole. Since the funding for the Emergency Medical Services Program is based on the level fixed in prior years, the Fire Services Program budget is essentially the residual obtained by deducting the approved level of funding for the Emergency Medical Services Program from the budgeted amounts included in the total Fire Department budget. This budget was submitted to, and duly approved by, the relevant Authority prior to the commencement of the fiscal year. Income received from Pinellas County Fire Protection Authority and valid program expenditures for the Fire Services Program for the fiscal year ended September 30, 2015 are summarized below.

Total Revenue Received from Pinellas County Fire Protection Authority	\$ 2,132,259
Total Fire Service Expenditures for Fiscal Year Ended September 30, 2015	\$ 19,348,492

The Fire Service Program does not currently utilize an equipment reserve.

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CITY OF CLEARWATER, FLORIDA

STATISTICAL SECTION

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

Financial Trends

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

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 2a	Program Revenues by Function/Program
Schedule 3	Fund Balances of Governmental Funds
Schedule 4	Changes in Fund Balances of Governmental Funds

Revenue Capacity

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

Schedule 5	Assessed Value and Estimated Actual Value of Taxable Property
Schedule 6	Direct and Overlapping Property Tax Rates
Schedule 7	Property Tax Levies and Collections
Schedule 8a	Principal Real Property Taxpayers
Schedule 8b	Principal Personal Property Taxpayers

Debt Capacity

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

Schedule 9	Ratios of Outstanding Debt by Type
Schedule 10	Ratios of General Bonded Debt Outstanding
Schedule 11	Direct and Overlapping Governmental Activities Debt
Schedule 12	Legal Debt Margin Information
Schedule 13	Pledged-Revenue Coverage

CITY OF CLEARWATER, FLORIDA
STATISTICAL SECTION (CONTINUED)

Economic and Demographic Information

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

Schedule 14	Demographic and Economic Statistics
Schedule 15	Principal Employers

Operating Information

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

Schedule 16	Full-time Equivalent City Government Employees by Function/Program
Schedule 17	Operating Indicators by Function/Program
Schedule 18	Capital Assets Statistics by Function/Program

Sources: Unless otherwise noted, the information in this section is derived from the City's comprehensive annual financial reports for the relevant year.

**City of Clearwater, Florida
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year (amounts in thousands)									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Primary Government</u>										
Governmental activities										
Net investment in capital assets	\$ 182,474	\$ 205,079	\$ 218,384	\$ 240,550	\$ 249,043	\$ 257,542	\$ 249,742	\$ 252,661	\$ 261,886	\$ 262,934
Restricted	41,204	41,543	39,020	42,681	49,682	57,245	65,603	60,454	68,428	57,239
Unrestricted	100,234	108,262	114,247	103,556	93,283	79,955	80,208	82,369	76,528	121,033
Total governmental activities net position	<u>\$ 323,912</u>	<u>\$ 354,884</u>	<u>\$ 371,651</u>	<u>\$ 386,787</u>	<u>\$ 392,008</u>	<u>\$ 394,742</u>	<u>\$ 395,553</u>	<u>\$ 395,484</u>	<u>\$ 406,842</u>	<u>\$ 441,206</u>
Business-type activities										
Net investment in capital assets	\$ 156,728	\$ 164,246	\$ 170,735	\$ 158,129	\$ 165,704	\$ 159,913	\$ 163,316	\$ 180,324	\$ 214,175	\$ 226,571
Restricted	35,054	35,775	39,635	41,333	44,332	55,038	55,204	53,237	49,530	45,503
Unrestricted	77,435	84,021	83,681	120,461	126,204	136,067	151,693	153,761	140,607	164,135
Total business-type activities net position	<u>\$ 269,217</u>	<u>\$ 284,042</u>	<u>\$ 294,051</u>	<u>\$ 319,923</u>	<u>\$ 336,240</u>	<u>\$ 351,018</u>	<u>\$ 370,213</u>	<u>\$ 387,322</u>	<u>\$ 404,312</u>	<u>\$ 436,209</u>
Primary government										
Net investment in capital assets	\$ 339,202	\$ 369,325	\$ 389,119	\$ 398,679	\$ 414,747	\$ 417,455	\$ 413,058	\$ 432,985	\$ 476,061	\$ 489,505
Restricted	76,258	77,318	78,655	84,014	94,014	112,283	120,807	113,691	117,958	102,742
Unrestricted	177,669	192,283	197,928	224,017	219,487	216,022	231,901	236,130	217,135	285,168
Total primary government net position	<u>\$ 593,129</u>	<u>\$ 638,926</u>	<u>\$ 665,702</u>	<u>\$ 706,710</u>	<u>\$ 728,248</u>	<u>\$ 745,760</u>	<u>\$ 765,766</u>	<u>\$ 782,806</u>	<u>\$ 811,154</u>	<u>\$ 877,415</u>

Note: Fiscal years prior to 2015 are not restated for GASB-68.

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

Page 1 of 3

Expenses	Fiscal Year (amounts in thousands)									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:										
General government	\$ 13,203	\$ 13,169	\$ 14,342	\$ 13,515	\$ 15,966	\$ 16,183	\$ 14,230	\$ 13,496	\$ 15,018	\$ 16,818
Public safety	60,178	68,636	66,582	64,977	69,457	66,914	67,559	68,057	70,126	99,056
Physical environment	3,098	3,027	2,730	4,266	4,941	3,868	3,189	3,451	3,416	3,273
Transportation	13,898	13,694	12,322	9,595	13,760	13,275	13,432	12,954	11,129	19,366
Economic environment	3,321	3,142	4,534	3,924	4,155	3,113	2,240	3,035	2,517	4,895
Human services	444	448	440	402	97	182	186	104	137	249
Culture and recreation	32,636	32,872	37,688	28,740	30,610	30,606	32,814	32,213	33,051	40,783
Interest on long-term debt	2,373	2,248	1,998	1,850	1,446	1,217	709	698	727	689
Total governmental activities expenses	<u>129,151</u>	<u>137,236</u>	<u>140,636</u>	<u>127,269</u>	<u>140,432</u>	<u>135,358</u>	<u>134,359</u>	<u>134,008</u>	<u>136,121</u>	<u>185,129</u>
Business-type activities:										
Water and sewer utility	48,592	49,840	52,015	54,520	57,229	61,010	59,406	57,774	64,810	69,550
Gas utility	36,947	33,579	35,944	29,285	31,200	28,354	27,662	29,747	31,639	33,352
Solid waste utility	16,013	16,172	16,036	14,801	15,618	15,844	16,632	17,042	17,572	22,486
Stormwater utility	9,013	9,465	11,070	11,775	10,937	12,234	12,847	12,284	16,476	16,110
Recycling	2,579	2,895	3,207	2,518	2,759	2,954	2,855	4,056	3,094	2,455
Marine	4,303	4,366	4,696	4,025	3,868	4,136	4,168	4,214	4,378	4,182
Aviation	468	382	417	743	388	515	366	404	345	399
Parking system	3,976	3,427	3,521	3,752	4,302	3,867	4,200	3,730	3,637	4,724
Harborview Center	2,618	2,664	2,800	2,345	984	579	610	520	522	-
Clearwater Harbor Marina	-	-	23	474	473	657	726	676	779	911
Total business-type activities expenses	<u>124,509</u>	<u>122,790</u>	<u>129,729</u>	<u>124,238</u>	<u>127,758</u>	<u>130,150</u>	<u>129,472</u>	<u>130,447</u>	<u>143,252</u>	<u>154,169</u>
Total primary government expenses	<u>\$ 253,660</u>	<u>\$ 260,026</u>	<u>\$ 270,365</u>	<u>\$ 251,507</u>	<u>\$ 268,190</u>	<u>\$ 265,508</u>	<u>\$ 263,831</u>	<u>\$ 264,455</u>	<u>\$ 279,373</u>	<u>\$ 339,298</u>

Notes: The Harborview Center Fund was closed in FY 2014 and its operations transferred to the General Fund during the year ended September 30, 2014.
Fiscal years prior to 2015 are not restated for GASB-68.

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

Page 2 of 3

	Fiscal Year (amounts in thousands)										
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Program revenues											
Charges for services:											
General government ^{a b}	\$ 13,585	\$ 14,628	\$ 14,508	\$ 21,639	\$ 21,679	\$ 21,484	\$ 20,869	\$ 20,401	\$ 19,920	\$ 22,726	\$ 23,668
Public safety	7,500	8,222	8,444	9,803	10,291	8,966	9,980	9,265	10,654	11,040	10,593
Physical environment	119	150	123	91	249	331	147	77	174	150	196
Transportation	163	235	261	194	397	857	852	885	738	454	327
Economic environment	164	110	107	108	211	124	153	122	121	132	109
Culture and recreation	4,753	5,296	5,574	5,318	5,334	5,174	5,491	5,474	5,973	6,855	7,103
Operating grants and contributions	6,273	7,181	9,687	9,123	8,542	7,561	8,062	8,521	8,114	6,305	6,893
Capital grants and contributions	15,058	3,405	11,748	7,632	3,169	1,315	2,766	845	437	2,391	2,326
Total governmental activities program revenues	47,615	39,227	50,452	53,908	49,872	45,812	48,320	45,590	46,131	50,053	51,215
Business-type activities:											
Charges for services:											
Water and sewer utility	45,306	49,159	50,381	52,111	53,965	55,801	59,810	62,012	65,292	67,141	70,848
Gas utility	37,469	43,160	38,906	40,902	39,079	36,622	36,470	36,351	37,693	41,347	41,143
Solid waste utility	16,541	16,816	17,301	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401
Stormwater utility	10,319	11,138	11,885	12,770	13,493	14,717	15,222	15,890	16,378	16,789	17,162
Recycling	2,784	2,740	3,204	3,411	2,227	2,695	3,135	2,681	2,453	2,370	2,261
Marine	3,721	4,075	4,323	4,798	4,031	4,064	4,387	4,181	4,331	4,643	4,352
Aviation	205	213	224	227	216	332	237	257	261	268	283
Parking system	4,752	4,981	4,655	4,166	5,007	4,358	4,677	4,890	4,994	5,159	6,215
Harborview Center	1,646	1,842	1,846	2,032	1,641	440	51	209	48	50	-
Clearwater Harbor Marina	-	-	-	-	50	44	325	467	559	619	664
Operating grants and contributions	59	59	83	83	83	187	133	134	584	140	50
Capital grants and contributions	6,138	6,639	6,382	1,086	2,609	11,060	5,290	7,469	6,250	13,590	4,662
Total business-type activities program revenues	128,940	140,822	139,190	139,098	140,248	148,742	148,942	154,003	158,347	172,082	168,041
Total primary government program revenues	\$ 176,555	\$ 180,049	\$ 189,642	\$ 193,006	\$ 190,120	\$ 194,554	\$ 197,262	\$ 199,593	\$ 204,478	\$ 222,135	\$ 219,256

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

Page 3 of 3

	Fiscal Year (amounts in thousands)										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expenses) / Revenue											
Governmental activities	\$ (71,112)	\$ (89,924)	\$ (86,784)	\$ (86,728)	\$ (77,397)	\$ (94,620)	\$ (87,038)	\$ (88,770)	\$ (87,876)	\$ (86,068)	\$ (133,914)
Business-type activities	14,148	16,313	16,400	9,369	16,010	20,984	18,792	24,531	27,900	28,830	13,872
Total primary government net (expense) / revenue	<u>\$ (56,964)</u>	<u>\$ (73,611)</u>	<u>\$ (70,384)</u>	<u>\$ (77,359)</u>	<u>\$ (61,387)</u>	<u>\$ (73,636)</u>	<u>\$ (68,246)</u>	<u>\$ (64,239)</u>	<u>\$ (59,976)</u>	<u>\$ (57,238)</u>	<u>\$ (120,042)</u>
General Revenues and Other Changes in Net Position											
Governmental activities:											
Taxes											
Property	\$ 41,588	\$ 48,076	\$ 53,717	\$ 50,347	\$ 46,893	\$ 44,040	\$ 39,253	\$ 37,938	\$ 37,360	\$ 38,574	\$ 40,925
Sales	16,351	17,155	16,079	15,675	13,850	13,253	13,385	14,092	14,818	15,722	16,833
Franchise ^a	8,226	9,435	9,505	-	-	-	-	-	-	-	-
Utility	10,611	11,264	11,410	11,533	12,021	13,574	13,229	12,736	13,473	14,309	14,095
Communications services	6,883	6,854	6,784	7,316	6,398	6,107	5,852	5,871	5,470	5,061	4,919
Other taxes ^b	5,183	5,523	5,779	8,154	7,581	7,773	7,451	7,105	8,157	7,725	7,969
Investment earnings	2,648	5,352	7,402	5,837	8,635	5,015	2,965	2,758	(1,109)	2,596	3,279
Miscellaneous	151	396	131	437	113	128	125	101	134	28	26
Extraordinary item	-	-	-	-	-	-	-	-	-	-	6,480
Transfers	4,707	3,658	6,948	4,196	(2,958)	9,951	7,511	8,980	9,505	13,410	9,330
Total governmental activities	<u>96,348</u>	<u>107,713</u>	<u>117,755</u>	<u>103,495</u>	<u>92,533</u>	<u>99,841</u>	<u>89,771</u>	<u>89,581</u>	<u>87,808</u>	<u>97,425</u>	<u>103,856</u>
Business-type activities:											
Investment earnings	2,210	4,341	5,373	4,313	6,904	5,284	3,497	3,644	(1,287)	3,407	4,086
Transfers	(4,707)	(3,658)	(6,948)	(4,196)	2,958	(9,951)	(7,511)	(8,980)	(9,505)	(13,410)	(9,330)
Total business-type activities	<u>(2,497)</u>	<u>683</u>	<u>(1,575)</u>	<u>117</u>	<u>9,862</u>	<u>(4,667)</u>	<u>(4,014)</u>	<u>(5,336)</u>	<u>(10,792)</u>	<u>(10,003)</u>	<u>(5,244)</u>
Total primary government	<u>\$ 93,851</u>	<u>\$ 108,396</u>	<u>\$ 116,180</u>	<u>\$ 103,612</u>	<u>\$ 102,395</u>	<u>\$ 95,174</u>	<u>\$ 85,757</u>	<u>\$ 84,245</u>	<u>\$ 77,016</u>	<u>\$ 87,422</u>	<u>\$ 98,612</u>
Change in Net Position											
Governmental activities	\$ 25,236	\$ 17,789	\$ 30,971	\$ 16,767	\$ 15,136	\$ 5,221	\$ 2,733	\$ 811	\$ (68)	\$ 11,357	\$ (30,058)
Business-type activities	11,651	16,996	14,825	9,486	25,872	16,317	14,778	19,195	17,108	18,827	8,628
Total primary government change in net position	<u>\$ 36,887</u>	<u>\$ 34,785</u>	<u>\$ 45,796</u>	<u>\$ 26,253</u>	<u>\$ 41,008</u>	<u>\$ 21,538</u>	<u>\$ 17,511</u>	<u>\$ 20,006</u>	<u>\$ 17,040</u>	<u>\$ 30,184</u>	<u>\$ (21,430)</u>

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

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

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

		Fiscal Year (amounts in thousands)									
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function/Program											
Governmental activities:											
General government	\$	14,697	\$ 14,514	\$ 21,640 ^b	\$ 21,681	\$ 21,512	\$ 21,533	\$ 20,418	\$ 19,920	\$ 22,728	\$ 23,668
Public safety		9,275	11,763	12,784	13,284	12,309	12,631	13,753	13,551	14,192	13,201
Physical environment		1,274	704	695	304	360	344	327	326	447	1,311
Transportation		2,300	10,491 ^a	6,628	1,852	2,024	2,651	1,436	1,284	885	1,024
Economic environment		2,708	3,298	2,844	3,327	1,982	2,444	1,687	2,988	1,828	1,713
Human services		-	-	-	-	-	211	180	147	-	350
Culture and recreation		8,973	9,682	9,317	9,424	7,625	8,506	7,789	7,915	9,973	9,948
Subtotal governmental activities		<u>39,227</u>	<u>50,452</u>	<u>53,908</u>	<u>49,872</u>	<u>45,812</u>	<u>48,320</u>	<u>45,590</u>	<u>46,131</u>	<u>50,053</u>	<u>51,215</u>
Business-type activities:											
Water and sewer utility		52,264	56,071	52,807	55,291	63,426	63,566	68,812	69,732	78,478	74,146
Gas utility		43,160	38,906	40,902	39,078	36,672	36,470	36,351	38,143	41,347	41,143
Solid waste utility		16,816	17,301	17,512	17,847	18,422	19,205	19,462	19,504	19,966	20,401
Stormwater utility		14,343	12,559	12,941	14,478	15,682	16,523	15,961	16,869	18,821	17,805
Recycling		2,799	3,287	3,493	2,310	2,779	3,218	2,764	2,536	2,453	2,261
Marine		4,128	4,323	4,810	4,031	4,064	4,387	4,259	4,334	4,658	4,357
Aviation		489	242	335	365	491	454	776	1,491	480	999
Parking system		4,981	4,655	4,266	5,157	4,364	4,677	4,890	4,994	5,159	6,215
Harborview Center		1,842	1,846	2,032	1,641	440	51	209	48	50	-
Clearwater Harbor Marina		-	-	-	50	2,402	391	518	696	670	714
Subtotal business-type activities		<u>140,822</u>	<u>139,190</u>	<u>139,098</u>	<u>140,248</u>	<u>148,742</u>	<u>148,942</u>	<u>154,002</u>	<u>158,347</u>	<u>172,082</u>	<u>168,041</u>
Total primary government	\$	<u>180,049</u>	<u>\$ 189,642</u>	<u>\$ 193,006</u>	<u>\$ 190,120</u>	<u>\$ 194,554</u>	<u>\$ 197,262</u>	<u>\$ 199,592</u>	<u>\$ 204,478</u>	<u>\$ 222,135</u>	<u>\$ 219,256</u>

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

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

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

		Fiscal Year (amounts in thousands)									
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ^b	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:											
Nonspendable	\$	-	\$ -	\$ -	\$ -	\$ -	24	25	37	33	40
Restricted		-	-	-	-	-	-	-	-	-	-
Committed		-	-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	856	1,043	588	894	447
Unassigned		-	-	-	-	-	23,081	22,034	21,664	23,488	31,540
Reserved		2,941	3,476	3,500	3,168	1,164	-	-	-	-	-
Unreserved		<u>21,479</u>	<u>23,580</u>	<u>17,564</u>	<u>19,171</u>	<u>22,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	\$	<u><u>24,420</u></u>	<u><u>27,056</u></u>	<u><u>21,064</u></u>	<u><u>22,339</u></u>	<u><u>24,067</u></u>	<u><u>23,961</u></u>	<u><u>23,102</u></u>	<u><u>22,289</u></u>	<u><u>24,415</u></u>	<u><u>32,027</u></u>
All Other Governmental Funds:											
Nonspendable	\$	-	\$ -	\$ -	\$ -	\$ -	90	87	96	-	-
Restricted		-	-	-	-	-	61,991	65,645	60,493	68,427	57,239
Committed		-	-	-	-	-	17,131	17,346	27,322	19,374	20,167
Assigned		-	-	-	-	-	7,404	8,488	5,801	6,689	7,815
Unassigned		-	-	-	-	-	(1,921)	(2,119)	(3,917)	(6,347)	(2,553)
Reserved		35,363	48,722	36,641	37,259	29,970	-	-	-	-	-
Unreserved, reported in:											
Special revenue funds		19,608	18,656	16,426	16,899	13,944	-	-	-	-	-
Debt service funds		64	90	113	136	7,726	-	-	-	-	-
Capital project funds		<u>27,746</u>	<u>19,225</u>	<u>40,685</u> ^a	<u>36,757</u>	<u>36,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	\$	<u><u>82,781</u></u>	<u><u>86,693</u></u>	<u><u>93,865</u></u>	<u><u>91,051</u></u>	<u><u>87,880</u></u>	<u><u>84,695</u></u>	<u><u>89,447</u></u>	<u><u>89,795</u></u>	<u><u>88,143</u></u>	<u><u>82,668</u></u>

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

^b GASB Statement No. 54 was implemented in 2011 and reflects new fund balance classification for 2011.
The new classifications have not been restated for 2010 and prior.

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

	Fiscal Year (amounts in thousands)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Total Governmental Funds:										
Property taxes	\$ 48,076	\$ 53,717	\$ 50,347	\$ 46,579	\$ 44,097	\$ 39,290	\$ 37,954	\$ 37,413	\$ 38,597	\$ 40,919
Sales taxes	10,705	9,931	9,863	8,574	7,987	7,929	8,393	8,868	9,465	10,188
Utility taxes	11,264	11,410	11,533	12,020	13,574	13,229	12,735	13,473	14,309	14,094
Communications services taxes	6,854	6,784	6,747	6,966	6,107	5,852	5,871	5,470	5,061	4,919
Other taxes	3,016	3,015	3,669	4,167	3,613	3,561	3,308	3,556	3,554	3,519
Franchise fees	9,435	9,505	9,254	10,204	10,540	9,994	9,603	9,164	9,877	9,873
Licenses, permits, and fees	4,780	4,441	2,719	1,918	1,766	2,364	2,117	2,187	3,292	4,408
Intergovernmental revenues	25,407	34,622	31,473	27,972	25,400	26,693	25,750	26,842	26,354	27,573
Charges for services	14,669	14,806	14,895	14,933	14,803	14,081	14,682	14,484	15,574	15,830
Fines and forfeitures	1,557	1,401	1,298	1,478	1,101	1,638	985	1,808	1,480	1,638
Investment earnings	3,784	5,400	4,101	5,768	3,360	1,937	1,719	(668) ^b	1,717	2,160
Miscellaneous	2,089	4,173	4,961	1,880	1,709	2,963	2,016	2,310	2,734	3,886
Total revenues	<u>141,636</u>	<u>159,205</u>	<u>150,860</u>	<u>142,459</u>	<u>134,057</u>	<u>129,531</u>	<u>125,133</u>	<u>124,907</u>	<u>132,014</u>	<u>139,007</u>
Expenditures										
Total Governmental Funds:										
Current:										
General government	12,590	13,357	14,170	13,633	15,676	15,042	12,764	12,520	14,391	13,159
Public safety	57,265	65,099	64,636	64,242	64,734	63,610	64,171	66,262	66,771	66,886
Physical environment	3,035	2,964	2,673	4,085	3,777	3,722	3,032	3,376	3,400	3,158
Transportation	10,267	11,162	9,950	7,768	9,128	8,536	8,332	7,522	7,787	9,925
Economic environment	3,324	3,175	4,213	3,166	3,089	2,773	2,470	3,256	2,544	3,993
Human services	442	453	437	405	100	180	182	104	137	223
Culture and recreation	28,544	29,939	30,317	27,114	25,883	25,198	27,028	26,567	27,557	28,339
Debt service:										
Principal	7,257	7,192	7,414	7,825	11,670	9,510	1,049	1,049	947	928
Interest & issuance costs	3,029 ^a	1,999	1,728	1,617	1,339	856	548	538	542	501
Capital outlay	9,834	24,126	21,970	22,312	10,145	9,165	8,860	13,318	16,098	12,132
Total expenditures	<u>135,587</u>	<u>159,466</u>	<u>157,508</u>	<u>152,167</u>	<u>145,541</u>	<u>138,592</u>	<u>128,436</u>	<u>134,512</u>	<u>140,174</u>	<u>139,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,049</u>	<u>(261)</u>	<u>(6,648)</u>	<u>(9,708)</u>	<u>(11,484)</u>	<u>(9,061)</u>	<u>(3,303)</u>	<u>(9,605)</u>	<u>(8,160)</u>	<u>(237)</u>
Other Financing Sources (Uses)										
Total Governmental Funds:										
Transfers in	35,258	47,334	42,481	38,956	52,481	34,908	31,373	35,813	34,453	39,386
Transfers out	(29,850)	(40,779)	(39,023)	(31,312)	(42,440)	(30,204)	(24,491)	(26,673)	(25,819)	(31,190)
Sale of capital assets	120	-	-	-	-	-	-	-	-	-
Land held for resale from general government	1,000	-	-	-	-	-	-	-	-	-
Long term debt issued	895	254	4,370	525	-	1,066	314	-	-	82
Total other financing sources (uses)	<u>7,423</u>	<u>6,809</u>	<u>7,828</u>	<u>8,169</u>	<u>10,041</u>	<u>5,770</u>	<u>7,196</u>	<u>9,140</u>	<u>8,634</u>	<u>8,278</u>
Extraordinary Item:										
BP Oil settlement proceeds	-	-	-	-	-	-	-	-	-	6,480
Net Change in Fund Balances	<u>\$ 13,472</u>	<u>\$ 6,548</u>	<u>\$ 1,180</u>	<u>\$ (1,539)</u>	<u>\$ (1,443)</u>	<u>\$ (3,291)</u>	<u>\$ 3,893</u>	<u>\$ (465)</u>	<u>\$ 474</u>	<u>\$ 14,521</u>
Debt service as a percentage of noncapital expenditures	8.5%	6.9%	6.8%	7.4%	9.6%	8.2%	1.3%	1.3%	1.3%	1.1%

Note: Fiscal years prior to 2015 are not restated for GASB-68.

^a The increase in fiscal 2006 interest and issuance costs is due to \$742 thousand of arbitrage rebate on the 2001 Infrastructure Sales Tax revenue bonds.

^b The decrease in 2013 investment earnings was due to a low interest rate environment along with an unrealized loss in market value at September 30, 2013.

City of Clearwater, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Assessed Value ^a						Less:	Less:	Total Taxable Assessed Value	Total Direct Tax Rate ^c	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property	Government and Institutional Property	Personal Property	Other Property	Homestead Assessment Cap Differential ^b					
2006	8,325,134	1,902,627	153,035	1,329,219	605,102	70,665	1,690,208	2,045,343	8,650,231	5.7530	10,176,742	85.0%
2007	10,967,910	2,294,492	178,987	1,499,434	637,308	67,478	2,767,035	2,222,329	10,656,245	5.2088	12,536,759	85.0%
2008	11,359,752	2,385,943	187,557	1,500,633	640,387	72,913	2,691,298	2,307,132	11,148,755	4.6777	13,116,182	85.0%
2009	9,965,589	2,353,563	192,940	1,586,882	645,460	89,686	1,721,773	2,951,357	10,160,990	4.7254	11,954,106	85.0%
2010	8,163,897	2,346,462	185,353	1,156,811	657,933	95,259	907,087	2,878,136	8,820,492	5.1550	10,377,049	85.0%
2011	7,069,236	2,043,813	162,529	999,884	630,044	112,864	472,793	2,679,167	7,866,410	5.1550	9,254,600	85.0%
2012	6,732,585	2,001,945	149,166	973,917	609,704	94,750	391,670	2,573,448	7,596,949	5.1550	8,937,587	85.0%
2013	6,496,278	2,043,952	140,377	1,017,944	593,746	114,615	290,989	2,623,699	7,492,224	5.1550	8,814,381	85.0%
2014	6,863,874	2,077,078	149,298	1,057,915	601,743	113,552	485,295	2,640,339	7,737,826	5.1550	9,103,325	85.0%
2015	7,713,777	2,145,212	156,487	1,117,973	631,798	113,591	959,433	2,714,945	8,204,460	5.1550	9,652,306	85.0%

^a Properties are assessed at approximately 85% of market value to reflect cost of sales, personal property included in market value, etc.

^b Florida Statutes, 193.155, provides for an annual cap on assessment increases for "Homestead properties" (properties qualifying for Homestead exemption). The cap is the lower of 3% of the assessed value of the property or the percentage change in the Consumer Price Index for All Urban Consumers.

^c Rate is per \$1,000 of assessed value

City of Clearwater, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates			Overlapping Rates					
	Operating	GOB Debt Service	Total Direct	Pinellas County	Pinellas County Schools	Pinellas Transit District	Emergency Medical Services	Other Districts	Downtown Development Board ^a
2006	5.7530	0.0000	5.7530	6.1410	8.3900	0.6377	0.6600	1.6555	1.0000
2007	5.2088	0.0000	5.2088	5.4700	8.2100	0.6074	0.6300	1.6378	1.0000
2008	4.6777	0.0000	4.6777	4.8730	7.7310	0.5601	0.5832	1.5121	0.9651
2009	4.7254	0.0000	4.7254	4.8730	8.0610	0.5601	0.5832	1.5551	0.9651
2010	5.1550	0.0000	5.1550	4.8730	8.3460	0.5601	0.5832	1.5106	0.9651
2011	5.1550	0.0000	5.1550	4.8730	8.3400	0.5601	0.5832	1.4410	0.9651
2012	5.1550	0.0000	5.1550	4.8730	8.3850	0.7305	0.8506	1.2390	0.9651
2013	5.1550	0.0000	5.1550	5.0727	8.3020	0.7305	0.9158	1.3034	0.9651
2014	5.1550	0.0000	5.1550	5.3377	8.0600	0.7305	0.9158	1.2959	0.9651
2015	5.1550	0.0000	5.1550	5.3377	7.8410	0.7305	0.9158	1.2799 ^b	0.9651

Source: Pinellas County Property Appraiser

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

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

Schedule 7

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 49,764,779	\$ 47,957,449	96.37	\$ 61,257	\$ 48,018,706	96.49
2007	55,506,248	53,668,684	96.69	159,385	53,828,069	96.98
2008	52,150,534	50,215,870	96.29	243,975	50,459,845	96.76
2009	48,014,740	46,405,161	96.65	218,343	46,623,504	97.10
2010	45,469,638	43,912,287	96.57	160,937	44,073,224	96.93
2011	40,551,363	39,163,100	96.58	51,026	39,214,126	96.70
2012	39,162,295	37,874,151	96.71	52,648	37,926,799	96.85
2013	38,622,438	37,298,959	96.57	36,821	37,335,780	96.67
2014	39,888,516	38,521,211	96.57	31,727	38,552,938	96.65
2015	42,294,009	40,832,366	96.54	-	40,832,366	96.54

Note 1: Discounts are allowed for early payment: 4% for November, 3% for December, 2% for January, and 1% for February. No discount is allowed for payment in March. Penalties are assessed beginning in April.

Note 2: Prior to fiscal year 2012, the Pinellas County Tax Collector did not allocate delinquent taxes collected by the original tax year levied. Consequently, all collections of delinquent taxes were applied to the immediately preceding tax year. Beginning with fiscal year 2012, the Tax Collector has allocated delinquent taxes collected by the original tax year levied.

**City of Clearwater, Florida
Principal Real Property Taxpayers
Current Year and Nine Years Ago**

<u>Taxpayer</u> <u>REAL PROPERTY</u>	<u>2015</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
BELLWETHER PROP FLA	\$ 142,630,438	1	1.84%	\$ 111,519,300	1	1.06%
301 SOUTH GULFVIEW LLC	62,540,609	2	0.80%			
JOHN S TAYLOR PROPERTIES LLC	48,253,900	3	0.62%	34,360,000	4	0.33%
STANDARD GRAND RESERVE LLC	41,551,200	4	0.53%			
SAND KEY ASSOC LTD PARTNERSHIP	40,841,700	5	0.53%	35,000,000	3	0.33%
CENTRO NP CLEARWATER MALL LLC	39,231,675	6	0.50%	43,895,800	2	0.42%
ZOM BAYSIDE ARBORS LTD	38,847,415	7	0.50%	25,350,900	10	0.24%
SANDPEARL RESORT LLC	38,161,389	8	0.49%			
NWP CLEARWATER HOLDINGS LLC	28,962,900	9	0.37%			
WEINGARTEN NOSTAT INC	27,535,000	10	0.35%	29,750,000	6	0.28%
GRAND VENEZIA BAYWATCH LP				25,912,300	8	0.25%
CALIFORNIA STATE TEACHERS				32,150,000	5	0.31%
ST JOE CO				27,850,000	7	0.26%
UNITED DOMINION RLTL TRUST				25,450,000	9	0.24%
Total	<u>\$ 508,556,226</u>		<u>6.54%</u>	<u>\$ 391,238,300</u>		<u>3.72%</u>

Source: Pinellas County Property Appraiser

Schedule 8b

**City of Clearwater, Florida
Principal Personal Property Taxpayers
Current Year and Nine Years Ago**

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>Taxpayer</u>						
<u>PERSONAL PROPERTY</u>						
DUKE ENERGY (1)	\$ 77,434,728	1	17.91%	\$ 62,479,630	1	12.66%
VERIZON FLORIDA LLC (2)	30,939,166	2	7.15%	50,406,660	2	10.21%
BRIGHT HOUSE NETWORKS LLC (3)	14,422,829	3	3.34%	14,603,830	3	2.96%
INSTRUMENT TRANSFORMERS	9,762,948	4	2.26%	3,902,270	7	0.79%
PUBLIX SUPER MARKET	8,346,711	5	1.93%			
FLORIDA GAS TRANSMISSION	7,787,632	6	1.80%			
MONIN INC	6,560,228	7	1.52%			
HYATT REGENCY CLEARWATER BEACH	5,550,113	8	1.28%			
WOW! INTERNET, CABLE & PHONE	5,489,616	9	1.27%			
MODEL SCREW PRODUCTS INC	5,338,444	10	1.23%			
BAUSCH & LOMB INC				10,368,830	4	2.10%
BURDINES INC				4,050,910	5	0.82%
GENERAL ELECTRIC CREDIT CO				3,996,230	6	0.81%
SHERATON SAND KEY				3,586,310	8	0.73%
MARRIOTT SUITES CLEARWATER				3,477,480	9	0.70%
TARGET #1820				3,242,640	10	0.66%
Total	<u>\$ 171,632,415</u>		<u>39.69%</u>	<u>\$ 160,114,790</u>		<u>32.44%</u>

Notes:

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

Source: Pinellas County Property Appraiser

City of Clearwater, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Public Service Tax Revenue Bonds	Sales Tax Revenue Bonds	Spring Training Facility Intergovernmental Revenue Bonds	Capital Leases		Water/Sewer Revenue Bonds	Gas Revenue Bonds	Stormwater Revenue Bonds	Public Service Tax Revenue Bonds	Capital Leases			
2006	\$ 9,885	\$ 24,955	\$ 13,245	\$ 11,047		\$ 141,524	\$ 26,930	\$ 44,830	\$ -	\$ 1,906	\$ 274,322	6.80%	2,480
2007	9,565	19,080	12,755	10,840		136,955	23,015	43,845	-	1,366	257,421	6.04%	2,330
2008	13,000	12,975	12,255	10,560		132,290	18,240	42,830	9,135	932	252,217	5.60%	2,288
2009	12,545	6,620	11,740	9,230		190,415	17,470	41,780	9,135	660	299,595	6.53%	2,726
2010	8,540	-	11,210	8,279		185,730	16,695	40,700	-	630	271,784	6.04%	2,524
2011	-	-	10,660	8,722		179,275	15,900	39,580	-	808	254,945	5.96%	2,365
2012	-	-	10,090	9,058		174,085	15,105	37,495	-	765	246,598	5.44%	2,285
2013	-	-	9,500	8,249		168,620	14,375	36,565	-	512	237,821	4.89%	2,181
2014			8,890	9,260		162,940	13,530	35,365	-	296	230,281	4.77%	2,106
2015	-	-	8,255	14,033		158,145	12,550	33,990		279	227,252	4.63%	2,053

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 14 for personal income and population data. These ratios are calculated using personal income from two fiscal years prior, as noted on Schedule 14.

Schedule 10

City of Clearwater, Florida Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (amounts in thousands, except per capita)

General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Public Service Tax Revenue Bonds	Sales Tax Revenue Bonds	Total	Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
2006	\$ -	\$ 9,885	\$ 24,955	\$ 34,840	0.34%	315
2007	-	9,565	19,080	28,645	0.23%	259
2008	-	13,000	12,975	25,975	0.20%	236
2009	-	12,545	6,620	19,165	0.16%	174
2010	-	8,540	-	8,540	0.16%	79
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 5 for property value data.

(b) Population data can be found in Schedule 14.

City of Clearwater, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2015
(amounts in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes	\$ -	n/a	\$ -
Other debt			
Pinellas County Government Notes	11,559	13.8%	1,590
Pinellas County Government Capital Leases	41	13.8%	6
Pinellas County School District State Bonds ^b	14,884	13.8%	2,047
Pinellas County School District Capital Leases	972	13.8%	<u>134</u>
Subtotal, overlapping debt			3,776
City direct debt			<u>22,288</u>
Total direct and overlapping debt			<u><u>\$ 26,064</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by Pinellas County Property Appraiser Debt outstanding data is provided by each respective governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Clearwater. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

^b The School District State Bonds are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged for the bonds.

Schedule 12

City of Clearwater, Florida Legal Debt Margin Information Last Ten Fiscal Years (amounts in thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as Percentage of Debt Limit
2006	\$ 1,631,179	\$ 247,706	\$ 1,383,473	15.19
2007	2,028,832	230,639	1,798,193	11.37
2008	2,128,847	224,224	1,904,623	10.53
2009	1,942,045	271,594	1,670,451	13.98
2010	1,672,462	248,800	1,423,662	14.88
2011	1,982,900	232,771	1,750,129	11.74
2012	1,911,916	224,409	1,687,507	11.74
2013	1,904,237	215,753	1,688,484	11.33
2014	1,955,083	208,318	1,746,765	10.66
2015	2,057,302	204,926	1,852,376	9.96

Legal Debt Margin Calculation for Fiscal Year 2015:

Assessed valuation of non-exempt real estate	\$	10,286,509
Debt Limit (20% of assessed valuation per City Charter)		2,057,302
Debt applicable to limit:		
Revenue bonds	\$	212,940
Capital leases		14,312
Less: Amount set aside for repayment of bonded debt		(22,326)
		<u>204,926</u>
Legal debt margin	\$	<u>1,852,376</u>

Note: Per City Charter, the City's indebtedness, to include revenue, refunding, and improvement bonds shall not exceed 20 percent of the current assessed valuation of all real property located in the City.

City of Clearwater, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts in thousands)

Page 1 of 2

Fiscal Year	Gross Revenues	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenues	Principal	Interest	
Infrastructure Sales Tax Bonds ^(a)						
2006	\$ 10,704	\$ -	\$ 10,704	\$ 5,660	\$ 1,896 ^(a)	1.42
2007	9,931	-	9,931	5,875	889	1.47
2008	9,863	-	9,863	6,105	641	1.46
2009	8,574	-	8,574	6,355	397	1.27
2010	7,987	-	7,987	6,620	132	1.18
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
Spring Training Facility Bonds ^(b)						
2006	\$ 1,107	\$ -	\$ 1,107	\$ 475	\$ 603	1.03
2007	1,112	-	1,112	490	591	1.03
2008	1,107	-	1,107	500	577	1.03
2009	1,104	-	1,104	515	561	1.03
2010	1,105	-	1,105	530	544	1.03
2011	1,099	-	1,099	550	526	1.02
2012	1,098	-	1,098	570	507	1.02
2013	1,084	-	1,084	590	485	1.01
2014	1,097	-	1,097	610	463	1.02
2015	1,100	-	1,100	635	439	1.02
Public Service Tax/Improvement Revenue Bonds ^(c)						
2006	\$ 18,118	\$ -	\$ 18,118	\$ 385	\$ 473	21.12
2007	18,194	-	18,194	320	464	23.21
2008	18,280	-	18,280	330	450	23.44
2009	18,987	-	18,987	340	438	24.40
2010	19,680	-	19,680	355	425	25.23
2011	19,081	-	19,081	8,540 ^(d)	291	2.16
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-

(a) Pledged revenues for the Infrastructure Sales Tax Revenue Bonds include the City's share of revenues derived by Pinellas County, Florida, from the levy and collection of a one-cent discretionary infrastructure sales surtax pursuant to Section 212.055(2), Florida Statutes, as amended. Interest for 2006 includes arbitrage rebate of \$742,000.

(b) Pledged revenues for the Spring Training Facility Revenue Bonds include payments received from the State of Florida pursuant to Section 212.20, Florida Statutes, and payments from Pinellas County, pursuant to an inter-local agreement dated December 1, 2000, along with related interest earnings.

(c) Pledged revenues for the Improvement Revenue Refunding Bonds, issued October 2001, were public service taxes. Effective October 1, 2001, the Florida Legislature repealed the public tax on communications and created a replacement communications services tax. Consequently the pledged revenues effective October 1, 2001, include both public service taxes and the new communications services taxes.

(d) Principal payment in 2011 includes an additional principal payment in the amount of \$8,170,000 on February 1, 2011 to redeem all outstanding principal as of that date.

Schedule 13 (continued)

City of Clearwater, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years ^(a)
(amounts in thousands)

Page 2 of 2

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage	Maximum Coverage ^(a)
				Principal	Interest		
Water & Sewer Utility Revenue Bonds							
2006	\$ 51,197	\$ 36,546	\$ 14,651	\$ 7,020	\$ 2,711	1.51	
2007	52,815	37,109	15,706	7,115	3,588	1.47	
2008	54,014	38,325	15,689	7,080	3,817	1.44	
2009	56,952	36,305	20,647	7,195	3,773	1.88	
2010	58,220	37,358	20,862	4,685	9,310	1.49	
2011	61,473	40,304	21,169	4,935	9,627	1.45	
2012	63,743	38,479	25,264	5,190	8,008	1.91	
2013	64,665	37,001	27,664	5,465	8,333	2.00	
2014	68,601	44,732	23,869	5,680	8,099	1.73	
2015	72,303	47,680	24,623	5,885	7,675	1.82	
Gas Utility Revenue Bonds							
2006	\$ 43,772	\$ 34,154	\$ 9,618	\$ 825	\$ 1,195	4.76	4.47
2007	39,756	30,483	9,273	855	1,162	4.60	4.31
2008	41,582	33,562	8,020	765	741	5.33	3.73
2009	39,992	26,813	13,179	770	730	8.79	6.13
2010	40,515	28,517	11,998	775	704	8.11	5.75
2011	37,021	25,934	11,087	795	678	7.53	5.16
2012	36,916	24,919	11,997	795	649	8.31	5.58
2013	37,922	27,159	10,763	825	502	8.11	5.01
2014	41,963	29,173	12,790	925	384	9.77	6.11
2015	41,961	30,407	11,554	980	358	8.64	5.52
Stormwater Utility Revenue Bonds							
2006	\$ 11,589	\$ 6,020	\$ 5,569	\$ 925	\$ 1,906	1.97	
2007	12,458	6,161	6,297	985	1,874	2.20	
2008	13,270	7,038	6,232	1,015	1,845	2.18	
2009	14,231	7,684	6,547	1,050	1,814	2.29	
2010	15,283	6,766	8,517	1,080	1,782	2.98	
2011	15,656	7,917	7,739	1,120	1,741	2.70	
2012	16,355	8,480	7,875	1,155	1,712	2.75	
2013	16,230	8,217	8,013	1,100	1,421	3.18	
2014	17,256	12,553	4,703	1,300	1,186	1.89	
2015	18,123	11,529	6,594	1,375	1,084	2.68	

^(a) Maximum debt service coverage is presented for continuing disclosure on the Gas System Revenue Bonds and is based upon the maximum annual debt service for outstanding bonds and parity bonds.

City of Clearwater, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (thousands of dollars)	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Annual Average Unemployment Rate (e)
2006	110,602	\$ 4,033,655	\$ 36,470	44.2	15,696	2.9
2007	110,469	4,258,911	38,553	44.5	15,500	3.8
2008	110,251	4,502,761	40,841	44.5	15,482	5.5
2009	109,907	4,590,925	41,771	45.0	14,975	10.1
2010	107,685	4,500,372	41,792	45.3	14,704	12.4
2011	107,805	4,280,721	39,708	46.3	14,375	10.9
2012	107,906	4,534,965	42,027	46.5	14,210	8.7
2013	109,065	4,858,737	44,549	46.8	14,010	6.7
2014	109,340	4,822,769	44,108	47.0	14,160	6.2
2015	110,679	4,909,942	44,362	47.5	14,132	5.0

(a) Source is the University of Florida, Bureau of Economic and Business Research: April 1, 2015 estimate for current year and Florida Statistical Abstract for prior years.

(b) Data is from *per capita personal income* for Pinellas County for two years prior. Source is the University of Florida, Bureau of Economic and Business Research.

(c) Data is for Pinellas County for prior year. Source is the University of Florida, Bureau of Economic and Business Research.

(d) Source of data is the Pinellas County School District.

(e) Source for fiscal years 2005 to 2009 is the University of Florida, Bureau of Economic and Business Research, Florida Statistical Abstract, Annual Averages of the indicated fiscal year. Source for fiscal 2010 to 2015 is the US Dept of Labor, Bureau of Labor Statistics, Tampa Metro Area as of September 30.

Note: Data is the latest published annual data available for an unspecified point in each year, not specifically September 30.

Schedule 15

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

Employer	2015 ^b			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Pinellas County School District	15,836	1	3.88%	17,658	1	3.67%
Bay Pines VA Medical Center	4,459	2	1.09%	2,759	7	0.57%
All Children's Hospital	3,200	3	0.78%	2,319	10	0.48%
City of St. Petersburg	3,165	4	0.78%	3,420	4	0.71%
Pinellas County Sheriff	2,732	5	0.67%			
Raymond James	2,650	6	0.65%	2,850	6	0.59%
Morton Plant Hospital	2,550	7	0.62%	2,439	8	0.51%
St. Petersburg College	2,413	8	0.59%			
Home Shopping Network	2,150	9	0.53%	2,439	9	0.51%
Mease Hospital	2,100	10	0.51%			
Pinellas County Board of County Commissioners				7,378	2	1.54%
Nielson Media Research				3,510	3	0.73%
Times Publishing				3,187	5	0.66%
Total Employment ^b	408,252			480,647		

^a Data is for Pinellas County. City data is not available.

^b Source: Florida Research and Economic Database and Pinellas County Department of Economic Development.

City of Clearwater, Florida
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	307.5	322.0	327.3	321.6	346.6	326.6	316.5	317.0	312.1	312.0
Public safety:										
Fire	215.0	221.0	212.0	212.0	211.0	205.0	201.0	201.0	201.0	201.0
Police	407.9	407.9	393.9	389.9	370.9	344.0	342.5	343.5	345.5	345.0
Physical environment	38.7	38.7	34.0	33.5	28.5	27.5	17.5	17.0	17.0	17.0
Transportation	74.3	74.3	69.0	67.5	57.5	53.5	52.5	38.0	38.0	38.0
Economic environment	69.5	66.5	64.5	62.5	11.0	11.0	8.0	9.0	10.0	10.0
Human services	3.0	3.0	3.0	2.0	-	-	-	-	-	-
Culture and recreation:										
Library	94.9	93.9	88.4	78.3	73.2	73.2	73.6	73.6	73.6	74.4
Parks & Rec	239.8	240.8	221.8	203.7	191.1	184.1	184.7	197.2	199.2	200.9
Water & Sewer Utility	175.0	175.0	168.0	169.0	164.0	166.0	167.0	167.0	176.0	184.0
Gas Utility	90.0	90.0	90.0	84.0	77.0	77.0	79.0	83.0	83.0	87.0
Solid Waste Utility	112.0	112.0	112.0	112.0	112.0	112.0	112.2	112.2	111.5	111.5
Stormwater Utility	46.0	46.0	46.0	47.0	46.0	47.0	48.0	50.0	49.0	49.0
Recycling	22.5	22.5	22.5	22.3	22.3	22.3	22.3	22.3	22.0	22.0
Marine	32.6	18.1	18.6	18.8	17.1	16.1	17.1	17.1	17.1	17.1
Clearwater Harbor Marina					5.6	5.6	5.6	5.6	5.6	5.6
Aviation	1.9	1.9	1.9	1.7	1.4	1.4	1.4	1.4	1.4	1.4
Parking System	20.8	20.7	20.7	20.7	31.6	31.6	30.8	30.6	33.7	33.7
Total	1,951.4	1,954.3	1,893.6	1,846.5	1,766.8	1,703.9	1,679.7	1,685.5	1,695.7	1,709.6

Source: City of Clearwater Office of Management and Budget

Schedule 17
City of Clearwater, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended Sept 30:									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Planning										
Commercial building permits issued	1,858	2,009	1,639	1,349	1,365	1,400	1,803	2,065	1,988	1,854
Residential building permits issued	6,759	5,330	4,773	4,273	4,794	5,102	4,941	4,985	5,756	6,546
Public safety										
Police										
Average officer training hours	55	105	78	83	51	75	83	83	85	120
Total volunteer training hours	932	1,023	1,001	735	39	355	385	412	286	246
Fire										
Percentage of fire responses under 7.5 minutes	90%	91%	92%	96%	90%	92%	95%	91%	93%	93%
Physical environment										
Square feet of sidewalks repaired/constructed	48,458	88,028	64,201	47,076	53,157	45,169	45,416	28,036	23,651	35,611
Transportation										
Miles of roadway resurfaced	10	14	10	10	5	8	8	0	8	15
Economic environment										
Code enforcement cases brought to compliance	9,762	8,794	9,300	8,553	6,029	4,346	4,664	4,905	4,431	4,458
Human services										
City employees that mentor in area schools	38	34	24	20	22	18	20	25	6	5
Culture and recreation										
Library system										
Library visits	902,135	979,544	976,987	864,350	860,044	833,036	820,000	836,919	600,148	636,006
Circulation	1,193,637	1,121,480	1,181,184	1,161,059	1,147,428	1,087,976	1,058,038	1,099,988	1,019,984	987,430
Parks and recreation										
Recreation center visitations	623,500	967,817	1,050,782	868,445	724,769	759,807	738,577	719,393	517,378	696,094
Athletic program visitations	515,100	414,805	643,995	546,446	547,492	515,665	541,433	1,108,644	989,570	1,066,767
Water and Sewer Utility										
Water customers	40,467	40,407	40,131	39,935	39,971	41,391	41,988	43,500	43,704	46,424
Volume of water pumped (million gallons/day)	14.09	12.66	11.92	11.52	10.76	11.32	10.92	10.62	12.05	10.64
Sewer customers	33,279	33,255	33,146	33,084	33,041	33,063	33,093	33,405	33,564	33,390
Miles of sewers cleaned	166	16	89	176	208	215	230	229	197	172
Gas Utility										
Number of customers	19,035	19,470	19,527	19,527	19,581	19,807	20,029	20,313	20,719	21,049
Solid Waste Utility										
Solid waste tonnage collected and disposed	132,741	130,308	123,018	112,851	110,905	112,936	114,317	116,830	113,218	117,214
Stormwater Utility										
Number of equivalent residential units	97,297	98,513	97,986	98,436	99,536	100,125	100,461	98,195	100,629	101,663
Recycling Utility										
Marketable tons recycled	14,433	14,492	14,006	12,114	9,564	9,250	8,605	8,143	11,716	12,079

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

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public safety										
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Police										
Stations	10	10	9	6	5	6	6	6	6	7
Transportation										
Paved streets (miles)	305	305	305	313	314	315	316	316	320	321
Culture and recreation										
Library system										
Volumes in collection (thousands)	565	590	601	606	606	601	598	581	582	564
Parks and recreation										
Parks acreage	1,400	1,400	1,400	1,400	1,427	1,427	1,427	1,427	1,453	1,455
Recreational paths (miles)	14	16	16	16	16	16	16	16	18	22
Playgrounds	33	33	29	29	29	27	27	27	27	27
Baseball and softball fields	35	35	32	32	32	32	32	34	32	32
Soccer and football fields	25	25	20	20	20	20	20	18	20	20
Recreation centers	7	7	7	7	6	5	5	5	5	5
Water & Sewer Utility										
Water mains (miles)	568	571	575	593	592	592	591	590	597	589
Sanitary sewer mains (miles)	365	368	362	362	363	363	363	363	364	364
Daily treatment capacity (millions of gallons)	29	29	29	29	29	29	29	29	29	29
Gas Utility										
Gas mains (miles)	786	816	814	821	826	830	843	849	862	884
Stormwater Utility										
Stormwater mains (miles)	148	156	146	148	148	148	150	150	151	153
Marine										
Boat slips	209	209	209	207	207	207	203	189	189	189
Clearwater Harbor Marina										
Boat slips	-	-	-	-	126	126	126	126	126	126
Aviation										
Airpark spaces	177	177	177	177	177	177	177	177	177	177
Parking system										
Parking spaces	3,636	3,322	3,382	3,497	3,297	2,475 ^a	2,460	2,319	2,232	2,312

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

Sources: Various city departments

Note: No capital asset indicators are available for the general government, physical environment, economic environment, human services, solid waste and recycling functions.

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**Single Audit /
Grants Compliance**

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**Report of Independent Auditor on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government
Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clearwater, Florida (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2016. That report recognizes that the City implemented new accounting standards effective October 1, 2014. We have also audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, internal service and fiduciary funds presented as supplementary information in the accompanying combining and individual fund statements as of and for the year ended September 30, 2015, as listed in the table of contents. That report recognizes that the City implemented new accounting standards effective October 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 *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. 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. We consider the deficiency, 2015-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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*.

City of Clearwater, Florida's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
March 28, 2016

**Report of Independent Auditor on Compliance for Each Major Federal
Program and State Financial Assistance Project, and on Internal
Control over Compliance Required by OMB Circular A-133 and Chapter
10.550, *Rules of the Auditor General***

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

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited the City of Clearwater, Florida's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* and the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement* that could have a direct and material effect on its major federal programs and state financial assistance projects for the year ended September 30, 2015. The City's major federal programs and state financial assistance projects are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, 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 financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program and State Financial Assistance 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 its major federal programs and state financial assistance projects for the year ended September 30, 2015.

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 requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal controls over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
March 28, 2016

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2015

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Program/ Project #	FY 2015 Federal Share of Expenditures
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development:				
Community Development Block Grant -Entitlement	14.218	B-13-MC-12-0002		\$ 613,348
	14.218	B-14-MC-12-0002		-
Community Development Block Grant -Entitlement/NSP3	14.218	B-11-MN-12-0031		-
	14.218	Program Income		46,145
	14.218			659,493
Home Investment Partnerships Program	14.239	M-11-MC-12-0230		10,106
	14.239	M-12-MC-12-0230		70,640
	14.239	M-13-MC-12-0230		290,091
	14.239	Program Income		677,603
	14.239			1,048,441
Total U.S. Department of Housing and Urban Development				1,707,934
U.S. Department of the Interior:				
Fish and Wildlife Service				
Passed through Florida Dept of Environmental Protection				
Clean Vessel Act Program				
Pumpout Pump & Maintenance	15.616	DEP Agreement MV149 CVA14-720	432-01371	5,090
National Park Service				
Passed through Florida Dept of Environmental Protection				
Outdoor Recreation_Acquisition, Development and Planning				
Moccasin Lake Nature Park Project	15.916	DEP LW625 12-00625	315-93648	0
Total U.S. Department of the Interior				5,090
U.S. Department of Justice:				
Federal Forfeiture Sharing	16.000	FL0520300	181-99387	136,940
National Institute of Justice				
Clearwater Cold Case Team Project 2014	16.56	2014-DN-BX-K086	181-99209	11,053
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0111	181-99206	58,177
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0136	181-99213	49,118
Total U.S. Department of Justice				255,288
U.S. Department of Transportation:				
Federal Highway Administration				
Passed through Florida Dept of Transportation:				
Highway Planning and Construction				
Federal-Aid Highway Program - HVE for Pedestrian & Bicycle Safety	20.205	TWO #945-001 Contract #BDV25	181-99208	91,548
Total U.S. Department of Transportation				91,548

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2015

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	Program/ Project #	FY 2015 Federal Share of Expenditures
U.S. Dept of Health & Human Services				
Centers for Disease and Control				
Passed through Pinellas County Health Department Partnerships to Improve Community Health	93.331		181-99869	10,642
Total U.S. Dept of Health & Human Services				10,642
Corporation For National and Community Services:				
Passed through FL Commission on Community Services AmeriCorps - 2014	94.006		181-99244	44,344
Passed through FL Commission on Community Services AmeriCorps - 2015	94.006		181-99212	88,736
Total Corporation for National and Community Services	94.006			133,080
Total Federal Financial Assistance				\$ 2,203,582

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

City of Clearwater, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2015

State Grantor / Pass-through Grantor / Program Title	CSFA Number	Grant I.D. Number	Program/ Project #	FY 2015 State Share of Expenditures (a)
STATE FINANCIAL ASSISTANCE				
Florida Department of Environmental Protection:				
Statewide Surface Water Restoration and Wastewater Projects Clearwater Sanitary Sewer Expansion Program	37.039	DEP Agreement LP52090	315-96630	250,000
Total Florida Department of State				250,000
Florida Department of Community Affairs:				
Florida Housing Finance Corporation State Housing Initiative Partnership Program (SHIP)	52.901	N/A	Fund 191	569,100
Total Florida Department of Community Affairs				569,100
Florida Department of Transportation:				
Aviation Development Grants - Airpark Runway/Taxiway Extension and Rehabilitation	55.004	FPN:422554-1-94-01; Contract AQJ28	315-94871	96,189
Maintenance Hangar Rehabilitation	55.004	FPN:425922-1-94-01; Contract ARB47	315-94881	91,367
Rehabilitation of Hanger D	55.004	FPN:425922-1-94-01; Contract ARB48	315-94882	433,486
	55.004			621,042
Total Florida Department of Transportation				621,042
Florida Department of Revenue:				
Facilities for Retained Spring Training Franchise Phillies Stadium	73.016		213-334730	500,004
Total Florida Department of Revenue				500,004
Total State Financial Assistance				\$ 1,940,146
Total Expenditures of Federal Awards and State Financial Assistance Projects				\$ 4,143,728

(a) Funded with State grants and aids appropriations.

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

City of Clearwater, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance Projects
For the Year Ended September 30, 2015

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects presents the activity of all federal financial and state grant activity projects of the City of Clearwater, Florida (the "City"). Federal and state financial assistance received directly from federal and state agencies, and federal financial assistance passed through other governmental agencies are included on the schedules. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*.

NOTE 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects is presented using the accrual basis of accounting, depending on the type of fund in which the grant is recorded, as described in Note 1.C. to the City's basic financial statements.

NOTE 3 – CFDA/CSFA Numbers

CFDA numbers represent Catalog of Federal Domestic Assistance and apply only to federal awards. CSFA numbers represent Catalog of State Financial Assistance and apply only to state financial assistance.

NOTE 4 – Subrecipients

Of the federal and state expenditures presented in the Schedule, the City provided federal and state awards to subrecipients as follows:

Program Title	Federal CFDA/ State CSFA	Amount Provided To Subrecipients
U.S. HUD Community Development Block Grant	14.218	\$ 359,090
U.S. HUD Home Investment Partnerships Program	14.239	\$ 739,309
Florida Housing Finance Corporation, State Housing Initiative Partnership Program	52.901	\$ 166,250

NOTE 5 – Loans Outstanding

The City had the following loan balances outstanding, net of \$13,206,322 allowance for uncollectable accounts, at September 30, 2015. The current year additions related to the loans are included in the Schedule of Federal Awards and State Financial Assistance.

14.218	Community Development Block Grant	\$ 870,255
14.239	Home Investment Partnership	2,227,451
52.901	State Housing Initiative Partnership	<u>1,696,291</u>
		<u>\$ 4,793,997</u>

CITY OF CLEARWATER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2015

Part I—Summary of auditor's results

Financial Statement Section

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted	<u> </u> yes	<u> x </u> no

Federal Awards Programs and State Projects Section

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to federal awards noted?	<u> </u> yes	<u> x </u> no
Type of auditors' report on compliance for major federal programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.550		
	<u> </u> yes	<u> x </u> no

Identification of major federal programs and state projects:

Federal programs:

CFDA Numbers	Name of Program or Cluster
14.239	Home Investment Partnerships Program

State projects.

CSFA Numbers	Name of Project
37.039	Statewide Surface Water Restoration and Wastewater Projects
52.901	State Housing Initiatives Partnership Program
73.016	Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise

CITY OF CLEARWATER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2015

Part I—Summary of auditor’s results (continued)

Dollar threshold used to determine Type A

programs:

Federal programs	\$ 300,000
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State projects	\$ 300,000
----------------	------------

Auditee qualified as low-risk auditee for

federal purposes?	<u> x </u> yes	<u> </u> no
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Part II—Schedule of financial statement findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

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

Criteria: City of Clearwater, Florida (the “City”) is responsible for establishing and maintaining internal controls over their financial close reporting process.

Condition: An investment asset account within the Firefighters Supplemental Defined Contribution Pension Trust Fund (“Pension Trust Fund”) was recorded twice, resulting in an overstatement of the Pension Trust Fund balance for the year ending September 30, 2014.

Effect: The effect of the error in the Pension Trust Fund was a \$1,231,279 overstatement of total investments, net appreciation in the fair value of investments, net increase in fiduciary net position, and fiduciary net position for the year ending September 30, 2014.

Cause: Those in the City who are responsible for the creation of the comprehensive annual financial report (the “CAFR”) maintained spreadsheets for the Pension Trust Fund that consolidated the annual statements from the plan’s custodian, Salem Trust and a mutual fund not included in the custodian’s report, BNY Mellon’s TBC International Fund. During the year ending September 30, 2014, Salem Trust incorporated this mutual fund into their custodial report. City staff was not aware of this change in reporting (it was not reflected in the minutes of the quarterly Board meetings) and did not identify the addition of this mutual fund in the Salem Trust statement. BNY Mellon continued to provide separate statements. As a result, the City incorrectly recorded the asset twice as a result of lack of communication with the Fire Pension Board.

Recommendation: We recommend that the Board of the Firefighters Supplemental Pension Fund provide the Pension Trust Fund’s annual report to those in the City who are responsible for the preparation of the CAFR in a manner timely enough to allow for comparison between the two reports. We further recommend that the City obtain underlying investment statements during the financial close and reporting process to ensure that all investments are properly recorded.

Management’s Response: Management will ensure that the Pension Trust Fund’s annual report is received in advance of the completion of the CAFR so that the two reports can be compared and any differences reconciled prior to the filing of either report.

CITY OF CLEARWATER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2015

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133.

There were no findings required to be reported in accordance with OMB Circular A-133.

Part IV—Findings and questioned costs – major state financial assistance projects

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state projects, as required to be reported by Chapter 10.550.

There were no findings required to be reported in accordance with Chapter 10.550.

CITY OF CLEARWATER, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2015

Finding 2014-01 - Grant Reconciliation of the Schedule of Federal Expenditures and State Financial Assistance (SEFA) to General Ledger

Finding: During fiscal year 2014, the City did not maintain adequate controls over the preparation of the SEFA. Certain grant programs were not fully reconciled with the general ledger balances. There were several federal and state grant expenditures that were not properly included on the SEFA and one federal grant that incorrectly included a match. Finally, they noted several grants where the expenditures were not recorded in the proper period.

Status/Corrective Action: The City enhanced its internal controls over the preparation of the SEFA by putting a system in place that included reconciliation from the SEFA to the expenditures captured at the department level on a timely basis.

Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Clearwater, Florida (the "City"), as of and for the year ended September 30, 2015, and have issued our report thereon dated March 28, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Report of Independent Auditor on compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies, regarding compliance in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosure in those reports and schedule, which are dated March 28, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Deepwater Horizon Oil Spill

Section 10.556(10)(3), *Rules of the Auditor General*, requires a determination of the City's compliance with federal and state laws, rules, regulations, contracts or grant agreements related to the receipt and expenditure of funds related to the Deepwater Horizon Oil Spill. The City's Deepwater Horizon Oil Spill funds received are unrestricted and, therefore, do not have related compliance requirements.

Other Matters

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

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

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
March 28, 2016

Report of Independent Accountant on Compliance with Local Government Investment Policies

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

Report on Compliance

We have examined the City of Clearwater, Florida's (the "City"), compliance with the local government investment policy requirements of Sections 218.415, *Florida Statutes*, during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Scope

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

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Tampa, Florida
March 28, 2016

City of Clearwater, Florida
Schedule of Receipts and Expenditures of Funds Related to the
Deepwater Horizon Oil Spill
For the Fiscal Year Ended September 30, 2015

Source	Amount Received in the 2014-15 Fiscal Year	Amount Expended in the 2014-15 Fiscal Year
British Petroleum:		
Agreement No. Not Applicable	\$6,480,352	\$0

Note: This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The City did not receive funds that were considered Federal funds or State financial assistance related to the Deepwater Horizon Oil Spill.

APPENDIX C

FORMS OF BOND ORDINANCE, 2014 AMENDING ORDINANCE AND RESOLUTION

ORDINANCE NO. 3674-84

AN ORDINANCE AUTHORIZING THE CONSTRUCTION AND ACQUISITION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER AND SANITARY SEWERAGE SYSTEM OF THE CITY; AUTHORIZING THE REFUNDING OF THE OUTSTANDING UTILITY REVENUE BONDS, SERIES 1978, OF THE CITY; PROVIDING FOR THE ISSUANCE OF NOT EXCEEDING \$43,000,000 WATER AND SEWER REVENUE BONDS, SERIES 1984, (SUCH BONDS TO INCLUDE CAPITAL APPRECIATION BONDS WHICH WILL MATURE IN A HIGHER AMOUNT IN LIEU OF INTEREST) OF THE CITY TO BE APPLIED TO PAY THE PRINCIPAL AND INTEREST IN RESPECT TO SAID PRESENTLY OUTSTANDING OBLIGATIONS AND THE COST OF SUCH ADDITIONS, EXTENSIONS AND IMPROVEMENTS; PROVIDING FOR THE PAYMENT OF THE REFUNDING BONDS FROM THE REVENUES OF SAID WATER AND SANITARY SEWERAGE SYSTEM, INCLUDING COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR THE SEVERABILITY OF THE PROVISIONS HEREOF; PROVIDING FOR PROPER NOTICE OF PROPOSED ENACTMENT; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF CLEARWATER, FLORIDA:

Section 1. AUTHORITY FOR THIS ORDINANCE. This Ordinance is enacted pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

Section 2. DEFINITIONS. The following terms shall have the following meanings herein, unless the text otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at a rate not exceeding the legal rate, compounded semi-annually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360 day year.

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"Act" shall mean Chapter 186, Part II, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean Bonds issued on a parity with the 1984 Bonds under Section 16R hereof.

"Amortization Installments" with respect to any Term Bonds of a series, shall mean an amount or amounts so designated which is or are established for the Term Bonds of such series, provided that (i) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as is fixed by resolution of the Issuer and shall be a multiple of \$5,000 principal amount (or \$5,000 Maturity Amount, in the case of Capital Appreciation Term Bonds), and (ii) the aggregate of such installments for such series shall equal the aggregate principal amount (or Maturity Amount, in the case of Capital Appreciation Term Bonds) of Term Bonds of such series authenticated and delivered on original issuance.

"Authorized Investments" shall mean any of the following if and to the extent the same are at the time legal for investment of municipal funds: (a) direct obligations of or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America; (b) bonds, debentures, notes or other evidence of indebtedness payable in cash issued by any of the following agencies whose obligations represent full faith and credit of the United States of America: the Export-Import Bank of the United States, the Federal Financing Banks, Farmers Home Administration, Maritime Administration, Public Housing Authority and the Government National Mortgage Association; (c) certificates of deposit properly secured at all times, by collateral security described in (a) and (b) above. Such agreements are only acceptable with commercial banks, savings and loan associations, and mutual savings banks; (d) the following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (1) certificates of deposit, (2) savings accounts, (3) deposit accounts, or (4) depository receipts of a bank, savings and loan associations, and mutual savings banks.

"Bondholder" shall mean a registered owner of a Bond as shown on the registration books of the Registrar.

"Bond Service Requirement" for any Fiscal Year, as applied to the Bonds of any series, shall mean the sum of:

- (1) the amount required to pay the interest becoming due on the Bonds of such series during the Fiscal Year, except to the extent that such interest shall have been

provided by payments into the Sinking Fund out of bond proceeds for a specific period of time or by payments of investment income into the Sinking Fund from the Bond Service Account or any subaccounts therein.

(2) the amount required to pay the principal of Serial Bonds of such series maturing in such Fiscal Year.

(3) the Amortization Installments for the maturities of Term Bonds of such series for such Fiscal Year.

(4) In the event the Issuer has purchased or entered into an agreement to purchase Federal Securities or Authorized Investments from moneys in the Bond Service Account, then the income received or to be received on such Federal Securities or Authorized Investments from the date of acquisition thereof to the date of maturity thereof, unless otherwise designated for other purposes, shall be taken into consideration in calculating the payments which will be required to be made into the Sinking Fund and the Bond Service Account therein. Whenever such income is applied in calculating a Bond Service Requirement for any purpose, such income shall also be excluded in the computation of Gross Revenues for such purpose.

"Bonds" shall mean the Water and Sewer Revenue Bonds, Series 1984, herein authorized to be issued, together with any Additional Bonds hereafter issued under the terms, conditions, and limitations contained herein. "1984 Bonds" shall mean the Water and Sewer Revenue Bonds, Series 1984, herein authorized.

"Capital Appreciation Bonds" shall mean the 1984 Bonds the interest on which is payable only at maturity or redemption, as determined by subsequent resolution.

"Capital Appreciation Term Bonds" shall mean Capital Appreciation Bonds of a series all of which shall be stated to mature on one date, which shall be subject to retirement by operation of the Bond Amortization Account, and the interest on which is payable only at maturity or redemption.

"Consulting Engineers" shall mean such qualified and recognized consulting engineers, having a favorable repute for skill and experience in the construction and operation of such facilities as the System, at the time retained by the Issuer to perform the acts and carry out the duties as herein provided for Consulting Engineers.

"Cost of Operation and Maintenance" of the System shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System as calculated in accordance with sound accounting practice, but shall not include any reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation.

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"County" shall mean Pinellas County, Florida, a political subdivision of the State.

"Escrow Deposit Agreement" means that certain Escrow Deposit Agreement to be entered into by and between the Issuer and a bank or trust company to be selected and named by the Issuer prior to the delivery of the 1984 Bonds, in substantially the form attached hereto as Exhibit A.

"Federal Securities" shall mean only direct obligations of, or obligations fully guaranteed as to principal and interest by, the United States of America.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the succeeding September 30, or such other period as is at the time prescribed by law.

"Gross Revenues" shall mean all income or earnings, including any income from the investment of funds as herein provided, derived by the Issuer from the operation of the System.

"Increased Capacity Requirements" means any increased demand upon or usage of the capital facilities of the System resulting from additional connections thereto, or from substantial changes to or in the use of properties connected thereto.

"Issuer" shall mean the City of Clearwater, Florida.

"Maturity Amount" means the amount payable upon the stated maturity of a Capital Appreciation Bond equal to the principal amount thereof plus all accrued interest thereon from the date of issue to the date of maturity.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirements for the then current or any future Fiscal Year.

"Net Revenues" of the System shall mean the Gross Revenues after deduction of the Cost of Operation and Maintenance.

"Payment Date" shall mean, with respect to payment to the Bondholders of principal or interest on the Bonds, or with respect to the mandatory amortization of Term Bonds, the date upon which payment of such principal, interest or Amortization Installment is required to be made to the Paying Agent.

"Pledged Revenues" shall mean the Net Revenues.

"Project" shall mean the construction and acquisition of additions, extensions and improvements to the System pursuant to the plans and specifications of the Consulting Engineers on file, or to be on file, with the Issuer.

"Put Bonds" shall mean the Term Bonds so designated by resolution or ordinance of the Issuer at or prior to the time the Bonds of any series are sold.

"Refunded Bonds" shall mean the Issuer's Utility Revenue Bonds, Series 1978, dated December 1, 1977 (the "1978 Bonds").

"Registrar" shall mean the paying agent for the Bonds, as Bond Registrar, or such other person, firm or corporation as may thereafter be from time to time designated by the Issuer as the Registrar for the Bonds.

"Serial Bonds" shall mean any Bonds for the payment of the principal of which, at the maturity thereof, no Amortization Installments are required to be made prior to the twelve-month period immediately preceding the stated date of maturity of such Serial Bonds.

"System" shall mean the complete combined and consolidated water system and sanitary sewer system of the Issuer now owned by the Issuer, or hereafter constructed or acquired by the Issuer, including the improvements, extensions and additions thereto to be constructed or acquired either from the proceeds of the 1984 Bonds or from any other sources, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, and including any undivided or partial ownership interests therein.

"Term Bonds" shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account.

Section 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. The Issuer now owns, operates and maintains the System and is empowered to maintain, operate, improve and extend such system and regulate and fix reasonable rates and charges for the services furnished thereby.

B. The Issuer derives Gross Revenues from rates, fees and charges made and collected for the services and facilities of the System supplying water and sanitary sewerage services and the Gross Revenues are not pledged or encumbered in any manner, except for payment of the Refunded Bonds, which pledge and lien will be defeased pursuant to the refunding program herein authorized.

C. It is necessary and desirable to acquire and construct additions, extensions and improvements to the System, as provided herein (hereinafter called

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"Project"), in order to preserve and protect the public health, safety and welfare of the inhabitants of the Issuer.

D. The Issuer deems it necessary and in its best interest to provide for the refunding of all the outstanding Refunded Bonds. The refunding program herein described will benefit the Issuer by reducing the debt service to be paid from the Net Revenues of the System and permitting favorable revisions in restrictive covenants made to Bondholders regarding the System and the investment of funds.

E. The estimated maximum cost of such refunding as above described and of the Project is \$43,000,000, the actual cost to be determined upon sale of the 1984 Bonds. Such cost shall be paid from the proceeds derived from the sale of the 1984 Bonds, and, if necessary, with certain other funds available to the Issuer. An amount sufficient to effect the refunding will be deposited in an irrevocable escrow account established for the holders of the Refunded Bonds, and invested in Federal Securities. The principal amounts of and interest earnings from such Federal Securities will be sufficient to make timely payments of all presently outstanding principal, interest, redemption premiums and other costs and obligations incurred in respect to the Refunded Bonds.

F. The estimated Pledged Revenues will be sufficient to pay all of the principal of and interest on the 1984 Bonds, as the same become due, and to make all required sinking fund, reserve and other payments required under this Ordinance.

G. The principal of and interest on the Bonds and all required sinking fund, reserve and other payments shall be made solely from the Pledged Revenues as herein provided. The Issuer shall never be required to levy ad valorem taxes on any property therein to pay the principal of and interest on the Bonds or to make any of the required sinking fund, reserve or other payments, and any failure to pay the Bonds shall not give rise to a lien upon any property of or in the Issuer, except the Pledged Revenues.

H. The total indebtedness of the Issuer, within the meaning of the Issuer's charter, does not exceed twenty per centum (20%) of the current assessed valuation of all real property located in the Issuer, and will not exceed such amount after issuance of the 1984 Bonds.

Section 4. AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF PROJECT AND REFUNDING OF REFUNDED BONDS. (A) There is hereby authorized the construction and acquisition of the Project in accordance with the reports of the Consulting Engineers presently on file with the Issuer and pursuant to the plans and specifications of such Consulting Engineers on file with the Issuer as the same may be

revised from time to time. The cost of such Project, in addition to the items set forth in the plans and specifications, may include, but need not be limited to, the acquisition of any lands or interest therein or any other properties deemed necessary or convenient therefor; engineering, legal and financing expenses; expenses for estimates of costs and of revenues; expenses for plans, specifications and surveys; the fees of fiscal agents, financial advisors or consultants; administrative expenses relating solely to the construction and acquisition of the Project; interest upon the 1984 Bonds for two (2) years after the delivery of the 1984 Bonds; the creation and establishment of reasonable reserves for debt service; bond discount, if any, and such other costs and expenses, including legal fees and bond insurance premiums, as may be necessary or incidental to the financing herein authorized and the construction and acquisition of the Project and the placing of same in operation.

(B) There is also hereby authorized the refunding of the outstanding Refunded Bonds.

Section 5. ORDINANCE TO CONSTITUTE CONTRACT. In consideration of the acceptance of the 1984 Bonds by the Bondholders from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Bondholders of any and all of such 1984 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the 1984 Bonds over any other thereof, except as expressly provided therein and herein.

Section 6. AUTHORIZATION OF 1984 BONDS. Subject and pursuant to the provisions hereof, Bonds of the Issuer to be known as "Water and Sewer Revenue Bonds, Series 1984" are authorized to be issued in the aggregate principal amount of not exceeding \$43,000,000, which may mature at a higher value to include the Maturity Amount of Capital Appreciation Bonds, such total amount not to exceed \$75,000,000.

Section 7. DESCRIPTION OF 1984 BONDS. The 1984 Bonds, except Capital Appreciation Bonds, shall be dated as of a date or dates to be fixed by subsequent resolution of the Issuer, but not later than their date of delivery, may be Serial Bonds, Term Bonds, or a combination thereof; shall be designated "R-___" and numbered consecutively from one upward in order of authentication; shall be in such denominations, shall bear interest at such rate or rates not exceeding the maximum legal rate allowable by law to be payable at such times, and shall mature either annually or semi-annually on

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such dates and in such years and amounts, all as shall be determined by subsequent resolution of the Issuer. The 1984 Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid, until payment of the principal sum.

The Bonds shall be issued in fully registered form, payable as to principal and premium, if any, upon presentation and surrender thereof on the date fixed for maturity or redemption thereof at the corporate trust office of the paying agent hereafter named. Interest on each fully registered Bond (except the Capital Appreciation Bonds) shall be paid by check or draft mailed to the person in whose name the Bond is registered, at his or her address as it appears on the Bond Register maintained by the Bond Registrar, at the close of business on the 15th day of the month (whether or not a business day) next preceding the Interest Payment Date (the "Record Date"), irrespective of any transfer of such Bond subsequent to such Record Date and prior to such Interest Payment Date, unless the Issuer shall be in default in payment of interest due on such interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of defaulted interest as established by notice mailed by the Registrar to the registered owner of the Bonds (except the Capital Appreciation Bonds) not less than fifteen days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing. All payments shall be made in accordance with and pursuant to the terms of this Ordinance and the Bonds and shall be payable in any coin or currency of the United States of America which, at the time of payment is legal tender for the payment of public or private debts.

The Capital Appreciation Bonds shall be dated as of a date or dates to be fixed by subsequent resolution of the Issuer, but not later than their date of delivery; shall be designated "CA-__" and numbered from 1 upward in order of authentication; shall mature on such dates; the principal amounts thereof shall accrete at the approximate annual yield (subject to rounding the Accreted Values) all as set forth by subsequent resolution of the Issuer.

No Bond shall be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the certificate of authentication endorsed on the Bond shall have been duly signed by the Bond Registrar.

If the date for payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the corporate trust office of the paying agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

The Bonds (except the Capital Appreciation Bonds) may be issued or exchanged for Bonds in coupon form, payable to bearer, in such form, with such attributes and upon such conditions as the Issuer may provide by supplemental resolutions, upon receipt of an opinion from a nationally recognized bond counsel that such issuance or exchange will not cause interest on the Bonds to be includable in gross income of the holder for federal income tax purposes.

Section 8. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer by the Mayor-Commissioner and City Manager and attested by the City Clerk, and approved as to form, sufficiency and correctness by the City Attorney, either manually or with his facsimile signature, and the official seal of the Issuer or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signature of such officers may be imprinted or reproduced on the Bonds. The Certificate of Authentication of the Bond Registrar shall appear on the Bonds, and no bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless such certificate shall have been duly executed on such Bond. The authorized signature for the Bond Registrar shall be either manual or facsimile; provided, however, that at least one of the signatures appearing on the Bonds, shall at all times be a manual signature. In case any officer whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Bonds may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bonds shall hold the proper office with the Issuer, although at the date of enactment of this Ordinance such person may not have held such office or may not have been so authorized.

Section 9. NEGOTIABILITY. Subject to the provisions hereof respecting registration and transfer, the Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each

Section 10. REGISTRATION, EXCHANGE AND TRANSFER. There shall be a Bond Registrar for the Bonds which may be the Issuer or a designated bank or trust company located within or without the State of Florida. The Bond Registrar shall maintain the registration books of the Issuer and be responsible for the transfer and exchange of the Bonds. The Issuer shall, prior to the proposed date of delivery of the Bonds, by resolution designate the Bond Registrar and Paying Agent. The Bond Registrar shall maintain the books for the registration of the transfer and exchange of the Bonds in compliance with the Florida Registered Public Obligations Act and the system of registration as established by the Issuer pursuant thereto.

Upon surrender for transfer or exchange of any Bond, the Issuer shall execute and the Bond Registrar shall authenticate and deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Ordinance. The Issuer or the Bond Registrar may charge the owner of such Bond for every such transfer or exchange an amount sufficient to reimburse them for their reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Bond shall be delivered.

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All Bonds delivered upon transfer or exchange shall bear interest from the preceding interest payment date so that neither gain nor loss in interest shall result from the transfer or exchange. New Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bond surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and the benefits hereof to the same extent as the Bonds surrendered.

The Issuer and the Bond Registrar may treat the registered owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bonds shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Issuer reserves the right, on or prior to the delivery of the Bonds to amend or modify the foregoing provisions relating to the registration of the Bonds by resolution or ordinance in order to comply with all applicable laws, rules, and regulations of the United States and/or the State of Florida relating thereto.

Section 11. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder furnishing the Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be cancelled by the Registrar for the Bonds. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on the source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

Section 12. PROVISIONS FOR REDEMPTION. The Bonds shall be redeemable as provided by subsequent resolution of the Issuer.

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Bonds in denominations greater than an authorized denomination (or authorized Maturity Amount in the case of Capital Appreciation Bonds) shall be deemed to be an equivalent number of Bonds in the denomination of an authorized denomination or Maturity Amount. If a Bond is of a denomination or Maturity Amount larger than an authorized denomination or Maturity Amount, a portion of such Bond may be redeemed, in the amount of an authorized denomination or Maturity Amount or integral multiples thereof.

Notice of such redemption, identifying the Bonds or portions thereof called for redemption (i) shall be filed with the paying agents and any Registrar; and (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed not more than thirty (30) days and not less than fifteen (15) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions hereof. Failure to give such notice by mailing to any owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds.

Notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and the holders or Registered Owners of such Bonds or portions of Bonds, shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the holder thereof, the costs of which shall be paid by the holder, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

Section 13. FORM OF BONDS. The text of the Bonds, the Capital Appreciation Bonds, the Certificate of Authentication and the Assignment shall be in substantially the forms attached hereto as Exhibit B, with such omissions, insertions and

variations as may be necessary and desirable and authorized and permitted by this Ordinance or by any subsequent ordinance or resolution adopted prior to the issuance thereof.

Section 14. BONDS NOT DEBT OF ISSUER. The Bonds shall not be or constitute general indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from and secured by a prior lien upon and pledge of the Pledged Revenues herein provided. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real property therein to pay such bonds or the interest thereon or be entitled to payment of such principal and interest from any other funds of the Issuer except from the Pledged Revenues in the manner provided herein.

Section 15. PLEDGED REVENUES. Until payment has been provided for as herein permitted, the payment of the principal of and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, the reserves therefor, and for all other required payments.

Section 16. COVENANTS OF THE ISSUER. Until all principal of and interest on the Bonds shall have been paid or provided for as herein permitted, the Issuer covenants with the Bondholders as follows:

A. **REVENUE FUND.** The entire Gross Revenues shall upon receipt thereof be deposited in the "Water and Sewer System Revenue Fund" (hereinafter called "Revenue Fund"), hereby created and established. Such Revenue Fund shall constitute a trust fund for the purposes herein provided and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

B. **DISPOSITION OF REVENUES.** All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month, commencing in the month immediately following the delivery of the 1984 Bonds, only in the following manner and in the following order of priority:

(1) Funds shall first be used for deposit into a fund to be known as the "Operation and Maintenance Fund", which is hereby established, of such sums as are necessary for the Cost of Operation and Maintenance, for the next ensuing month.

(2) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into a separate fund, which is hereby created and designated Water and

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Sewer Revenue Bonds Sinking Fund (hereinafter called "Sinking Fund"), such sums as will be sufficient to pay (a) one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date; (b) commencing in the first month which is twelve (12) months or six (6) months prior to the first annual or semi-annual maturity date, respectively, of any Serial Bonds, one-twelfth (1/12) or one-sixth (1/6), respectively, of the amount of Serial Bonds which will become due and payable on the next annual or semi-annual principal maturity date, respectively, and (c) one-twelfth (1/12) of the Amortization Installment required to be made on the next annual payment date or one-sixth (1/6) of the Amortization Installment required to be made on the next semi-annual payment date into a "Bond Amortization Account", which is hereby created and established in the Sinking Fund. Such payments shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Sinking Fund for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein. The Amortization Installments may be due either annually or semi-annually, but in any event, the required payments as set forth above shall be made monthly commencing in the first month which is six (6) months or twelve (12) months, as the case may be, prior to the date on which the Amortization Installment is required to be made pursuant to (c) above.

Upon the sale of any series of Term Bonds, the Issuer shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of

Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence and may specify the type or types of investments permitted hereunder to be purchased.

(3) Moneys remaining in the Revenue Fund shall next be applied by the Issuer to maintain a Reserve Account, which Reserve Account is hereby created and established, in a sum equal to and sufficient to pay the Maximum Bond Service Requirement on all outstanding Bonds becoming due in any ensuing Fiscal Year, all or a portion of which such sum may be initially provided from the proceeds of the sale of the Bonds and/or other moneys of the Issuer. The Issuer shall thereafter deposit into said Reserve Account an amount equal to one-twelfth (1/12) of twenty per cent (20%) of the difference between the amount, if any, so deposited upon the delivery of the Bonds and the amount of the Maximum Bond Service Requirement on all outstanding Bonds becoming due in any ensuing Fiscal Year. No further payments shall be required to be made into such Reserve Account when there has been deposited therein and as long as there shall remain on deposit therein a sum equal to the Maximum Bond Service Requirement on all outstanding Bonds becoming due in any ensuing Fiscal Year.

Any withdrawals from the Reserve Account shall be subsequently restored from the first moneys available in the Revenue Fund after all required current payments into the Sinking Fund and into the Reserve Account, including all deficiencies for prior payments, have been made in full.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal (including Amortization Installments) of or interest on the Bonds when the moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Upon the issuance by the Issuer of any Additional Bonds under the terms, limitations and conditions provided in this Ordinance, the payments into the Reserve Account shall be increased so that the amount on deposit therein shall be equal to the Maximum Bond Service Requirement on all Bonds outstanding and to be outstanding.

Whenever the amount on deposit in the Reserve Account exceeds the Maximum Bond Service Requirement on all Bonds then outstanding, the excess may be withdrawn and deposited into the Sinking Fund.

The Issuer shall not be required to make any further payments into the Sinking Fund or into the Reserve Account when the aggregate amount of moneys in the Sinking Fund and the Reserve Account are at least equal to the aggregate principal amount of Bonds then outstanding, plus the amount of interest then due or thereafter to become due on the Bonds then outstanding.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Revenues into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a surety bond or an insurance policy issued by a reputable and recognized insurer for the benefit of the Bondholders in an amount equal to the difference between the Maximum Bond Service Requirement and the sums then on deposit in the Reserve Account, if any, which surety bond or insurance policy shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Ordinance and available for such purpose. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors or any insurer who holds the highest policyholder rating accorded insurers by A.M. Best & Co. or any comparable service. If a disbursement is made from a surety bond or an insurance policy provided pursuant to this paragraph, the Issuer shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to deposit into the Reserve Account, as herein provided in this paragraph for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(4) The Issuer shall next apply and deposit the moneys in the Revenue Fund into a special account to be known as the "Renewal and Replacement Fund", which fund is hereby created. The Issuer shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five per centum (5%) of the Gross Revenues of the System for the previous Fiscal Year, or such other amount as is certified as necessary for the purposes of the Renewal and Replacement Fund by the Consulting Engineer and as approved by the City Commission. The moneys in said Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the system and emergency repairs

thereto. Such moneys on deposit in such Fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal of and interest on the obligations.

(5) To the extent junior lien bonds are issued and outstanding (which subordinated bonds the Issuer reserves the right to issue), the Issuer shall next apply moneys in the Revenue Fund to the payment of principal of, redemption premium, if any, and interest on such subordinated debt of the Issuer.

(6) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may either be deposited into either the Renewal and Replacement Fund or the Sinking Fund, or may be used for the purchase or redemption of Bonds, or may be used by the Issuer for any lawful purpose of the Issuer.

C. INVESTMENT OF FUNDS. The Operation and Maintenance Fund, the Sinking Fund, the Reserve Account, the Renewal and Replacement Fund, the Revenue Fund, the Construction Fund, and any other special funds herein established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the same manner as state and municipal deposits are required to be secured by the laws of the State of Florida. Moneys on deposit in any of such funds and accounts may be invested and reinvested in Authorized Investments.

Investments made with moneys in the Construction Fund, the Revenue Fund, the Operation and Maintenance Fund, the Sinking Fund (except the Bond Amortization Account therein), must mature not later than the date that such moneys will be needed. Investments made with moneys in the accounts in the Bond Amortization Account, in the Reserve Account and in the Renewal and Replacement Fund must mature, in the case of the accounts in the Bond Amortization Account not later than the stated date of maturity of the Term Bonds to be retired from the sub-accounts in the Bond Amortization Account from which the investment is made, in the case of the Reserve Account not later than the final maturity of any Bonds then outstanding; and in the case of the Renewal and Replacement Fund, not later than such date as shall be determined by the Issuer. Any and all income received by the Issuer from all such investments shall be deposited into the Revenue Fund, except however, that investment income earned in the Bond Amortization Account may be retained thereon or deposited into the Sinking Fund and used to pay maturing principal of and interest on the Bonds, at the option of the Issuer.

The cash required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various accounts established herein may be invested in a common investment pool,

provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds in and by this Ordinance shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

D. OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

E. RATE ORDINANCE. The Issuer has enacted or will enact a rate ordinance and thereby will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year, one hundred fifteen per centum (115%) of the Bond Service Requirement becoming due in such Fiscal Year on the outstanding 1984 Bonds and on all outstanding Additional Bonds, plus one hundred per centum (100%) of all reserve and other payments required to be made pursuant to this Ordinance. Such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide Gross Revenues for such purposes.

F. BOOKS AND RECORDS. The Issuer shall keep books and records of the System, which such books and records shall be kept separate and apart from all other books, records and accounts of the Issuer, and Bondholders shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating thereto.

G. ANNUAL AUDIT. The Issuer shall also, at least once a year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants and shall make generally available the report of such audits to any Bondholder.

H. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole until all of the Bonds shall have been paid in full as to both principal and interest, or payment shall have been duly provided for under this Ordinance.

The foregoing provision notwithstanding, the Issuer may sell or dispose of, for fair market value, any properties or parts of the System which the Consulting Engineer shall certify in writing are not necessary for the continued operation of the System and that the sale or disposal of which will not adversely affect the Gross Revenues to be derived from the System to such an extent that the Issuer will fail to comply with the covenants contained herein, including Section 16(E) hereof.

The proceeds derived from any sale or disposal of any properties or parts of the System as provided for in the above paragraph shall, in the discretion of the Issuer, be (1) deposited in the Renewal and Replacement Fund and used exclusively for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and for unusual or extraordinary repairs thereto, or for the construction or acquisition of additions, extensions and improvements to the System, or (2) for the purchase or retirement of the Bonds then outstanding. However, if the Consulting Engineer certifies that proceeds are necessary for the purposes stated in part (1) above, such proceeds shall remain in the Renewal and Replacement Fund until such certified requirements are satisfied, and the proceeds shall not be used for any other purpose allowed by this Ordinance.

L. INSURANCE. The Issuer will make adequate provision to maintain fire and windstorm insurance on all buildings and structures and properties of the System which are subject to loss through fire or windstorm, public liability insurance, and other insurance of such types and in such amounts as are normally carried in the operation of similar public and private utility systems within the State of Florida. Any such insurance shall be placed with nationally recognized and reputable insurers or under State approved and authorized self insurance programs or any combination of both and shall be carried for the benefit of the Bondholders. All monies received for losses under any such insurance, except public liability, are hereby pledged by the Issuer as security for the Bonds, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed within ninety (90) days from the receipt of such proceeds.

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J. NO FREE SERVICE. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class. This covenant shall not prevent individual contracts with other governmental entities for the wholesale delivery of services of the System. The Issuer, including its departments, agencies and instrumentalities, shall avail itself of the facilities or services provided by the System or any part thereof, and the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

K. MANDATORY CONNECTION. To the full extent permitted by law the Issuer will adopt and keep in force and effect an ordinance requiring that all improved premises with respect to which water or sewer services from the System are available shall connect such premises to the System and shall obtain available water and sewer services only from the System.

L. ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act and by the laws of the State of Florida.

The Issuer will, under reasonable rules and regulations, shut off and discontinue the supplying of the water service and the sewer service of the System for the non-payment of fees, rentals or other charges for said water service or said sewer service, or either of them, and will not restore said water service or sewer service, or either of them, until all delinquent charges for both water service and sewer service, together with interest and reasonable penalties, have been paid in full.

M. REMEDIES. Any Bondholder, or any trustee acting for the Bondholders may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties

herein required or by any applicable statutes to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Bondholders any lien on any real property of the Issuer.

N. CONSULTING ENGINEERS. The Issuer will retain an independent consulting engineer or engineering firm having a favorable reputation for skill and experience for the design, construction and operation of systems of comparable size and character as the System, for the purpose of providing the Issuer competent engineering counsel in connection with the making of the capital improvements. The Issuer may, however, employ additional engineers at any time with relation to specific engineering and operation problems arising in connection with the System.

O. CITY MANAGER REPORTS. On an annual basis, within 45 days of the receipt of the annual audit of the System provided for above, the Issuer shall cause to be prepared by the City Manager a report or survey of the System with respect to the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System and the necessity for capital improvements and recommendations therefor. Such a report or survey shall also show any failure of the Issuer to perform or comply with the covenants herein contained, including those contained in subsection I above.

In the event that such annual report reflects that the rates and charges for services are insufficient to protect the rights of the Bondholders, then the Issuer shall take such steps as are required by law to raise the rates and charges for services. In the event that the annual report indicated that the rates and charges for services should be increased substantially pro rata as to all classes of service, then, to the full extent permitted by law, the Issuer shall raise the rates and charges for services without the necessity for notice or public hearing.

P. NO COMPETING SYSTEM. To the full extent permitted by law the Issuer will not grant or cause, consent to, or allow the granting of any franchise or permit to any person, firm, corporation or body or agency or instrumentality whatsoever for the furnishing of water or sanitary sewerage services to or within the service area of the System, if determined by the Consulting Engineers to be materially competitive with the System and adversely affecting the Gross Revenues derived from the operation thereof.

Q. ISSUANCE OF OTHER OBLIGATIONS. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable

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from the Pledged Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the 1984 Bonds and the interest thereon upon the Pledged Revenues. Any other obligations issued by the Issuer in addition to the 1984 Bonds or Additional Bonds provided for in subsection R below, payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from the Pledged Revenues.

R. ISSUANCE OF ADDITIONAL BONDS. Additional Bonds, payable on a parity from the Pledged Revenues with the 1984 Bonds, shall be issued only for the purposes of refunding a part of the outstanding Bonds or financing the cost of extensions, additions and improvements to the System and for the acquisition and construction of, and extensions, additions and improvements to, sewer and/or water systems which are to be consolidated with the System and operated as a single combined utility. Additional Bonds, other than for refunding purposes, shall be issued only upon compliance with all of the following conditions:

(1) There shall have been obtained and filed with the City Clerk of the Issuer a certificate of a qualified and recognized firm of independent certified public accountants stating: (a) that the books and records of the Issuer relative to the System have been audited by such firm; (b) the amount of the Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Bonds or for any 12 consecutive months during the 18 months immediately preceding the date of the issuance of the Additional Bonds with respect to which such certificate is made, adjusted as herein below provided; (c) that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then outstanding, and (ii) on the Additional Bonds with respect to which such certificate is made.

(2) Upon recommendation of the Consulting Engineers, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes of this Subsection by including: (a) 100% of the additional Net Revenues which in the opinion of the Consulting Engineer would have been derived by the Issuer from rate increases adopted before the Additional Bonds are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated by the Consulting

Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Bonds with respect to which such certificate is made. The adjustments described in Section 16(R)(2)(b) may only be made if the Net Revenues as adjusted under Section 16(R)(2)(a) for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then outstanding, and (ii) on the Additional Bonds with respect to which such certificate is made.

(3) Each ordinance or resolution authorizing the issuance of Additional Bonds will recite that all of the covenants herein contained will be applicable to such Additional Bonds.

(4) The Issuer shall not be in default in performing any of the covenants and obligations assumed hereunder, and all payments herein required to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required.

S. COMPLETION OF THE ISSUER. The Issuer will complete the Project in an economical and efficient manner and with all practicable dispatch. Thereafter, the Issuer will maintain the System in good condition and continuously operate the same in an efficient manner and at a reasonable cost.

T. APPLICATION OF REFUNDED BONDS FUNDS AND ACCOUNTS. All moneys in the funds and accounts created by the ordinance which authorized the issuance of the Refunded Bonds may, in the discretion of the Issuer, be transferred to and deposited in the like funds and accounts created by this Ordinance or may be used by the Issuer, in whole or in part, to effect the refunding of the Refunded Bonds, as evidenced by a certificate of the City Manager directing such transfer and use. All funds and accounts created by this Ordinance may be held by more than one depository in the discretion of the Issuer.

Section 17. APPLICATION OF PROCEEDS OF THE 1984 BONDS. All moneys received from the sale of the 1984 Bonds shall be deposited by the Issuer in a special account in a bank or trust company and applied by the Issuer as follows:

(A) All accrued interest shall be deposited in the Sinking Fund and used solely for the purpose of paying interest on the 1984 Bonds.

(B) A sum which together with, at the discretion of the Issuer, moneys on deposit in the Reserve Account for the Refunded Bonds, will be equal to the Maximum Bond Service Requirement on the 1984 Bonds becoming due in any Fiscal Year may be deposited into the Reserve Account, at the option of the Issuer.

(C) To the extent not reimbursed or paid by the original purchaser of the 1984 Bonds, the Issuer shall pay all costs and expenses in connection with the preparation, issuance and sale of the 1984 Bonds.

(D) A sum specified in the Escrow Deposit Agreement which together with the other funds described in the Escrow Deposit Agreement to be deposited in escrow, will be sufficient to pay, as of any date of calculation, the principal of, interest on, premium, if any, and other costs and obligations incurred with respect to the Refunded Bonds as the same shall become due or are redeemed, as provided by subsequent resolution of the Issuer and to pay the expenses specified in the Escrow Deposit Agreement, shall be deposited into the Escrow Account established in the Escrow Deposit Agreement, in the amounts sufficient for such purposes.

Such funds shall be kept separate and apart from all other funds of the Issuer and the moneys on deposit therein shall be withdrawn, used and applied by the Issuer solely for the purposes set forth herein and in the Escrow Deposit Agreement.

Simultaneously with the delivery of the 1984 Bonds to the purchaser thereof, the Issuer shall enter into an Escrow Deposit Agreement, in substantially the form attached hereto, with a bank or trust company approved by the Issuer. Such Escrow Deposit Agreement shall provide for the deposit of sums into the Escrow Account and for the investment of such moneys in appropriate Federal Securities so as to produce sufficient funds to make all of the payments described in the first paragraph of this Subsection 17D. At the time of execution of the Escrow Deposit Agreement, the Issuer shall furnish to the Escrow Holder named therein appropriate documentation to demonstrate that the sums being deposited and the investments to be made will be sufficient for such purposes.

(E) The remainder of the proceeds shall be deposited in the Construction Fund hereinafter created.

(F) A special fund is hereby created, established and designated as the "1984 Water and Sewer System Construction Fund" (herein called the "Construction Fund"). There shall be paid into the Construction Fund the balance of the moneys

remaining after making all the deposits and payments provided for in paragraphs A to D above.

Such fund shall be accounted for separately from all other accounts of the Issuer, and the moneys on deposit therein shall be withdrawn, used and applied by the Issuer solely to the payment of the cost of the Project and purposes incidental thereto, as hereinabove described and set forth. If for any reason such proceeds or any part thereof are not necessary for or are not applied to the payment of such cost, then the unapplied proceeds shall be applied and allocated by the Issuer into the Reserve Account to the extent necessary to meet the maximum requirements thereof, and any balance thereafter shall either be held in the Construction Fund to pay the cost of extensions, additions and betterments to the System upon the certification of the Consulting Engineer that such improvements are needed and are economically sound and feasible, or at the option of the Issuer, may be deposited into the Renewal and Replacement Fund, or at the option of the Issuer may be deposited into the Sinking Fund herein created. All such proceeds shall be and constitute trust funds for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Bondholders.

Any funds on deposit in the Construction Fund which, in the opinion of the Issuer, acting upon the recommendation of the Consulting Engineers, are not immediately necessary for expenditure, as hereinabove provided, may be invested as provided in Subsection 16C hereof.

All expenditures or disbursements from the Construction Fund shall be made only after such expenditures or disbursements shall have been approved in writing by the Consulting Engineers. The date of completion of the Project shall be determined by the Consulting Engineers, who will certify such facts in writing to the Issuer.

Section 18. ARBITRAGE. The Issuer at all times while the Bonds are outstanding will comply with the requirements of Section 103(c) of the Internal Revenue Code of 1954 and any valid and applicable rules and regulations promulgated thereunder.

Section 19. SALE OF THE 1984 BONDS. The Bonds shall be issued and sold in such manner and at such price or prices consistent with the provisions of the Act and the requirements of this Ordinance, all at one time or in installments, from time to time, as the Issuer shall hereafter determine by resolution; provided that the first installment shall be sold and delivered only in an aggregate amount sufficient to effect the complete refunding program described in Section 3 of this Ordinance.

Section 20. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable under the provisions of the Ordinance, or (iii) computing the amount of the Maximum Bond Service Requirement and of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request or demand pursuant to the Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

Section 21. MODIFICATION OR AMENDMENT. No material modification or amendment of this Ordinance or of any ordinance or resolution amendatory hereof or supplemental hereto may be made without the consent in writing of (i) the insuror under any insurance policy of the Issuer then in force which insures against non-payment of principal of and redemption premium, if applicable, and interest on, the Bonds, and (ii) the Registered Owners of two-thirds or more in the principal amount of the Bonds then outstanding; providing, however, that no modification or amendment shall permit a change in the maturity of the Bonds or reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of and interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of Registered Owners required to consent to any material modification or amendment hereof without the consent in writing of any insuror and of all Registered Owners; provided further, however, that no such modification or amendment shall allow or permit any acceleration of the payment of principal of or interest on the Bonds upon any default in the payment thereof whether or not the insuror and Registered Owners consent thereto.

Section 22. DEFEASANCE AND SUBROGATION. (a) If, at any time, the Issuer shall have paid, or shall have made provision for payment of, the principal, interest and redemption premiums, if any, with respect to the Bonds, then, and in that event, the pledge of and lien on the Pledged Revenues and all covenants herein in favor of the Bondholders shall be no longer in effect. For purposes of the preceding sentence, deposit of Federal Securities or bank certificates of deposit fully secured as to principal and interest by Federal Securities (or deposit of any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance) in irrevocable trust with a banking institution or trust company, for the sole

benefit of the Bondholders, in respect to which such Federal Securities or certificates of deposit, the principal and interest received will be sufficient to make timely payment of the principal of, interest on, redemption premiums, if any, expenses and any other obligations of the Issuer incurred with respect to the outstanding Bonds, shall be considered "provision for payment". Nothing herein shall be deemed to require the Issuer to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

(b) In the event any of the principal and redemption premium, if applicable, and interest due on the Bonds shall be paid by an insurer pursuant to an insurance policy which insures against non-payment thereof, the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Registered Owners to whom or for the benefit of whom the insurer has made such payments, shall continue to exist and the insurer shall be subrogated to the rights of such Registered Owners to the full extent of such payments.

Section 23. PUBLICATION OF NOTICE OF REFUNDING. Within thirty (30) days after the delivery of the 1984 Bonds, the Issuer shall cause to be published one time in a newspaper published and of general circulation in the City of Clearwater, Florida, and a financial journal published in the Borough of Manhattan, City and State of New York, a notice of the advance refunding of the Refunded Bonds.

Section 24. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 25. VALIDATION AUTHORIZED. The City Attorney is authorized and directed to prepare and file proceedings in the Circuit Court of the Sixth Judicial Circuit of Florida in and for Pinellas County, Florida for the validation of the 1984 Bonds, and the proper officers of the Issuer are hereby authorized to verify on behalf of the Issuer any pleadings in such proceedings.

Section 26. **REPEALING CLAUSE.** All ordinances or resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 27. **EFFECTIVE DATE.** This Ordinance shall take effect immediately upon its passage.


Section 28. **PUBLIC NOTICE.** Notice of the proposed enactment of this Ordinance has been properly advertised in a newspaper of general circulation in accordance with Chapter 186.041, Florida Statutes.

PASSED ON FIRST READING


July 19, 1984

PASSED ON SECOND READING
AND FINAL READING AND
ADOPTED AS AMENDED.

August 2, 1984


Mayor-Commissioner

Attest:


City Clerk

I, _____, duly appointed City Clerk of the
City of Clearwater, Florida, certify the foregoing to be a true and correct copy of
Ordinance No. _____ enacted by the City Commission on the
_____ day of _____, 1984.

Witness my hand and the seal of the City of Clearwater, Florida, this _____
day of _____, 1984.

City Clerk

ESCROW DEPOSIT AGREEMENT

This ESCROW DEPOSIT AGREEMENT, dated as of _____, 1984, by and between the CITY OF CLEARWATER, a municipal corporation of the State of Florida (the "Issuer"), and _____, a national banking association organized under the laws of the United States of America, as Escrow Holder (the "Escrow Holder");

WITNESSETH:

WHEREAS, the Issuer has previously authorized and issued obligations of the Issuer as hereinafter set forth defined as the "Refunded Bonds", as to which the current Aggregate Debt Service (as hereinafter defined) is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the current Aggregate Debt Service of the Refunded Bonds by depositing with the Escrow Holder pursuant to the provisions hereof, cash and Federal Securities, the principal of and interest on which will be at least equal to such sum; and

WHEREAS, in order to obtain the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing certain Revenue Bonds more fully described herein; and

WHEREAS, the Issuer has determined that the amount to be on deposit from time to time in the Escrow Account, as defined herein, will be sufficient to pay the Aggregate Debt Service;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Holder agree as follows:

Section 1. Definitions. As used herein, the following terms mean:

- (a) "Aggregate Debt Service" means, as of any date, the sum of all present and future Annual Debt Service payments then remaining unpaid with respect to the Refunded Bonds.
- (b) "Agreement" means this Escrow Deposit Agreement.
- (c) "Annual Debt Service" means, in any year, the principal of and interest on the Refunded Bonds coming due in such year as shown on Schedule A attached hereto.

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(d) "Bonds" or "1984 Bonds" means the Water & Sewer Revenue Bonds, Series 1984, of the Issuer, authorized by the Ordinance, as herein defined.

(e) "Escrow Account" means the account established and held by the Escrow Holder pursuant to this Agreement, in which cash and investments will be held for payment of the Refunded Bonds and the Expenses.

(f) "Escrow Holder" means _____, _____, Florida.

(g) "Escrow Requirement" means, as of any date of calculation, the sum of an amount in cash and principal amount of Federal Securities in the Escrow Account which, together with the interest due on the Federal Securities, will be sufficient to pay, as the installments thereof become due, the Aggregate Debt Service and to pay when due all Expenses then unpaid.

(h) "Expenses" means the expenses (including contractual obligations incurred with respect to the Refunded Bonds) set forth on Schedule B attached hereto and hereby made a part hereof.

(i) "Federal Securities" means direct obligations of the United States of America and obligations the principal of and interest on which are fully guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

(j) "Issuer" means the City of Clearwater, a municipal corporation of the State of Florida.

(k) "Ordinance" means Ordinance No. _____, duly enacted by the governing body of the Issuer on _____, 1984, as amended and supplemented from time to time, authorizing the Revenue Bonds and the Agreement.

(l) "Paying Agent" shall mean the Paying Agent for the Refunded Bonds.

(m) "Refunded Bonds" means the obligations of the Issuer set forth on Schedule A attached hereto.

Section 2. Deposit of Funds. The Issuer hereby deposits \$ _____ with the Escrow Holder in immediately available funds, to be held in irrevocable escrow by the Escrow Holder and applied solely as provided in this Agreement. The Issuer represents that:

(a) Such funds are all derived as follows:

- (1) \$ _____ from the net proceeds of the Revenue Bonds,
- (2) \$ _____ transferred from the funds held for the payment of the Refunded Bonds; and

(3) \$_____ from other funds of the City.

(b) Such funds, when applied pursuant to Section 3 below, will at least equal the Escrow Requirement as of the date hereof.

Section 3. Use and Investment of Funds. The Escrow Holder acknowledges receipt of the sum described in Section 2 and agrees:

(a) to hold the funds in irrevocable escrow during the term of this Agreement,

(b) to deposit the sum of \$_____ in cash in the Escrow Account,

(c) to immediately invest \$_____ of such funds by the purchase of the Federal Securities set forth on Schedule C-1 attached hereto,

(d) to reinvest, upon receipt thereof, any maturing principal and interest of such Federal Securities required to be reinvested pursuant to Schedule C-2. The Escrow Holder shall also, on such date of reinvestment pursuant to Schedule C-2, pay to the Issuer, for deposit into the Sinking Fund for the Bonds, the excess cash then held by the Escrow Holder over the Escrow Requirement as of that date,

(e) to deposit in the Escrow Account, as received, the receipts of maturing principal of and interest on the Federal Securities in the Escrow Account,

Section 4. Payment of Refunded Bonds and Expenses.

(a) Refunded Bonds. On each interest payment date for the Refunded Bonds, the Escrow Holder shall pay to the Paying Agent for the Refunded Bonds, from the cash on hand in the Escrow Account, a sum sufficient to pay that portion of the Annual Debt Service for the Refunded Bonds coming due on such date, as shown on Schedule A.

(b) Expenses. On each of the due dates as shown on Schedule B, the Escrow Holder shall pay the portion of the Expenses coming due on such date to the appropriate payee or payees designated on Schedule B and designated by separate certificate of the Issuer.

(c) Surplus. On each interest payment date for the Refunded Bonds, after making the payments from the Escrow Account described in Subsections 4(a) and (b), the Escrow Holder shall pay to the Issuer any remaining cash in the Escrow Account in excess of the Escrow Requirement, to be used for any lawful purpose of the Issuer.

(d) Priority of Payments. The holders of the Refunded Bonds shall have an express first lien on the funds and Federal Securities in the Escrow Account until such funds and Federal Securities are used and applied as provided in this Agreement. If the cash on hand in the Escrow Account is ever insufficient to make the payments required

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under Subsection 4(a), all of the payments required under Subsection 4(a) shall be made when due before any payments shall be made under Subsections 4(b) or 4(c).

Section 5. Reinvestment.

(a) Except as provided in Sections 3 hereof, and in this Section, the Escrow Holder shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Federal Securities held hereunder.

(b) At the request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Holder shall sell, transfer, otherwise dispose of or request the redemption of any of the Federal Securities acquired hereunder and shall either apply the proceeds thereof to the full discharge and satisfaction of the Refunded Bonds or substitute other Federal Securities for such Federal Securities. The Issuer will not request the Escrow Holder to exercise any of the powers described in the preceding sentence in any manner which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the Regulations thereunder. The transactions may be effected only if (i) an independent certified public accountant shall certify that the cash and principal amount of Federal Securities remaining on hand after the transactions are completed, together with the interest due thereon, will be not less than the Escrow Requirement, and (ii) the Escrow Holder shall receive an unqualified opinion from a nationally recognized bond counsel or tax counsel to the effect that the transactions will not cause such Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder in effect on the date of the transactions and applicable to obligations issued on such date.

Section 6. No Redemption or Acceleration of Maturity. The Issuer will not accelerate the maturity or due date of the Refunded Bonds.

Section 7. Indemnity. The Issuer hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Holder and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against at any time, the Escrow Holder (whether or not also indemnified against the same by the Issuer or any other person under

any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account, established hereunder, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Holder against its own negligence or willful misconduct. In no event shall the Issuer or Escrow Holder be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this section shall survive the termination of this Agreement.

Section 8. Responsibilities of Escrow Holder. The Escrow Holder and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance of the funds deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof or any payment, transfer or other application of money or securities by the Escrow Holder in any non-negligent act, non-negligent omission or non-negligent error of the Escrow Holder made in good faith in the conduct of its duties. The Escrow Holder shall, however, be liable to the Issuer for its negligent or willful acts, omissions or errors which violate or fail to comply with the terms of this Agreement. The duties and obligations of the Escrow Holder shall be determined by the express provisions of this Agreement. The Escrow Holder may consult with counsel, who may or may not be counsel to the Issuer, and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Holder shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

Section 9. Resignation of Escrow Holder. The Escrow Holder may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer and published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily newspaper of

general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such resignation shall take effect. Such resignation shall take effect immediately upon the appointment of a new Escrow Holder hereunder, if such new Escrow Holder shall be appointed before the time limited by such notice and shall then accept the duties and obligations thereof.

Section 10. Removal of Escrow Holder.

(a) The Escrow Holder may be removed at any time by an instrument or concurrent instruments in writing, executed by the holders of not less than fifty-one per centum (51%) in aggregate principal amount of each issue of Refunded Bonds then outstanding, such instruments to be filed with the Issuer, and notice in writing given by such holders to the original purchaser or purchasers of the Refunded Bonds and published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such removal is to take effect as stated in such instrument or instruments. Photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Holder.

(b) The Escrow Holder may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Holder, by any court of competent jurisdiction upon the application of the Issuer or of the holders of not less than five per centum (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

Section 11. Successor Escrow Holder.

(a) If at any time hereafter the Escrow Holder shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Holder shall thereupon become vacant. If the position of Escrow Holder shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall, but only with the written approval of the original purchaser of the Refunded Bonds, or the corporate successor or successors of the original purchaser, which approval shall not be unreasonably withheld, appoint an Escrow Holder to fill such vacancy. The Issuer shall publish notice of any such appointment once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily newspaper of

general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, and, before the second publication of such notice shall mail a copy thereof to the original purchaser or purchasers of the Refunded Bonds.

(b) At any time within one year after such vacancy shall have occurred, the holders of a majority in principal amount of each issue of Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by all such bondholders and filed with the governing body of the Issuer, may appoint a successor Escrow Holder, which shall supersede any Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to the predecessor Escrow Holder and to the Escrow Holder so appointed by the bondholders.

(c) If no appointment of a successor Escrow Holder shall be made pursuant to the foregoing provisions of this section, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Holder may apply to any court of competent jurisdiction to appoint a successor Escrow Holder. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Holder.

Section 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds, and all amounts held by the Escrow Holder hereunder have been applied in accordance herewith.

Section 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Holder to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreements herein contained shall be null and void and shall be severed from the remaining covenants and agreements and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as duplicate originals and shall constitute and be but one and the same instrument.

Section 15. Governing Law. This Agreement shall be construed under the laws of the State of Florida.

Section 16. Security for Accounts and Funds. All accounts and funds maintained or held pursuant to this Agreement shall be continuously secured in the same

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manner as other deposits of County funds are required to be secured by the laws of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their official seals to be hereunto affixed and attested as of the date first above written.

THE CITY OF CLEARWATER,
FLORIDA

(SEAL)

ATTEST:

Mayor

City Clerk

COUNTERSIGNED:

City Manager

as Escrow Holder

(SEAL)

Attest:

By: _____

Its: _____

By: _____

Its: _____

Schedule A
(Aggregate Debt Service; Annual Debt Service; Description of Refunded Bonds)

**Schedule B
(Expenses)**

**Maturity
Date**

**Paying
Agents Fees**

Schedule C-1
(Federal Securities for Investment)

Schedule C-2
(Federal Securities for Reinvestment)

ORDINANCE NO. 6915-01

AN ORDINANCE PROVIDING FOR WATER AND SEWER REVENUE BONDS, SERIES [TO BE DETERMINED] OF THE CITY OF CLEARWATER, FLORIDA, TO BE ISSUED IN ONE OR MORE SERIES OVER ONE OR MORE YEARS; TO FINANCE OR REFINANCE THE COST OF DESIGN, ACQUISITION, CONSTRUCTION OR RECONSTRUCTION OF IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM; PROVIDING FOR THE PAYMENT OF THE BONDS FROM THE NET REVENUES OF THE CITY'S WATER AND SEWER SYSTEM AND CERTAIN OTHER MONEYS PLEDGED THEREFOR; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; AMENDING ORDINANCE NO. 3674-84, ORDINANCE NO. 5355-93 AND ORDINANCE NO. 6311-98; WHICH AUTHORIZED THE PARITY BONDS TO ALLOW DELIVERY OF ADDITIONAL BONDS PARITY CERTIFICATE BY FINANCIAL SERVICES ADMINISTRATOR; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF CLEARWATER, FLORIDA:

SECTION 1. AUTHORITY FOR THIS ORDINANCE. This Ordinance is enacted pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law and pursuant to Section 16R of Ordinance No. 3674-84, as amended and supplemented (the "Original Ordinance") and is supplemental to the Original Ordinance.

SECTION 2. DEFINITIONS. The following terms shall have the following meanings herein, unless the text otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at a rate not exceeding the legal rate, compounded semi-annually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital

Appreciation Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360 day year consisting of 12 months of 30 days each.

"Act" shall mean Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean Bonds issued in compliance with the terms, conditions and limitations contained herein and in Section 16R of the Original Ordinance, which (i) shall have a lien on the Pledged Revenues equal to that of the Bonds, (ii) shall be payable from the Pledged Revenues on a parity with the Bonds, and (iii) rank equally in all other respects with the Bonds.

"Amortization Installments" with respect to any Term Bonds of a Series, shall mean an amount or amounts so designated which is or are established for the Term Bonds of such Series by subsequent resolution of the Issuer and established with respect to such Term Bonds, provided that (i) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as is fixed by subsequent resolution of the Issuer and shall be a multiple of \$5,000 principal amount (or \$5,000 Maturity Amount, in the case of Capital Appreciation Term Bonds), and (ii) the aggregate of such installments for such series shall equal the aggregate principal amount (or Maturity Amount, in the case of Capital Appreciation Term Bonds) of Term Bonds of such Series authenticated and delivered on original issuance.

"Authorized Investments" shall mean, with respect to a Series of Bonds, any of the following if and to the extent the same are at the time legal for investment of municipal funds:

(1) Bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including any of the federal agencies and federally sponsored entities set forth in clause (3) hereinafter to the extent guaranteed by the United States of America. In the event these securities are used for defeasance, they shall be non-callable and non-prepayable;

(2) Obligations of any of the following federal agencies or federally sponsored entities which obligations represent the full faith and credit (guaranteed obligations) of the United States of America, in the event these securities are used for defeasance, they shall be non-callable and non-prepayable, (including but not limited to) the following:

- a. Export-Import Bank;
- b. Farm Credit System Financial Assistance Corporation;
- c. Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- d. General Services Administration;
- e. U.S. Maritime Administration;

- f. Small Business Administration;
- g. Government National Mortgage Association (GNMA);
- h. U.S. Department of Housing & Urban Development (PHA's);
- i. Federal Housing Administration; and
- j. Federal Financing Bank

(3) Direct obligations of any of the following federal agencies or federally sponsored entities which are not fully guaranteed by the full faith and credit of the United States of America, in the event these securities are used for defeasance, they shall be non-callable and non-prepayable:

- a. Federal National Mortgage Association (FNMA);
- b. Federal Home Loan Mortgage Corporation (FHLMC);
- c. Resolution Funding Corporation (REFCORP);
- d. Student Loan Marketing Association (SLMA);
- e. Federal Home Loan Bank Systems (FHLB); and
- f. Obligations of other Government Sponsored Agencies (approved by the Insurer).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(4) Commercial paper which is rated at the time of purchase in the highest classification (without regard to qualifier), "A-1" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase.

(5) Investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two Rating Agencies under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in clauses (1-4) above.

(6) Investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two Rating Agencies and which are continuously and fully secured by such securities as are described in clauses (1-3) above, which securities shall have a market value at all times at least equal to 102% of the principal amount invested under the investment agreement (marked to market at least weekly).

(7) The pooled investment program of the State of Florida administered by the State Board of Administration, known as the Local Government Surplus Funds Trust Fund, established pursuant to Chapter 218, Part IV, Florida Statutes, as amended.

(8) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer with notice to Standard & Poor's.

With respect to any Series of Bonds issued hereunder, such additional investments as are approved by subsequent resolution of the Issuer adopted prior to the issuance of such Series of Bonds.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy issued by a Bond Insurer that guarantees payment of principal of and interest on the Bonds or any Additional Parity Bonds.

"Bond Insurer" shall mean the provider of a Bond Insurance Policy for a Series of Bonds so designated in a supplemental resolution of the Issuer.

"Bondholder" shall mean a registered owner of a Bond as shown on the registration books of the Registrar.

"Bond Service Requirement" for any Fiscal Year, as applied to the Bonds of any series, shall mean the sum of:

(1) the amount required to pay the interest becoming due on the Bonds of such series during the Fiscal Year, except to the extent that such interest shall have been provided by payments into the Sinking Fund out of bond proceeds for a specific period of time or by payments of investment income into the Sinking Fund from the Bond Service Account or any subaccounts therein. Whenever such income is applied in calculating a Bond Service Requirement for any purpose, such income shall also be excluded in the computation of Gross Revenues for such purpose.

(2) the amount required to pay the principal of Serial Bonds of such series maturing in such Fiscal Year.

(3) the Amortization Installments for Term Bonds of such series for such Fiscal Year.

(4) in the event the Issuer has purchased or entered into an agreement to purchase Federal Securities or Authorized Investments from moneys in the Bond Service Account, then the income received or to be received on such Federal Securities or Authorized Investments from the date of acquisition thereof to the date of maturity thereof, unless otherwise designated for other purposes, shall be taken into consideration in calculating the payments which will be required to be made into the Sinking Fund and the Bond Service Account therein. Whenever such income is applied in calculating a Bond Service Requirement for any purpose, such income shall also be excluded in the computation of Gross Revenues for such purpose.

"Bonds" shall mean the Parity Bonds, Series 2001 Bonds, and any Additional Bonds permitted to be issued hereunder from time to time in accordance with the provisions hereof.

"Capital Appreciation Bonds" shall mean Bonds the interest on which is payable only at maturity or redemption, as determined by subsequent resolution.

"Capital Appreciation Term Bonds" shall mean Capital Appreciation Bonds of a series all of which shall be stated to mature on one date, which shall be subject to retirement by operation of the Bond Amortization Account, and the interest on which is payable only at maturity or redemption.

"City Manager" shall mean the City Manager of the Issuer.

"Clerk" shall mean the City Clerk of the Issuer.

"Consulting Engineers" shall mean such qualified and recognized consulting engineers, having a favorable repute for skill and experience in the construction and operation of such facilities as the System, at the time retained by the Issuer to perform the acts and carry out the duties as herein provided for Consulting Engineers.

"Cost of Operation and Maintenance" of the System shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System as calculated in accordance with sound accounting practice, but shall not include any reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation or amortization.

"County" shall mean Pinellas County, Florida, a political subdivision of the State.

"Federal Securities" shall mean only direct obligations of, or obligations fully guaranteed as to principal and interest by, the United States of America.

"Finance Director" shall mean the Financial Services Administrator of the Issuer or her designee.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the succeeding September 30, or such other period as is at the time prescribed by law.

"Gross Revenues" shall mean all income or earnings, including any income from the investment of funds as herein provided, derived by the Issuer from the operation of the System.

"Increased Capacity Requirements" means any increased demand upon or usage of the capital facilities of the System resulting from additional connections thereto, or from substantial changes to or in the use of properties connected thereto.

"Issuer" or the "City" shall mean the City of Clearwater, Florida.

"Maturity Amount" means the amount payable upon the stated maturity of a Capital Appreciation Bond equal to the original principal amount thereof plus all accrued interest thereon from the date of issue to the date of maturity.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Fiscal Year.

"Mayor-Commissioner" shall mean the Mayor-Commissioner or the Vice Mayor of the City Commission of the Issuer, or such other person as may be duly authorized by the Mayor-Commissioner to act on his or her behalf.

"Net Revenues" of the System shall mean the Gross Revenues after deduction of the Cost of Operation and Maintenance.

"Original Ordinance" shall mean Ordinance No. 3674-84, as amended and supplemented, of the Issuer, authorizing the Parity Bonds.

"Parity Bonds" shall mean the Issuer's outstanding Water and Sewer Refunding Revenue Bonds, Series 1993 and Water and Sewer Refunding Revenue Bonds, Series 1998.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a supplemental resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a supplemental resolution.

"Payment Date" shall mean, with respect to payment to the Bondholders of principal or interest on the Bonds, or with respect to the mandatory amortization of Term Bonds, the date upon which payment of such principal, interest or Amortization Installment is required to be made to the Paying Agent.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Revenues" shall mean the Net Revenues.

"Project Costs" shall mean all costs authorized to be paid from the Construction Fund pursuant to Section 17 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to the Project which on the date of this Ordinance or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

"Projects" shall mean the design, acquisition, construction or reconstruction of capital improvements to the System undertaken by the City from time to time, all as may be designated by subsequent resolution of the Issuer adopted with respect to any Series of Bonds.

"Put Bonds" shall mean the Term Bonds so designated by resolution or ordinance of the Issuer at or prior to the time the Bonds of any series are sold.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to supplemental resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to supplemental resolution.

"Reserve Requirement" shall be such amount as determined by subsequent Resolution of the Issuer relating to a specific Series of Bonds adopted prior to the issuance of such Bonds, which may not exceed the lesser of (i) the Maximum Bond Service Requirement, (ii) 125% of the average annual Bond Service Requirement or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

"Serial Bonds" shall mean any Bonds for the payment of the principal of which, at the maturity thereof, no Amortization Installments are required to be made prior to the stated date of maturity of such Serial Bonds.

"Series" or "Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Ordinance.

"System" shall mean the complete combined and consolidated water system and sanitary sewer system of the Issuer now owned by the Issuer, or hereafter constructed or acquired by the Issuer, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, and including any undivided or partial ownership interests therein.

"Term Bonds" shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account.

"2001 Bonds" shall mean the Series of Bonds initially issued under this Ordinance and designated as Series 2001 Bonds.

"2001 Project" shall mean the Project or Projects authorized to be financed with the proceeds of the Series 2001 Bonds as identified by subsequent resolution of the Issuer adopted prior to the issuance of the Series 2001 Bonds, consisting of design, acquisition, construction or reconstruction of capital improvements to the System undertaken by the City from time to time, a portion of the cost of which are to be paid from the proceeds of the Series 2001 Bonds

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. The Issuer now owns, operates and maintains the System and is empowered to maintain, operate, improve and extend such system and regulate and fix reasonable rates and charges for the services furnished thereby.

B. The Issuer derives Gross Revenues from rates, fees and charges made and collected for the services and facilities of the System supplying water and sanitary sewerage services and the Gross Revenues are not pledged or encumbered in any manner, except for payment of the Parity Bonds.

C. Any Series of Bonds and the project to be funded with the proceeds of such Series of Bonds, shall be issued and such projects shall be undertaken upon approval by subsequent resolution of the Issuer as provided by law. The proceeds of any Series of Bonds shall be applied as provided in a supplemental ordinance or resolution.

D. Section 16R of the Original Ordinance provides for the issuance of Additional Bonds under the terms, limitations and conditions provided therein.

E. The Issuer has complied, or will comply prior to the delivery of the Bonds, with all the terms, conditions and restrictions contained in Section 16R of the Original Ordinance. The Issuer is therefore legally entitled to issue the Bonds as Additional Bonds within the authorization contained in the Original Ordinance and the covenants in the Original Ordinance shall apply to the Bonds.

F. The Bonds herein authorized shall be on a parity and rank equally, as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Parity Bonds.

G. The estimated Pledged Revenues will be sufficient to pay all of the principal of and interest on the Bonds, as the same become due, and to make all required sinking fund, reserve and other payments required under this Ordinance and the Original Ordinance.

H. The principal of and interest on the Bonds and all required sinking fund, reserve and other payments shall be made solely from the Pledged Revenues as herein provided. The Issuer shall never be required to levy ad valorem taxes on any property therein to pay the principal of and interest on the Bonds or to make any of the required sinking fund, reserve or other payments, and any failure to pay the Bonds shall not give rise to a lien upon any property of or in the Issuer, except the Pledged Revenues.

I. The total indebtedness of the Issuer, within the meaning of the Issuer's charter, does not exceed twenty per centum (20%) of the current assessed valuation of all real property located in the Issuer, and will not exceed such amount after issuance of the Bonds.

SECTION 4. AUTHORIZATION OF SERIES 2001 BONDS. There is hereby authorized the issuance of the initial Series of Bonds hereunder to be designated the Series 2001 Bonds, in a principal amount of not to exceed \$62,000,000, subject to such terms and conditions as set forth herein and in subsequent Resolutions of the Issuer adopted prior to the issuance of the 2001 Bonds. The proceeds of which shall be used to pay the costs of capital improvements to the System, the costs of issuing the 2001 Bonds, including any municipal bond insurance, and to fund a debt service reserve fund.

SECTION 5. ORDINANCE TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by the Bondholders from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Bondholders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF BONDS. Subject and pursuant to the provisions hereof and as shall be described in subsequent resolutions of the Issuer to be adopted prior to the issuance of any Series of Bonds, obligations of the Issuer to be known as "Water and Sewer [Refunding] Revenue Bonds, Series [To Be Determined]" are authorized to be issued in one or more series (including Additional Bonds) from time to time. The aggregate principal amount of the Bonds which may be executed and delivered under this Ordinance is not limited except as is or may hereafter be provided in Section 17T hereof or as limited by the Act, by law or Section 16R of the Original Ordinance.

SECTION 7. DESCRIPTION OF BONDS. The Bonds shall be issued in fully registered form; may be Capital Appreciation Bonds, Capital Appreciation Term Bonds, Variable Rate Bonds, Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in the denomination of \$5,000 each, or integral multiples thereof for the Serial Bonds and in \$5,000 Maturity Amounts for the Capital Appreciation Bonds or in \$5,000 multiples thereof, or such other denominations as shall be approved by the Issuer in a supplemental resolution prior to the delivery of a Series of Bonds; shall have such Paying Agent and Registrar; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate or rates to be approved by the governing body of the Issuer prior to or upon the sale of the Bonds; such interest to be payable at such times as are fixed by supplemental resolution of the Issuer and shall mature annually on such date in such years and in such amounts as will be fixed by supplemental resolution of the Issuer prior to or upon the sale of any series of Bonds; and may be issued with variable, adjustable, convertible or other rates with original issue discounts and/or original issue premium; all as the Issuer shall provide herein or hereafter by supplemental resolution.

Each Series of Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication payment of any interest which is due and payable has not been made, such Series of Bond shall bear interest from the date to which interest shall have been paid.

The Capital Appreciation Bonds shall bear interest only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value of such Bonds.

The principal of and the interest redemption premium, if any, on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The interest on any Bonds (other than Capital Appreciation Bonds) shall be payable by the Paying Agent on each interest payment date to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Bonds. Payment of the principal of all Bonds and the Accreted Value with respect to the Capital Appreciation Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

Notwithstanding any other provisions of this section, the Issuer may, at its option, prior to the date of issuance of any Series of Bonds, elect to use an immobilization system or pure book-entry system with respect to issuance of such Series of Bonds, provided adequate records will be kept with respect to the ownership of such Series of Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee. As long as any Bonds are outstanding in book-entry form the provisions of this Ordinance inconsistent with such system of book-entry registration shall not be applicable to such Bonds. The details of any alternative system of issuance, as described in this paragraph, shall be set forth in a resolution of the Issuer duly adopted at or prior to the sale of such Series of Bonds.

SECTION 8. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer by the Mayor-Commissioner and City Manager and attested by the City Clerk, and approved as to form, sufficiency and correctness by the City Attorney, either manually or with his or her facsimile signature, and the official seal of the Issuer or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signature of such officers may be imprinted or reproduced on the Bonds. The Certificate of Authentication of the Bond Registrar shall appear on the Bonds, and no bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless such certificate shall have been duly executed on such Bond. The authorized signature for the Bond Registrar shall be either manual or facsimile; provided, however, that at least one of the signatures appearing on the Bonds shall at all times be a manual signature. In case any officer whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bonds shall hold the proper office with the Issuer, although at the date of enactment of this Ordinance such person may not have held such office or may not have been so authorized.

SECTION 9. AUTHENTICATION OF BONDS. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Ordinance. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Ordinance. The Registrar's certificate of

authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

SECTION 10. NEGOTIABILITY. Subject to the provisions hereof respecting registration and transfer, the Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive holder, in accepting any of the Bonds, shall be conclusively deemed to have agreed that the Bonds shall be and have all of such qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities of the State of Florida.

SECTION 11. REGISTRATION, EXCHANGE AND TRANSFER. There shall be a Bond Registrar for the Bonds which may be the Issuer or a designated bank or trust company located within or without the State of Florida. The Bond Registrar shall maintain the registration books of the Issuer and be responsible for the transfer and exchange of the Bonds. The Issuer shall, prior to the proposed date of delivery of the Bonds, by resolution designate the Bond Registrar and Paying Agent. The Bond Registrar shall maintain the books for the registration of the transfer and exchange of the Bonds in compliance with the Florida Registered Public Obligations Act and the system of registration as established by the Issuer pursuant thereto.

Bonds may be transferred upon the registration books, upon delivery to the Registrar, together with written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee and, if such transferee is a trust, the name and social security or federal employer identification numbers of the settlor and beneficiaries of the trust, the date of the trust and the name of the trustee. No transfer of any Bond shall be effective until entered on the registration books maintained by the Bond Registrar.

Upon surrender for transfer or exchange of any Bond, the Issuer shall execute and the Bond Registrar shall authenticate and deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Ordinance. The Issuer or the Bond Registrar may charge the owner of such Bond for every such transfer or exchange an amount sufficient to reimburse them for their reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Bond shall be delivered.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the Bond Registrar), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered holder or by his duly authorized attorney in fact or legal representative.

All Bonds delivered upon transfer or exchange shall bear interest from the preceding interest payment date so that neither gain nor loss in interest shall result from the transfer or exchange. New Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bond surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and the benefits hereof to the same extent as the Bonds surrendered.

The Issuer and the Bond Registrar may treat the registered owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bonds shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Issuer reserves the right, on or prior to the delivery of the Bonds to amend or modify the foregoing provisions relating to the registration of the Bonds by resolution or ordinance in order to comply with all applicable laws, rules, and regulations of the United States and/or the State of Florida relating thereto. In addition, pursuant to a resolution adopted prior to the issuance of a Series of Bonds, the Issuer may establish a book-entry-only system of registration for such Series Bonds, the provisions of which shall be deemed to modify any inconsistent provisions of this Ordinance.

SECTION 12. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder furnishing the Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled by the Registrar for the Bonds. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on the source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

SECTION 13. PROVISIONS FOR REDEMPTION. Each Series of Bonds shall be redeemable as provided by subsequent resolution of the Issuer applicable to each such Series of Bonds.

Bonds in denominations greater than an authorized denomination (or authorized Maturity Amount in the case of Capital Appreciation Bonds) shall be deemed to be an equivalent number of Bonds in the denomination of an authorized denomination or Maturity Amount. If a Bond is of a denomination or Maturity Amount larger than an authorized denomination or Maturity

Amount, a portion of such Bond may be redeemed, in the amount of an authorized denomination or Maturity Amount or integral multiples thereof.

Notice of such redemption, identifying the Bonds or portions thereof called for redemption (i) shall be filed with the paying agents and any Registrar; and (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions hereof. Failure to give such notice by mailing to any owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds.

Notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and the holders or Registered Owners of such Bonds or portions of Bonds, shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof.

Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the registered owner thereof, the costs of which shall be paid by the registered owner, a new Bond or Bonds of authorized denominations or Maturity Amounts in aggregate principal amount equal to the unredeemed portion surrendered.

In addition to the foregoing notice, further notice may be given by the Issuer as set out below (provided such additional notice is not required as a condition to redeeming Bonds), but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of

obligations of types similar to the type of which the Bonds consist (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, Pacific Securities Depository Trust Company of San Francisco, California, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminates notices of redemption of obligations such as the Bonds.

(3) Each such further notice shall be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

SECTION 14. FORM OF BONDS. The text of the Bonds shall be in substantially the form attached hereto as Exhibit B, with such omissions, insertions and variations as may be necessary and desirable and authorized and permitted by this Ordinance or by any subsequent ordinance or resolution adopted prior to the issuance thereof, or as may be necessary if the Bonds or a portion thereof are issued as Capital Appreciation Bonds, Capital Appreciation Term Bonds, Variable Rate Bonds or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof. The text of any Series of Bonds, other than the Bonds shall be as determined by supplemental ordinance or resolution of the Issuer.

SECTION 15. BONDS NOT DEBT OF ISSUER. The Bonds shall not be or constitute general indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from and secured by a prior lien upon and pledge of the Pledged Revenues herein provided. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real property therein to pay the Bonds or the interest thereon or be entitled to payment of such principal and interest from any other funds of the Issuer except from the Pledged Revenues in the manner provided herein.

SECTION 16. PLEDGED REVENUES. Until payment has been provided for as herein permitted, the payment of the principal of and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, the reserves therefor, and for all other required payments. The Pledged Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer. All funds and accounts created pursuant hereto shall be held by the Finance Director (or such other officer of the Issuer as shall be approved by the City Commission) as trust funds for payment of the Bonds.

SECTION 17. COVENANTS OF THE ISSUER. Until all principal of and interest on the Bonds shall have been paid or provided for as herein permitted, the Issuer covenants with the Bondholders as follows:

A. REVENUE FUND. The entire Gross Revenues shall upon receipt thereof be deposited in the Revenue Fund created and established by the Original Ordinance. Such Revenue Fund shall constitute a trust fund for the purposes herein provided and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

B. CONSTRUCTION FUND. The Construction Fund to be held by the Issuer and to the credit of which deposits shall be made as required by Section 17 hereof is hereby created. Within such fund there shall be maintained separate accounts for each Series of Bonds and furthermore be maintained separate accounts for capitalized interest funded from the proceeds of any Series of Bonds.

C. DISBURSEMENTS FROM CONSTRUCTION FUND. Moneys on deposit from time to time in the Construction Fund shall be used to pay or reimburse the following Project Costs:

(1) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project including, but not limited to, those for preliminary planning and studies, architectural, legal, financial, engineering and supervisory services, labor, services, materials, equipment, acquisitions, land, rights-of-way, improvements and installation;

(2) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(3) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(4) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(5) Interest funded from Bond proceeds, if any, for a reasonable period of time, which shall be deposited in the Construction Fund and shall be used as provided in a supplemental resolution of the Issuer;

(6) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of , including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project;

(7) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(8) Any other costs authorized pursuant to a supplemental resolution of the Issuer and permitted under the laws of the State; and

(9) Reimbursements to the Issuer for any of the above items theretofore paid by or on behalf of the Issuer.

D. DISPOSITION OF REVENUES. All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month, commencing in the month immediately following the delivery of the 2001 Bonds, for so long as any Bonds remain Outstanding, only in the following manner and in the following order of priority:

(1) Funds shall first be used for deposit into the Operation and Maintenance Fund, which was established by the Original Ordinance, of such sums as are necessary for the Cost of Operation and Maintenance, for the next ensuing month.

(2) A sum as shall be determined by supplemental resolution of the Issuer shall be deposited into the Construction Fund and used for the purpose of paying Project Costs.

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Sinking Fund created by the Original Ordinance, such sums as will be sufficient to pay (a) one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date; (b) commencing in the first month which is twelve (12) months or six (6) months prior to the first annual or semi-annual maturity date, respectively, of any Serial Bonds, one-twelfth (1/12) or one-sixth (1/6), respectively, of the amount of Serial Bonds which will become due and payable on the next annual or semiannual principal maturity date, respectively, and (c) one-twelfth (1/12) of the Amortization Installment required to be made on the next annual payment date or one-sixth (1/6) of the Amortization Installment required to be made on the next semi-annual payment date into a "Bond Amortization Account", created and established in the Sinking Fund by the Original Ordinance. Such payments shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Sinking Fund for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall

not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein. The Amortization Installments may be due either annually or semiannually, but in any event, the required payments as set forth above shall be made monthly commencing in the first month which is six (6) months or twelve (12) months, as the case may be, prior to the date on which the Amortization Installment is required to be made pursuant to (c) above.

Upon the sale of any series of Term Bonds, the Issuer shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence and may specify the type or types of investments permitted hereunder to be purchased.

(4) Moneys remaining in the Revenue Fund shall next be applied by the Issuer to maintain a Reserve Account, which Reserve Account was created and established by the Original Ordinance, in a sum equal to the Reserve Requirement, all or a portion of which sum may be initially provided from the proceeds of the sale of the Bonds and/or other moneys of the Issuer. The Issuer shall thereafter deposit into said Reserve Account an amount equal to one-twelfth (1/12) of twenty per cent (20%) of the difference between the amount, if any, so deposited upon the delivery of the Bonds and the amount of the Reserve Requirement on all outstanding Bonds. No further payments shall be required to be made into such Reserve Account when there has been deposited therein and as long as there shall remain on deposit therein a sum equal to the Maximum Bond Service Requirement on all outstanding Bonds becoming due in any ensuing Fiscal Year.

Any withdrawals from the Reserve Account shall be subsequently restored from the first moneys available in the Revenue Fund after all required current payments into the Sinking Fund and into the Reserve Account, including all deficiencies for prior payments, have been made in full.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal (including Amortization Installments) of or interest on the Bonds when the moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Upon the issuance by the Issuer of any Additional Bonds under the terms, limitations and conditions provided in this Ordinance and the Original Ordinance, the payments into the Reserve Account shall be increased so that the amount on deposit therein shall be equal to the Maximum Bond Service Requirement on all Bonds outstanding and to be outstanding.

Whenever the amount on deposit in the Reserve Account exceeds the Reserve Requirement on all Bonds then outstanding, the excess may be withdrawn and deposited into the Sinking Fund.

The Issuer shall not be required to make any further payments into the Sinking Fund or into the Reserve Account when the aggregate amount of moneys in the Sinking Fund and the Reserve Account are at least equal to the aggregate principal amount of Bonds then outstanding, plus the amount of interest then due or thereafter to become due on the Bonds then outstanding.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Revenues into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a surety bond or an insurance policy issued by a reputable and recognized insurer for the benefit of the Bondholders in an amount equal to the difference between the Maximum Bond Service Requirement and the sums then on deposit in the Reserve Account, if any, which surety bond or insurance policy shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Ordinance and the Original Ordinance and available for such purpose. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors. If a disbursement is made from a surety bond or an insurance policy provided pursuant to this paragraph, the Issuer shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to deposit into the Reserve Account, as herein provided in this paragraph for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(5) The Issuer shall next apply and deposit the moneys in the Revenue Fund into the Renewal and Replacement Fund created by the Original Ordinance. The Issuer shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five per centum (5%) of the Gross Revenues of the System for the previous Fiscal Year, or such other amount as is certified as necessary for the purposes of the Renewal and Replacement Fund by the Consulting Engineer and as approved by the City

Commission. The moneys in said Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the System and emergency repairs thereto. Such moneys on deposit in such Fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds.

(6) To the extent junior lien bonds are issued and outstanding (which subordinated bonds the Issuer reserves the right to issue), the Issuer shall next apply moneys in the Revenue Fund to the payment of principal of, redemption premium, if any, and interest on such subordinated debt of the Issuer.

(7) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may either be deposited into either the Renewal and Replacement Fund or the Sinking Fund, or may be used for the purchase or redemption of Bonds, or may be used by the Issuer for any lawful purpose of the Issuer.

E. INVESTMENT OF FUNDS. The Operation and Maintenance Fund, the Sinking Fund, the Reserve Account, the Renewal and Replacement Fund, the Revenue Fund, the Construction Fund, and any other special funds herein and in the Original Ordinance established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the same manner as state and municipal deposits are required to be secured by the laws of the State of Florida. Moneys on deposit in any of such funds and accounts may be invested and reinvested in Authorized Investments.

Investments made with moneys in the Construction Fund, the Revenue Fund, the Operation and Maintenance Fund, and the Sinking Fund (except the Bond Amortization Account therein), must mature not later than the date that such moneys will be needed. Investments made with moneys in the accounts in the Bond Amortization Account, in the Reserve Account and in the Renewal and Replacement Fund must mature, in the case of the accounts in the Bond Amortization Account not later than the stated date of maturity of each respective Amortization Installment of the Term Bonds to be retired from the sub-accounts in the Bond Amortization Account from which the investment is made, in the case of the Reserve Account not later than the final maturity of any Bonds then outstanding, and in the case of the Renewal and Replacement Fund, not later than such date as shall be determined by the Issuer. Any and all income received by the Issuer from all such investments shall be deposited into the Revenue Fund, except however, that investment income earned in the Bond Amortization Account may be retained therein or deposited into the Sinking Fund and used to pay maturing principal of and interest on the Bonds, at the option of the Issuer.

The cash required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds in and by this Ordinance shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

F. OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

G. RATE ORDINANCE. The Issuer has enacted or will enact a rate ordinance and thereby will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year, one hundred fifteen per centum (115%) of the Bond Service Requirement becoming due in such Fiscal Year on the outstanding Parity Bonds, on the outstanding Bonds and on all outstanding Additional Bonds, plus one hundred per centum (100%) of all reserve and other payments required to be made pursuant to this Ordinance and the Original Ordinance. Such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide Gross Revenues for such purposes.

H. BOOKS AND RECORDS. The Issuer shall keep books and records of the System, which books and records shall be kept separate and apart from all other books, records and accounts of the Issuer, and Bondholders shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating thereto.

I. ANNUAL AUDIT. The Issuer shall also, at least once a year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants and shall make generally available the report of such audits to any Bondholder.

J. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole until all of the Bonds shall have been paid in full as to both principal and interest, or payment shall have been duly provided for under this Ordinance.

The foregoing provision notwithstanding, the Issuer may sell or dispose of, for fair market value, any properties or parts of the System which the Consulting Engineer shall certify in writing are not necessary for the continued operation of the System and that the sale or disposal of which will not adversely affect the Gross Revenues to be derived from the System to

such an extent that the Issuer will fail to comply with the covenants contained herein, including Section 17(G) of this Ordinance and the Original Ordinance.

The proceeds derived from any sale or disposal of any properties or parts of the System as provided for in the above paragraph shall, in the discretion of the Issuer, be (1) deposited in the Renewal and Replacement Fund and used exclusively for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and for unusual or extraordinary repairs thereto, or for the construction or acquisition of additions, extensions and improvements to the System, or (2) for the purchase or retirement of the Bonds then outstanding. However, if the Consulting Engineer certifies that proceeds are necessary for the purposes stated in part (1) above, such proceeds shall remain in the Renewal and Replacement Fund until such certified requirements are satisfied, and the proceeds shall not be used for any other purpose allowed by this Ordinance or the Original Ordinance.

K. INSURANCE. The Issuer will make adequate provision to maintain fire and windstorm insurance on all buildings and structures and properties of the System which are subject to loss through fire or windstorm, public liability insurance, and other insurance of such types and in such amounts as are normally carried in the operation of similar public and private utility systems within the State of Florida. Any such insurance shall be placed with nationally recognized and reputable insurers or under State approved and authorized self insurance programs or any combination of both and shall be carried for the benefit of the Bondholders. All monies received for losses under any such insurance, except public liability, are hereby pledged by the Issuer as security for the Bonds, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed within ninety (90) days from the receipt of such proceeds.

L. NO FREE SERVICE. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class. This covenant shall not prevent individual contracts with other governmental entities for the wholesale delivery of services of the System. The Issuer, including its departments, agencies and instrumentalities, shall avail itself of the facilities or services provided by the System or any part thereof, and the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

M. MANDATORY CONNECTION. To the full extent permitted by law the Issuer will adopt and keep in force and effect an ordinance requiring that all improved premises with respect to which water or sewer services from the System are available shall connect such premises to the System and shall obtain available water and sewer services only from the System.

N. ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act and by the laws of the State of Florida.

The Issuer will, under reasonable rules and regulations, shut off and discontinue the supplying of the water service and the sewer service of the System for the nonpayment of fees, rentals or other charges for said water service or said sewer service, or either of them, and will not restore said water service or sewer service, or either of them, until all delinquent charges for both water service and sewer service, together with interest and reasonable penalties, have been paid in full.

O. REMEDIES. Any Bondholder, or any trustee acting for the Bondholders may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Bondholders any lien on any real property of the Issuer.

P. CONSULTING ENGINEERS. The Issuer will retain an independent consulting engineer or engineering firm having a favorable reputation for skill and experience for the design, construction and operation of systems of comparable size and character as the System, for the purpose of providing the Issuer competent engineering counsel in connection with the making of the capital improvements. The Issuer may, however, employ additional engineers at any time with relation to specific engineering and operation problems arising in connection with the System.

Q. CITY MANAGER REPORTS. On an annual basis, within 45 days of the receipt of the annual audit of the System provided for above, the Issuer shall cause to be prepared by the City Manager a report or survey of the System with respect to the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System and the necessity for capital improvements and recommendations therefor. Such a report or survey shall also show any failure of the Issuer to perform or comply with the covenants herein contained, including those contained in subsection I above.

In the event that such annual report reflects that the rates and charges for services are insufficient to protect the rights of the Bondholders, then the Issuer shall take such steps as are required by law to raise the rates and charges for services. In the event that the annual report indicated that the rates and charges for services should be increased substantially pro rata as to all classes of service, then, to the full extent permitted by law, the Issuer shall raise the rates and charges for services without the necessity for notice or public hearing.

R. NO COMPETING SYSTEM. To the full extent permitted by law the Issuer will not grant or cause, consent to, or allow the granting of any franchise or permit to any person, firm, corporation or body or agency or instrumentality whatsoever for the furnishing of water or sanitary sewerage services to or within the service area of the System, if determined by the Consulting Engineers to be materially competitive with the System and adversely affecting the Gross Revenues derived from the operation thereof.

S. ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge on a parity with the lien of the Bonds upon said Pledged Revenues. Notwithstanding any other provision in this Section, the Issuer may issue Additional Bonds under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

T. ISSUANCE OF ADDITIONAL BONDS. Additional Bonds, payable on a parity from the Pledged Revenues with the Parity Bonds and the Bonds, shall be issued only for the purposes of refunding a part of the outstanding Bonds or financing the cost of extensions, additions and improvements to the System and for the acquisition and construction of, and extensions, additions and improvements to, sewer and/or water systems which are to be consolidated with the System and operated as a single combined utility. Additional Bonds, other than for refunding purposes, shall be issued only upon compliance with all of the following conditions:

(1) There shall have been obtained and filed with the Clerk a certificate of the Finance Director stating: (a) that the books and records of the Issuer relative to the System have been audited by qualified and recognized firm of independent certified public accountants; (b) based on such audited financial statement, that the amount of the adjusted Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Bonds or for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the date of issuance of the Additional Bonds with respect to which such certificate is made, adjusted as herein below provided; and (c) based on such audited financial statement, that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Parity Bonds and the Bonds issued under this Ordinance, if any, then Outstanding, and (ii) on the Additional Bonds with respect to which such certificate is made.

(2) Upon recommendation of the Consulting Engineers, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes of this Subsection by including: (a) 100% of the additional Net Revenues which in the opinion of the

Consulting Engineer would have been derived by the Issuer from rate increases adopted before the Additional Bonds are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated by the Consulting Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Bonds with respect to which such certificate is made. The adjustments described in Section 17(T)(2)(b) may only be made if the Net Revenues as adjusted under Section 17(T)(2)(a) for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then outstanding; and (ii) on the Additional Bonds with respect to which such certificate is made.

(3) Additional Bonds shall be deemed to have been issued pursuant to this Ordinance the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Ordinance and the Original Ordinance (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holder of all Bonds issued pursuant to this Ordinance and the Original Ordinance. Except as provided in Section 17(T) hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Revenues and their sources and security for payment therefrom without preference of any Bonds over any other.

(4) In the event that the total amount of Bonds herein authorized to be issued are not issued simultaneously, such Bonds which are subsequently issued shall be subject to the conditions of Section 17(T) hereof.

(5) The Issuer need not comply with the provisions of paragraph 1 of this Section 17(T) if and to the extent the Additional Bonds to be issued are refunding bonds, and if the Issuer shall cause to be delivered a certificate of the Finance Director setting forth the annual debt service (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Bond Service Requirement in any year pursuant to (ii) above is not greater than the Bond Service Requirement in the corresponding year set forth pursuant to (i) above.

(6) The Issuer shall not be in default in the carrying out of any of the obligations assumed under this Ordinance and no event of default shall have occurred under this Ordinance and shall be continuing, and all payments required by this Ordinance to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(7) The resolution authorizing the issuance of a Series of Additional Bonds shall recite that all of the covenants contained herein will be applicable to such Additional Bonds.

U. MAINTENANCE OF SYSTEM. The Issuer will maintain the System in good condition and continuously operate the same in an efficient manner and at a reasonable cost.

SECTION 18. TAX COMPLIANCE.

A. In General. The Issuer at all times while the Bonds and the interest thereon are outstanding will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") and any valid and applicable rules and regulations promulgated thereunder (the "Regulations") in order to ensure that the interest on the Bonds will be excluded from gross income for federal income tax purposes.

B. Rebate. (1) The Issuer shall either make or cause an independent firm of certified public accountants or tax compliance firm to make and promptly provide to the Issuer the rebate calculations required by the Code and Regulations, on which the Issuer may conclusively rely in taking action under this Section. The Issuer shall make deposits to and disbursements from separate accounts to the extent required by the Code and Regulations and shall otherwise maintain full and complete accounting records of receipts and disbursements of, and investment purchases and sales allocated to, the "gross proceeds" subject to the rebate requirements of the Code and Regulations. The requirements of this Subsection 18B may be superseded or amended by new calculations accompanied by an opinion of bond counsel addressed to the Issuer to the effect that the use of the new calculations are in compliance with the Code and Regulations and will not cause the interest on the Bonds to become included in gross income for Federal income tax purposes.

(2) The Issuer shall either make or cause an independent firm of certified public accountants or tax compliance firm to annually make and promptly forward to the Issuer after the end of the Bond Year and within the time required by the Code and the Regulations the computation of the rebate deposit required by the Code, on which the Issuer may conclusively rely in taking action under this Subsection B. Records of the determinations required by this Subsection B and the Code and Regulations shall be retained by the Issuer until six (6) years after the Bonds are no longer outstanding.

(3) Within the time required by the Code and Regulations following the end of the fifth Bond Year, as defined in the Code, and every five (5) years thereafter, the Issuer shall pay to the United States of America ninety percent (90%) of the rebate amounts calculated as of such payment date, as shown by the computations of the Issuer or the certified public accountants or tax compliance firm, and one hundred percent (100%) of the earnings on such rebate amounts as of such payment date. Not later than sixty (60) days after the final retirement of each applicable series of Bonds, the Issuer shall pay to the United States of America one hundred percent (100%) of the balance remaining of the rebate amount and the earnings thereon. Each payment required to be paid to the United States of America pursuant to this Subsection B shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Form 8038 originally filed with respect to each applicable series of Bonds and a statement summarizing the determination of the amount to be paid to the United States of America.

SECTION 19. DEFAULTS; EVENTS OF DEFAULT AND REMEDIES. Except as provided below, if any of the following events occur it is hereby defined as and declared to be and to constitute an "Event of Default":

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of and premium, if any, or Accreted Value on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Ordinance or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder;

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Ordinance, any supplemental resolution or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

For purposes of Section 19(A) and (B) hereof, no effect shall be given to any payments made under any Bond Insurance Policy.

Any Holder of Bonds issued under the provisions hereof or any trustee acting for the Holders of such Bonds, may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under State or federal law, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable law to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer, except the Pledged Revenues.

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

(iv) Acceleration of the payment of principal of and interest on the Bonds shall not be a remedy hereunder in the case of an Event of Default.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Ordinance, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Project and the funds pending such proceedings, with such powers as the court making such appointment shall confer.

Notwithstanding any provision of this Ordinance to the contrary, for all purposes of this Section 21, except the giving of notice of any Event of Default to the Holder of the Bonds, the Bond Insurer shall be deemed to be the Holder of the Bonds it has insured.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Ordinance, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled.

Within 30 days of knowledge thereof, both the Issuer and the Paying Agent shall provide notice to the Bond Insurer of the occurrence of any Event of Default.

The Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Issuer or any Paying Agent of the occurrence of an Event of Default and (ii) request the Issuer or any Paying Agent to intervene in judicial proceedings that affect the Bonds or the security therefor. The Issuer and any Paying Agent are required to accept notice of default from the Bond Insurer.

Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer, if any for a Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Ordinance for such Series of Bonds and the Bond Insurer shall also be entitled to approve all waivers of events of default.

SECTION 20. AMENDING AND SUPPLEMENTING OF ORDINANCE WITHOUT CONSENT OF HOLDERS OF BONDS. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may enact an ordinance amendatory hereof or supplemental hereto, if the provisions of such supplemental ordinance shall not adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Ordinance as to which the Issuer shall have been advised by counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Ordinance, or to insert in this Ordinance such provisions clarifying matters or questions arising under this Ordinance as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Ordinance;

(D) To confirm as further assurance any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Ordinance;

(E) To grant to or confer upon the Holders any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of Variable Rate Bonds or Option Bonds; and

(H) To modify any of the provisions of this Ordinance in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such supplemental ordinance is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 21 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such supplemental ordinance.

Except for supplemental resolutions providing for the issuance of a Series of Bonds pursuant hereto, the Issuer shall not enact any supplemental ordinance authorized by the

foregoing provisions of this Section unless in the opinion of Bond Counsel the enactment of such supplemental ordinance is permitted by the foregoing provisions of this section.

SECTION 21. AMENDMENT OF ORDINANCE WITH CONSENT OF HOLDERS OF BONDS. Except as provided in Section 20 hereof, no material modification or amendment of this Ordinance or of any resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent or more in the principal amount of the Bonds of each Series so affected and then Outstanding. For purposes of this Section, to the extent any Bonds are insured by a policy of municipal bond insurance or are secured by a letter of credit and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time of initial issuance and delivery thereof by either Standard & Poor's Corporation or Moody's Investors Service, or successors and assigns, then the consent of the issuer of such municipal bond insurance policy or the issuer of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of and interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. For purposes of the immediately preceding sentence, the issuer of a municipal bond insurance policy or a letter of credit shall not consent on behalf of the Holders of the Bonds. No amendment or supplement pursuant to this Section 21 (but not including Section 20 hereof) shall be made without the consent of the Bond Insurer, if any.

SECTION 22. DEFEASANCE. The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Ordinance as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds the principal or redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and all covenants, agreements and obligations of the Issuer to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 22. Subject to the provisions of paragraph (C) and (D) of this Section 22, any Outstanding Bonds shall prior to the maturity or

redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of or premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

(C) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Acquired Obligations and moneys, if any, in accordance with paragraph B of this Section 22, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Acquired Obligations on deposit with the escrow agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the escrow agent on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of paragraph (B) of this Section 22, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Ordinance.

(D) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (B) of this Section 22 only if, in addition to satisfying the requirements of clauses (i) and (ii) of such sentence, there shall have been deposited with the escrow agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the escrow agent pursuant to paragraph (B) of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (D). If any portion of the moneys deposited with the escrow agent for the payment of the principal of and redemption premium, if any, and interest on Option Bonds is not required for such purpose, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

SECTION 23. SALE OF THE BONDS. The Bonds shall be issued and sold at public or negotiated sale at one time or in installments from time to time and at such price or prices as

shall be consistent with the provisions of the requirements of this Ordinance and other applicable provisions of law as set forth in a supplemental resolution of the Issuer adopted before the issuance of any Series of Bonds.

SECTION 24. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable under the provisions of the Ordinance, (iii) computing the amount of the Maximum Bond Service Requirement, and (iv) computing the percentage of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request or demand pursuant to the Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 25. AMENDING PRIOR ORDINANCES. In accordance with Section 21 of Ordinance No. 3674-84, which permits amendments and modifications of such Ordinance which are not material modifications or amendments thereof, but with the consent of the respective Bond Insurer for the Parity Bonds, Section 16R of Ordinance No. 3674-84, Ordinance No. 5355-93 and Ordinance No. 6311-98 is hereby amended by deleting in its entirety paragraph (1) thereof and replacing such paragraph with the following new paragraph (1):

(1) There shall have been obtained and filed with the Clerk a certificate of the Finance Director stating: (a) that the books and records of the Issuer relative to the System have been audited by qualified and recognized firm of independent certified public accountants; (b) based on such audited financial statement, that the amount of the adjusted Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Bonds or for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the date of issuance of the Additional Bonds with respect to which such certificate is made, adjusted as herein below provided; and (c) based on such audited financial statement, that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Parity Bonds and the Bonds issued under this Ordinance, if any, then Outstanding, and (ii) on the Additional Bonds with respect to which such certificate is made.

SECTION 26. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

SECTION 27. REPEALING CLAUSE. All ordinances or resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 28. EFFECTIVE DATE. This Ordinance shall take effect immediately upon its passage.

SECTION 29. PUBLIC NOTICE. Notice of the proposed enactment of this Ordinance has been properly advertised in a newspaper of general circulation in accordance with Chapter 166.041, Florida Statutes.

PASSED ON FIRST READING

November 1, 2001


PASSED ON SECOND READING
AND FINAL READING AND
ADOPTED AS AMENDED.

November 15, 2001



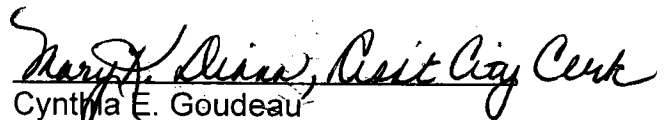
Brian J. Aungst
Mayor-Commissioner

Approved as to form:



Pamela K. Akin
City Attorney

Attest:



for Cynthia E. Goudeau
City Clerk

ORDINANCE NO. 8620-14

AN ORDINANCE OF THE CITY OF CLEARWATER, FLORIDA,
AMENDING ORDINANCE NO. 3674-84, AND ORDINANCE NO.
6915-01; PROVIDING CERTAIN OTHER MATTERS IN
CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE
DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CLEARWATER,
FLORIDA:

SECTION 1. AUTHORITY FOR THIS ORDINANCE. This Ordinance is enacted pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law and pursuant to Section 21 of Ordinance No. 3674-84 (the "1984 Ordinance") and is supplemental to and amending of the Original Ordinance, as amended by Ordinance No. 6915-01 (the "2001 Ordinance").

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the Original Ordinance (as herein defined).

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. The Issuer now owns, operates and maintains the System and is empowered to maintain, operate, improve and extend such system and regulate and fix reasonable rates and charges for the services furnished thereby.

B. The Issuer derives Gross Revenues from rates, fees and charges made and collected for the services and facilities of the System supplying water and sanitary sewerage services and the Gross Revenues are not pledged or encumbered in any manner, except for payment of the Parity Bonds.

C. Any Series of Bonds and the project to be funded with the proceeds of such Series of Bonds, shall be issued under the authority of the 1984 Ordinance as amended by the 2001 Ordinance (collectively as amended, the "Original Ordinance") and such projects shall be undertaken upon approval by subsequent resolution of the Issuer as provided by law. The proceeds of any Series of Bonds shall be applied as provided in a supplemental ordinance or resolution.

D. Since enactment of the Original Ordinance, the requirements of the capital markets for the structure of debt instruments, specifically whether a debt service reserve is required to market bonds, the increased activity of banking and other similar financial institutions in the capital markets, and the enactment of various bond subsidy programs, the Original Ordinance needs to be amended to adjust to these changed market conditions.

E. Section 21 of the 2001 Ordinance provides for the material amendment of the 1984 Ordinance with the consent of the insurer under any bond insurance policy for a Series of Bonds then outstanding plus the consent of the Registered Owners of two-thirds in principal amount of the Bonds then outstanding (the "Required Consents"), and Section 20 of the 2001 Ordinance provides for the material amendment of the 2001 Ordinance with the consent of the Registered Owners or fifty-one percent or more in the principal amount of Bonds of each Series so affected and outstanding.

F. The amendments to the Original Ordinance contained in this Ordinance shall become effective upon the receipt of the consent of the Registered Owners of two-thirds in principal amount of the Bonds then outstanding together with the consent of any insurer under any bond insurance policy for a Series of Bonds then outstanding.

G. Each Series of Bonds authorized and issued pursuant to subsequent resolutions adopted on and after the date of enactment of this Ordinance shall be issued with the express understanding that the Registered Owners of such Series of Bonds consent to the amendments set forth in this Ordinance, and upon the receipt of the required consent for these amendments, each such Series of Bonds shall be subject to this Ordinance as if this Ordinance was fully in effect on the date of issuance of such Series of Bonds.

SECTION 4. AMENDMENTS TO ORIGINAL ORDINANCE.

A. Subject to the receipt of the Required Consents, Section 2 of the 1984 Ordinance, as amended in Section 2 of the 2001 Ordinance shall be amended to add the following new defined terms to read as follows:

"Balloon Bonds" means Bonds of a Series designated as such by Supplemental Resolution adopted in connection with the issuance thereof, for which either (1) no serial maturities or Sinking Fund Installments prior to the maturity thereof have been established, or (2) the aggregate of such serial maturities and Sinking Fund Installments that have been established is less than the amount necessary to amortize such Bonds on a substantially level debt service basis.

"Qualified Agreement" means, to the extent from time to time permitted pursuant to law, any contract or contracts entered into in connection with Bonds under which payments are, in whole or in part, based on interest rate, cash flow, or other basis desired by the Issuer, including, without limitation, contracts commonly known as current or forward interest rate swap or swaption agreements and interest rate floors or caps. Notwithstanding anything herein to the contrary, "Qualified Agreement" shall not include goods and service supply contracts.

"Variable Rate Bonds" shall mean obligations issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof as shall be determined by Supplemental Resolution of the Issuer.

B. Subject to the receipt of the Required Consents, the following defined terms contained in Section 2 of the 1984 Ordinance, as amended in Section 2 of the 2001 Ordinance shall be amended to read as follows (deletions are indicated by a ~~strike through~~ and additions are indicated by underlining):

"Bond Service Requirement" for any Fiscal Year, as applied to the Bonds of any series, shall mean the sum of:

(1) the amount required to pay the interest becoming due on the Bonds of such series during the Fiscal Year, except to the extent that such interest shall

have been provided by payments into the Sinking Fund out of bond proceeds for a specific period of time or by payments of investment income into the Sinking Fund from the Bond Service Account or any subaccounts therein. Whenever such income is applied in calculating a Bond Service Requirement for any purpose, such income shall also be excluded in the computation of Gross Revenues for such purpose.

(2) the amount required to pay the principal of Serial Bonds of such series maturing in such Fiscal Year.

(3) the Amortization Installments for Term Bonds of such series for such Fiscal Year.

(4) in the event the Issuer has purchased or entered into an agreement to purchase Federal Securities or Authorized Investments from moneys in the Bond Service Account, then the income received or to be received on such Federal Securities or Authorized Investments from the date of acquisition thereof to the date of maturity thereof, or when the Issuer issues a Series of Bonds pursuant to a subsidy program offered by another governmental unit which provides for a subsidy payment to the Issuer to pay all or any portion of interest or principal due on such Series of Bonds, unless otherwise designated for other purposes, such income or subsidy payment shall be taken into consideration in calculating the payments which will be required to be made into the Sinking Fund and the Bond Service Account therein. Whenever such income or subsidy payment is applied in calculating a Bond Service Requirement for any purpose, such income or subsidy payment shall also be excluded in the computation of Gross Revenues for such purpose.

(5) with respect to Balloon Bonds, the unamortized principal coming due on the final maturity date thereof shall be ignored and in lieu thereof there shall be added to the Annual Debt Service for the applicable period of time in which such final maturity occurs and to each year thereafter through the 30th anniversary of the issuance of such Bonds (the "Reamortization Period") the amount of substantially level principal and interest payments (assuming for such purposes such interest rate as a financial advisor selected by the Issuer and having experience in the pricing of municipal bonds shall determine is a reasonable estimate of the rate that such Balloon Bonds would bear based upon such Reamortization Period and the characteristics of such Balloon Bonds) that if paid in each year during the Reamortization Period would be sufficient to pay in full the unamortized portion of such Balloon Bonds by such anniversary.

(6) with respect to Variable Rate Bonds which are not subject to a Qualified Agreement, if any, the interest rate used to calculate the Bond Service Requirement shall be the higher of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) if the indebtedness has been outstanding for twelve months or less, (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer

published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds which are not subject to a Qualified Agreement shall be deemed to bear interest at the actual rate per annum applicable during the test period.

"Reserve Requirement" shall be such amount as determined by subsequent Resolution of the Issuer relating to a specific Series of Bonds adopted prior to the issuance of such Bonds, which may not exceed the lesser of (i) the Maximum Bond Service Requirement, (ii) 125% of the average annual Bond Service Requirement or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. The Issuer shall determine by subsequent Resolution relating to a specific Series of Bonds adopted prior to the issuance of such Bonds whether such Series of Bonds will be secured by the Reserve Account, and if such Series of Bonds will be secured by a Reserve Account or a Reserve Subaccount, whether such Series of Bonds will be secured by a separate Series specific Reserve Subaccount or on a parity with other Series of Bonds in the Reserve Account or a Reserve Subaccount, and if secured with other Series of Bonds on a parity basis, which Series of Bonds will be so secured.

C. Subject to the receipt of the Required Consents, Section 16B of the 1984 Ordinance, as amended, modified and restated in Section 17D of the 2001 Ordinance shall be amended to read as follows (deletions are indicated by a ~~strikethrough~~ and additions are indicated by underlining):

D. DISPOSITION OF REVENUES. All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month, commencing in the month immediately following the delivery of the 2001 Bonds, for so long as any Bonds remain Outstanding, only in the following manner and in the following order of priority:

(1) Funds shall first be used for deposit into the Operation and Maintenance Fund, which was established by the Original Ordinance, of such sums as are necessary for the Cost of Operation and Maintenance, for the next ensuing month.

(2) A sum as shall be determined by supplemental resolution of the Issuer shall be deposited into the Construction Fund and used for the purpose of paying Project Costs.

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Sinking Fund created by the Original Ordinance, such sums as will be sufficient to pay (a) one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date; (b) commencing in the first month which is twelve (12) months or six (6) months prior to the first annual or semi-annual maturity date, respectively, of any Serial Bonds, one-twelfth (1/12) or one-sixth (1/6), respectively, of the amount of Serial Bonds which will become due and payable on the next annual or semiannual principal maturity

date, respectively, and (c) one-twelfth (1/12) of the Amortization Installment required to be made on the next annual payment date or one-sixth (1/6) of the Amortization Installment required to be made on the next semi-annual payment date into a "Bond Amortization Account", created and established in the Sinking Fund by the Original Ordinance. Such payments shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Sinking Fund for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein. The Amortization Installments may be due either annually or semiannually, but in any event, the required payments as set forth above shall be made monthly commencing in the first month which is six (6) months or twelve (12) months, as the case may be, prior to the date on which the Amortization Installment is required to be made pursuant to (c) above.

Upon the sale of any series of Term Bonds, the Issuer shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence and may specify the type or types of investments permitted hereunder to be purchased.

(4) Moneys remaining in the Revenue Fund shall next be applied by the Issuer to maintain a either the Reserve Account or a separate Reserve Subaccount, which Reserve Account was created and established by the Original Ordinance and which each Reserve Subaccount is created by subsequent Resolution relating to a specific Series of Bonds adopted prior to the issuance of such Bonds, in a sum equal to the Reserve Requirement for each applicable Series of Bonds, all or a portion of which sum may be initially provided from the proceeds of the sale of the respective Series of Bonds and/or other moneys of the Issuer. The Issuer shall thereafter deposit into said Reserve Account or Reserve Subaccount, as applicable, an amount equal to one-twelfth (1/12) of twenty per cent (20%) of the difference between the amount, if any, so deposited

upon the delivery of the Bonds and the amount of the Reserve Requirement ~~on all outstanding~~ for the applicable Series of Bonds. No further payments shall be required to be made into such Reserve Account or Reserve Subaccount, as applicable, when there has been deposited therein and as long as there shall remain on deposit therein a sum equal to the ~~Maximum Bond Service Reserve Requirement on all applicable Series of~~ outstanding Bonds becoming due in any ensuing Fiscal Year.

Any withdrawals from the Reserve Account or a Reserve Subaccount shall be subsequently restored from the first moneys available in the Revenue Fund after all required current payments into the Sinking Fund and into the Reserve Account and each Reserve Subaccount, as applicable, including all deficiencies for prior payments into the Sinking Fund, have been made in full.

Moneys in the Reserve Account or a Reserve Subaccount, as applicable, shall be used only for the purpose of the payment of maturing principal (including Amortization Installments) of or interest on the Series of Bonds secured by such Reserve Account or Reserve Subaccount, as applicable, when the moneys in the Sinking Fund and allocated to such Series of Bonds are insufficient therefor, and for no other purpose. Upon the issuance by the Issuer of any Additional Bonds under the terms, limitations and conditions provided in this Ordinance and the Original Ordinance, the payments into the Reserve Account or Reserve Subaccount, as applicable, shall be increased so that the amount on deposit therein shall be equal to the ~~Maximum Bond Service Requirement on all Bonds outstanding and to be outstanding~~ Reserve Requirement established for such Series of Additional Bonds in accordance with the subsequent Resolution authorizing such Series of Additional Bonds.

Whenever the amount on deposit in the Reserve Account or any Reserve Subaccount exceeds the Reserve Requirement ~~on all Bonds then outstanding applicable to such Reserve Account or Reserve Subaccount~~, the excess may be withdrawn and deposited into the Sinking Fund to pay debt service on the respective Series of Bonds.

The Issuer shall not be required to make any further payments into the Sinking Fund or into the Reserve Account or any Reserve Subaccount when the aggregate amount of moneys in the Sinking Fund and the Reserve Account are or any Reserve Subaccount, as applicable, is at least equal to the aggregate principal amount of Bonds then outstanding and secured by the Sinking Fund and the respective Reserve Account or Reserve Subaccount, plus the amount of interest then due or thereafter to become due on the respective Series of Bonds then outstanding.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Revenues into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account or a Reserve Subaccount a surety bond or an insurance policy issued by a reputable and recognized insurer for the benefit of the Bondholders of the Series of Bonds to be secured by such Reserve Account or Reserve Subaccount, in an amount equal to the difference between the ~~Maximum Bond Service Reserve Requirement for such Series of Bonds~~ and the sums then on deposit in the applicable Reserve Account or Reserve Subaccount,

if any, which surety bond or insurance policy shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Ordinance and the Original Ordinance and available for such purpose. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the three highest rating category categories by Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors. If a disbursement is made from a surety bond or an insurance policy provided pursuant to this paragraph, the Issuer shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to deposit into the Reserve Account or Reserve Subaccount, as applicable, as herein provided in this paragraph for restoration of withdrawals from the Reserve Account or a Reserve Subaccount, as applicable, funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(5) The Issuer shall next apply and deposit the moneys in the Revenue Fund into the Renewal and Replacement Fund created by the Original Ordinance. The Issuer shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five per centum (5%) of the Gross Revenues of the System for the previous Fiscal Year, or such other amount as is certified as necessary for the purposes of the Renewal and Replacement Fund by the Consulting Engineer and as approved by the City Commission. The moneys in said Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the System and emergency repairs thereto. Such moneys on deposit in such Fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds.

(6) To the extent junior lien bonds are issued and outstanding (which subordinated bonds the Issuer reserves the right to issue), the Issuer shall next apply moneys in the Revenue Fund to the payment of principal of, redemption premium, if any, and interest on such subordinated debt of the Issuer.

(7) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may either be deposited into either the Renewal and Replacement Fund or the Sinking Fund, or may be used for the purchase or redemption of Bonds, or may be used by the Issuer for any lawful purpose of the Issuer.

D. Subject to the receipt of the Required Consents, Section 16C of the 1984 Ordinance, as amended, modified and restated in Section 17E of the 2001 Ordinance shall be amended to read as follows (deletions are indicated by a ~~strikethrough~~ and additions are indicated by underlining):

E. INVESTMENT OF FUNDS. The Operation and Maintenance Fund, the Sinking Fund, the Reserve Account (and any Reserve Subaccounts therein), the Renewal and Replacement Fund, the Revenue Fund, the Construction Fund,

and any other special funds herein and in the Original Ordinance established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the same manner as state and municipal deposits are required to be secured by the laws of the State of Florida. Moneys on deposit in any of such funds and accounts may be invested and reinvested in Authorized Investments.

Investments made with moneys in the Construction Fund, the Revenue Fund, the Operation and Maintenance Fund, and the Sinking Fund (except the Bond Amortization Account therein), must mature not later than the date that such moneys will be needed. Investments made with moneys in the accounts in the Bond Amortization Account, in the Reserve Account (and any Reserve Subaccounts therein) and in the Renewal and Replacement Fund must mature, in the case of the accounts in the Bond Amortization Account not later than the stated date of maturity of each respective Amortization Installment of the Term Bonds to be retired from the sub-accounts in the Bond Amortization Account from which the investment is made, in the case of the Reserve Account (and any Reserve Subaccounts therein) not later than the final maturity of any the applicable Series of Bonds then outstanding, and in the case of the Renewal and Replacement Fund, not later than such date as shall be determined by the Issuer. Any and all income received by the Issuer from all such investments shall be deposited into the Revenue Fund, except however, that investment income earned in the Bond Amortization Account may be retained therein or deposited into the Sinking Fund and used to pay maturing principal of and interest on the Bonds, at the option of the Issuer.

The cash required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds in and by this Ordinance shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

SECTION 5. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

SECTION 6. REPEALING CLAUSE. All ordinances or resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 7. EFFECTIVE DATE. This Ordinance shall take effect immediately upon its passage.

SECTION 8. PUBLIC NOTICE. Notice of the proposed enactment of this Ordinance has been properly advertised in a newspaper of general circulation in accordance with Chapter 166.041, Florida Statutes.

PASSED ON FIRST READING

NOV 06 2014

PASSED ON SECOND READING
AND FINAL READING AND
ADOPTED

DEC 04 2014

-george cretekos

George N. Cretekos
Mayor

Approved as to form:

Pk h
Pamela K. Akin
City Attorney

Attest:

Rosemarie Call
Rosemarie Call
City Clerk



RESOLUTION NO. 17-02

A RESOLUTION AUTHORIZING THE NEGOTIATED SALE OF NOT TO EXCEED \$100,000,000 CITY OF CLEARWATER, FLORIDA, WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2017; AWARDING THE SALE THEREOF TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, ON BEHALF OF ITSELF AND RBC CAPITAL MARKETS AND WELLS FARGO BANK, NATIONAL ASSOCIATION AS THE CO-MANAGERS SELECTED BY THE CITY, SUBJECT TO THE TERMS AND CONDITIONS OF A PURCHASE CONTRACT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT; PROVIDING FOR THE ISSUANCE OF THE SERIES 2017 BONDS IN BOOK-ENTRY-ONLY FORM; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE DELIVERY OF THE BONDS; PROVIDING FOR COMPLIANCE WITH A CONTINUING DISCLOSURE CERTIFICATE; APPOINTING A PAYING AGENT AND REGISTRAR; APPOINTING AN ESCROW HOLDER; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A REGISTRAR AND PAYING AGENT AGREEMENT AND ESCROW DEPOSIT AGREEMENT; APPOINTING A VERIFICATION AGENT AND ESCROW BIDDING AGENT; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION WITH THE ISSUANCE AND DELIVERY OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on August 2, 1984, the City Council of the City of Clearwater, Florida (the "City") enacted Ordinance No. 3674-84 (the "1984 Ordinance") to provide for the issuance of bonds payable from Net Revenues of the System (as defined therein); and

WHEREAS, on November 15, 2001, the City enacted Ordinance No. 6915-01 (the "2001 Ordinance" and, together with the 1984 Ordinance, the "Original Ordinance") which authorized the issuance of the City of Clearwater, Florida Water and Sewer Revenue [Refunding] Bonds, Series [to be determined], as Additional Bonds thereunder; and

WHEREAS, on December 4, 2014, the City enacted Ordinance No. 8620-14, amending the Original Ordinance (the "2014 Amending Ordinance" and, together with the Original Ordinance, the "Bond Ordinance"), the provisions of which shall apply to each series of Additional Bonds which are authorized on and after the date of enactment of the 2014 Amending Ordinance, retroactive to such date of enactment upon receipt of the consent of the holders of two-thirds in principal of Bonds then outstanding; and

WHEREAS, the City by this Resolution intends to provide for the issuance of its not to exceed \$100,000,000 City of Clearwater, Florida Water and Sewer Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") as Additional Bonds to advance refund all or a portion of the City's outstanding Water and Sewer Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and Water and Sewer Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds," the refunded portion thereof, collectively with the refunded portion of the Series 2009A Bonds, being referred to herein as the "Refunded Bonds"); and

WHEREAS, in connection with the refunding of the Refunded Bonds, the City desires to enter into an Escrow Deposit Agreement in the form attached hereto as Exhibit A and to appoint U.S. Bank National Association as the Escrow Holder thereunder; and

WHEREAS, in addition to the Series 2009A Bonds and the Series 2011 Bonds, the City has currently outstanding under the Bond Ordinance, its Water and Sewer Revenue Refunding Bonds, Series 2003, its Water and Sewer Revenue Refunding Bonds, Series 2009B and its Water and Sewer Revenue Refunding Bond, Series 2014 (collectively with any unrefunded portion of the Series 2009A Bonds or Series 2011 Bonds, the "Parity Bonds"); and

WHEREAS, it is in the best interest of the City to provide for the negotiated sale of not to exceed \$100,000,000 of Series 2017 Bonds; and

WHEREAS, the City intends to negotiate a sale of the Series 2017 Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and as representative of the co-managers, RBC Capital Markets and Wells Fargo Bank, National Association (collectively, the "Underwriters") subject to the terms and conditions contained herein and set forth in a Purchase Contract, a copy of which is attached hereto as Exhibit B (the "Purchase Contract") and authorize its Mayor, or in his absence the Vice Mayor, and the City Manager or Deputy City Manager to execute such Purchase Contract upon the approval of the terms thereof by the City Manager or Deputy City Manager and the City Finance Director; and

WHEREAS, the City now desires to approve the issuance of its Series 2017 Bonds, to sell its Series 2017 Bonds pursuant to the Purchase Contract, to authorize the distribution of a Preliminary Official Statement and an Official Statement in connection with the issuance of the Series 2017 Bonds and to take certain other actions in connection with the issuance and sale of the Series 2017 Bonds; and

WHEREAS, the City desires to appoint U.S. Bank National Association as the Registrar and Paying Agent under the Bond Ordinance with respect to the Series 2017 Bonds and to enter into a Registrar and Paying Agent Agreement in the form attached hereto as Exhibit C; and

WHEREAS, the City will be provided all applicable disclosure information by the Underwriters as required by Section 218.385, Florida Statutes, prior to the execution of the Purchase Contract, a copy of which disclosure is to be attached to the Purchase Contract; and

WHEREAS, this Resolution shall constitute a supplemental resolution under the terms of the Bond Ordinance, and all capitalized undefined terms used herein shall have the meanings set forth in the Bond Ordinance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CLEARWATER, FLORIDA:

SECTION 1. The not to exceed \$100,000,000 of the Water and Sewer Revenue Refunding Bonds, Series [to be determined] authorized by the Bond Ordinance being offered pursuant to this resolution are hereby designated as Series 2017 Bonds (the "Series 2017 Bonds"), provided that the series designation shall reflect the year in which the Series 2017 Bonds are actually issued. The issuance of not to exceed \$100,000,000 of the Series 2017 Bonds by the City in one or more subseries is hereby approved upon the terms and conditions set forth in the Bond Ordinance and this Resolution.

SECTION 2. It is in the best interest of the City and the residents and inhabitants thereof that the Series 2017 Bonds be issued utilizing a pure book-entry system of registration.

For so long as the Series 2017 Bonds remain in such book entry only system of registration, in the event of a conflict between the provisions of the Bond Ordinance and the provisions of the Blanket Letter of Representations between the City and Depository Trust Company as previously executed and delivered, the terms and provisions of the Blanket Letter of Representations shall prevail.

SECTION 3. (a) Due to the willingness of the Underwriters to purchase not to exceed \$100,000,000 in aggregate principal amount of the Series 2017 Bonds at favorable interest costs and the importance of timing in the marketing of such obligations in conjunction with funding and structuring the defeasance escrow for the Refunded Bonds, it is hereby determined that it is in the best interest of the public and the City to sell the Series 2017 Bonds at a negotiated sale and such sale to the Underwriters pursuant to the terms and conditions contained in the Purchase Contract and herein is hereby authorized and approved, subject to the satisfaction of the conditions set forth in Section 3(b) below.

(b) The Finance Director is hereby authorized to receive the offer to purchase the Series 2017 Bonds from the Underwriters in the form of an executed Purchase Contract substantially in the form approved herein. The City Manager or Deputy City Manager and the Finance Director are hereby authorized to award the sale of the Series 2017 Bonds on their determination that the offer submitted by the Underwriters for the purchase of all of the Series 2017 Bond is within the following parameters: (i) the refunding of that portion of the Refunded Bonds to be refunded by the Series 2017 Bonds shall provide the City with a net present value savings of not less than 4.0% of the par amount of such Refunded Bonds so refunded, (ii) the Underwriters' Discount shall not be in excess of .50% of the principal amount thereof, (iii) the final maturity shall not be later than December 1, 2039, and (iv) the principal amount shall not be in excess of the amount necessary to defease and redeem the Refunded Bonds plus costs of issuing the Series 2017 Bonds. The Finance Director, in coordination with the City's financial advisor and the Underwriters, is hereby authorized and directed to determine what portions of the Refunded Bonds are in the best interest of the City to be refunded through the issuance of the Series 2017 Bonds. The City Manager or Deputy City Manager and the Finance Director are hereby authorized to award the sale of the Series 2017 Bonds as set forth above or to reject the offer from the Underwriters for any or all series of Series 2017 Bonds or any portion thereof. Such award shall be final. The acceptance of the offer to purchase the Series 2017 Bonds, to the extent the proceeds thereof are used to refund the Refunded Bonds shall constitute a decision to refund the Refunded Bonds in accordance with the Bond Ordinance.

SECTION 4. The Series 2017 Bonds shall be sold to the Underwriters, upon the terms and conditions set forth in the Purchase Contract attached hereto as Exhibit B and incorporated by reference, upon the satisfaction of the conditions set forth in Section 3(b) hereof. The Mayor, or in his absence the Vice Mayor, the City Manager or Deputy City Manager and the City Clerk are hereby authorized to execute such Purchase Contract in substantially the form attached as Exhibit B upon the approval of the City Attorney as to form and legal sufficiency, with such additional changes, insertions and omissions therein as do not change the substance thereof and as may be approved by the said officers of the City executing the same, such execution to be conclusive evidence of such approval.

SECTION 5. The Series 2017 Bonds shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable at the times, shall mature and shall be subject to redemption as provided in the Purchase Contract. In addition to such redemption provisions, any notice of redemption of Series 2017 Bonds may be conditioned

upon the deposit of sufficient funds to pay the 2017 Bonds subject to redemption on the redemption date. The use of the proceeds of the Series 2017 Bonds, shall be as provided in the Official Statement relating to the Series 2017 Bonds.

SECTION 6. The Series 2017 Bonds shall be issued under and secured by the Bond Ordinance and shall be executed and delivered by the Mayor, the City Manager or Deputy City Manager and the City Clerk upon the approval of the City Attorney as to form and legal sufficiency, in substantially the form set forth in the Bond Ordinance, with such additional changes and insertions therein as conform to the provisions of the Purchase Contract and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

SECTION 7. U.S. Bank National Association is hereby appointed Registrar and Paying Agent for the Series 2017 Bonds to serve pursuant to a Paying Agent Agreement substantially in the form attached hereto as Exhibit C. The Mayor, or in his absence the Vice Mayor, the City Manager or Deputy City Manager and the City Clerk are hereby authorized to execute such Paying Agent Agreement in substantially the form attached as Exhibit C upon the approval of the City Attorney as to form and legal sufficiency, with such additional changes and insertions therein as approved by the officers executing the same, and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

SECTION 8. U.S. Bank National Association is hereby appointed as the Escrow Holder under the Escrow Deposit Agreement for the Refunded Bonds, which Escrow Deposit Agreement shall be substantially in the form attached hereto as Exhibit A. The Mayor, or in his absence the Vice Mayor, the City Manager or Deputy City Manager and the City Clerk are hereby authorized to execute such Escrow Deposit Agreement in substantially the form attached as Exhibit A upon the approval of the City Attorney as to form and legal sufficiency, with such additional changes and insertions therein as approved by the officers executing the same, and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

SECTION 9. Causey Demgen & Moore Inc. is hereby appointed as the Verification Agent for the defeasance of the Refunded Bonds and as bidding agent with respect to open market securities purchased as escrow obligations for such defeasance, if applicable.

SECTION 10. On the date of issuance of the Series 2017 Bonds, the City may transfer the funds on hand in the various funds and accounts established for the Refunded Bonds in such manner as may be approved by a certificate of the Finance Director executed prior to or simultaneously with the issuance of the Series 2017 Bonds.

SECTION 11. The distribution by the Underwriters of the Preliminary Official Statement is hereby approved, confirmed and ratified. The distribution of a final Official Statement of the City relating to the issuance of the Series 2017 Bonds is hereby approved, such final Official Statement to be in substantially the form attached hereto as Exhibit D, with such additional changes, insertions and omissions as may be made and approved by officers of the City executing the same, such execution to be conclusive evidence of any such approval. The Mayor, or in his absence the Vice Mayor, and the City Manager or Deputy City Manager are hereby authorized to execute such Official Statement in substantially the form attached hereto as Exhibit D. The execution of such Official Statement by such officers is hereby approved with such additional changes, insertions and omissions as may be made and approved by such

officers. For purposes of Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), the City Manager or Deputy City Manager and the Finance Director are hereby authorized and directed to deem "final" the Preliminary Official Statement in substantially the form attached hereto as Exhibit D.

SECTION 12. The City hereby covenants and agrees that, in order to provide for compliance by the City with the secondary market disclosure requirements of the Rule, that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate in substantially the form attached hereto as Exhibit E, to be executed by the City and dated the date of issuance and delivery of the Series 2017 Bonds, as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the City to comply with such Continuing Disclosure Certificate shall not be considered an event of default; however, any holder of Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section and the Continuing Disclosure Certificate. The Mayor, or in his absence the Vice Mayor, the City Manager or Deputy City Manager and the City Clerk are hereby authorized to execute such Continuing Disclosure Certificate upon the approval of the City Attorney as to form and legal sufficiency, in substantially the form attached as Exhibit E, with such additional changes, insertions and omissions therein as do not change the substance thereof and as may be approved by the said officers of the City executing the same, such execution to be conclusive evidence of such approval.

SECTION 13. All prior resolutions of the City inconsistent with the provisions of this resolution are hereby modified, supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect.

SECTION 14. The Mayor, or in his absence the Vice Mayor, the City Manager, the Deputy City Manager, the Finance Director, the City Attorney and the City Clerk or any other appropriate officers of the City are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Resolution, the Purchase Contract, the Escrow Deposit Agreement or any other document referred to above as a prerequisite or precondition to the issuance of the Series 2017 Bonds and any such representation made therein shall be deemed to be made on behalf of the City, and the City Manager or Deputy City Manager and the Finance Director are hereby authorized to take such actions as may be necessary or desired to effect the refunding of the Refunded Bonds, including, but not limited to, the selection of a verification agent and escrow investments. In the event both the Mayor and the Vice Mayor are unable to execute the documents related to the Series 2017 Bonds, then any other member of the City Council shall be authorized to execute such documents with the full force and effect as if the Mayor, or the Vice Mayor had executed same. All action taken to date by the officers of the City in furtherance of the issuance of the Series 2017 Bonds is hereby approved, confirmed and ratified.

SECTION 15. For purposes hereof, the Reserve Requirement (as defined in the Bond Ordinance) for the Series 2017 Bonds shall be \$0.00, and upon the effective date of the 2014 Amending Ordinance, the Series 2017 Bonds shall not be entitled to any security provided by any monies on deposit in the Reserve Account. Prior to such effective date, the Series 2017 Bonds shall be additionally secured by the funds on deposit in the Reserve Account as required

by the Bond Ordinance, and as of the effective date of the 2014 Amending Ordinance, the Series 2017 Bonds shall cease to be secured by the Reserve Account.

SECTION 16. By purchasing the Series 2017 Bonds, the Bondholders consent to the amendments set forth in the 2014 Amending Ordinance.

SECTION 17. This resolution shall become effective immediately upon its adoption.

Passed and adopted by the City Council of the City of Clearwater, Florida, this ____ day of January, 2017.

CITY OF CLEARWATER, FLORIDA

By: _____
George N. Cretekos
Mayor

Approved as to form:

Attest:

Pamela K. Akin
City Attorney

Rosemarie Call,
City Clerk

EXHIBIT A
FORM OF ESCROW DEPOSIT AGREEMENT

EXHIBIT B
FORM OF BOND PURCHASE CONTRACT

EXHIBIT C

FORM OF REGISTRAR AND PAYING AGENT AGREEMENT

EXHIBIT D
FORM OF OFFICIAL STATEMENT

EXHIBIT E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Clearwater, Florida (the "Issuer") in connection with the issuance of its \$[Par Amount] Water and Sewer Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to Ordinance No. 3674-84 enacted by the Issuer on August 2, 1984, as amended and supplemented in Ordinance No. 6915-01, enacted November 15, 2001, as further amended and supplemented in Ordinance No. 8620-14, enacted December 4, 2014 (collectively, the "Ordinance") and as further supplemented by Resolution No. 17-02, adopted by the Issuer on January 19, 2017. The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Series 2017 Bondholders and in order to assist the original underwriters of the Series 2017 Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 2. PROVISION OF ANNUAL INFORMATION. Except as otherwise provided herein, the Issuer shall provide to the Municipal Securities Rulemaking Board (the "MSRB"), in the manner described in Section 5 hereof, and to any state information depository that is established within the State of Florida and with which the Issuer is legally required to file the information set forth herein (the "SID"), it being understood that no such SID is currently established in the State of Florida, on or before April 30 of each year, commencing April 30, 2017 with the report for the 2016 Fiscal Year, the information set forth below in this Section 2. Notwithstanding the immediately preceding sentence, to the extent any such information does not become available to the Issuer before April 30 of any year, the Issuer shall provide such information when it becomes available, but no later than one year following the end of the Issuer's Fiscal Year. To the extent the Issuer has provided such information to a dissemination agent pursuant to any other undertaking executed by the Issuer in accordance with the Rule, the Issuer's obligations as set forth in this Section 2 shall be deemed to be satisfied.

(A) The Issuer's Comprehensive Annual Financial Report for the immediately preceding Fiscal Year (the "CAFR"), which shall include the audited financial statements of the Issuer for the immediately preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; provided, however, if

the audited financial statements of the Issuer are not completed prior to April 30 of any year, the Issuer shall provide unaudited financial statements on such date and shall provide the audited financial statements as soon as practicable following their completion; and

(B) To the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the Issuer in the final official statement prepared in connection with the sale and issuance of the Series 2017 Bonds (as amended, the "Official Statement"), as set forth below:

1. Updates of the historical financial information set forth in the Official Statement under the principal captions "THE WATER AND SEWER SYSTEM" for the then-immediately preceding five fiscal years and "APPENDIX G - SCHEDULE OF RATES, FEES AND CHARGES."

2. Description of any additional indebtedness payable in whole or in part from the Net Revenues (as defined in the Ordinance).

3. Any other financial information or operating data of the type included in the Official Statement which would be material to a holder or prospective holders of the Series 2017 Bonds.

For purposes of this Disclosure Certificate, "Fiscal Year" means the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

The Issuer reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 3. REPORTING SIGNIFICANT EVENTS. The Issuer shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of 10 business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Series 2017 Bonds or the Issuer's ability to satisfy its payment obligations with respect to the Series 2017 Bonds; provided, however, to the extent the Issuer has provided notice of any such event to a dissemination agent pursuant to any other undertaking executed by the Issuer in accordance with the Rule, the Issuer's obligations as set forth in this Section 3 shall be deemed to be satisfied:

(A) Principal and interest payment delinquencies;

- (B) Non-payment related defaults;
- (C) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancement reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Series 2017 Bonds, or other material or events affecting the tax status of the Series 2017 Bonds;
- (G) Modifications to rights of Series 2017 Bondholders;
- (H) Calls on the Series 2017 Bonds (excluding mandatory sinking fund redemption);
- (I) Tender offers with respect to the Series 2017 Bonds;
- (J) Defeasance of the Series 2017 Bonds;
- (K) Release, substitution, or sale of property securing repayment of the Series 2017 Bonds;
- (L) Rating changes;
- (M) Bankruptcy, insolvency, receivership or similar event of the Issuer (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
- (N) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(O) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section 3, if, in the judgment of the Issuer, such other events are material with respect to the Series 2017 Bonds, but the Issuer does not specifically undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above.

Whenever the Issuer obtains knowledge of the occurrence of a significant event described in this Section 3, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities law to holders of Series 2017 Bonds, provided, that any event under clauses (A), (C), (D), (E), (F), (I), (J), (L), or (M) above will always be deemed to be material.

SECTION 4. NOTICE OF FAILURE TO PROVIDE ANNUAL INFORMATION. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner on or before April 30 of any year, notice of any failure on the part of the Issuer or any other Obligated Person (as defined in the Rule) to meet the requirements of Section 2 hereof.

SECTION 5. SUBMISSION OF INFORMATION TO THE MSRB. The information required to be disclosed pursuant to Sections 2, 3 and 4 of this Disclosure Certificate shall be submitted to the MSRB through its Electronic Municipal Market Access system ("EMMA"). Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("PDF") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files are required to be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any dissemination agent engaged by the Issuer pursuant to Section 8 hereof, shall also provide to the MSRB information necessary to accurately identify:

(A) the category of information being provided;

(B) the period covered by the CAFR and any additional financial information and operating data being provided;

(C) the issues or specific securities to which such submission is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);

(D) the name of any Obligated Person other than the Issuer;

(E) the name and date of the document being submitted; and

(F) contact information for the submitter.

SECTION 6. NO EVENT OF DEFAULT. Notwithstanding any other provision in the Ordinance to the contrary, failure of the Issuer to comply with the provisions of this Disclosure Certificate shall not be considered an event of default under the Ordinance. To the extent permitted by law, the sole and exclusive remedy of any Series 2017 Bondholder for the enforcement of the provisions hereof shall be an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations hereunder. For purposes of this Disclosure Certificate, "Series 2017 Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Series 2017 Bond for federal income tax purposes.

SECTION 7. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference from other documents, including official statements or debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each document incorporated by reference.

SECTION 8. DISSEMINATION AGENTS. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

SECTION 9. TERMINATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon (A) the legal defeasance, prior redemption or payment in full of all of the Series 2017 Bonds, or (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 10. AMENDMENTS. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision may be waived, if such amendment or waiver is supported by an opinion of counsel that is nationally recognized in the area of federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 11. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in its annual information described in Section 2 hereof or notice of occurrence of a significant event described in Section 3 hereof, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in its annual information or notice of occurrence of a significant event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in its future annual information or notice of occurrence of a significant event.

SECTION 12. OBLIGATED PERSONS. If any person, other than the Issuer, becomes an Obligated Person (as defined in the Rule) relating to the Series 2017 Bonds, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

Dated as of this [___] day of February, 2017

ATTEST:

**CITY OF CLEARWATER,
FLORIDA**

By: _____
Issuer Clerk

By: _____
Mayor

APPENDIX E

FORM OF BOND COUNSEL OPINION

APPENDIX F

FISCAL YEAR 2016 WATER AND SEWER REVENUE SUFFICIENCY ANALYSIS (RATE STUDY)

City of Clearwater

FY 2016 Water & Sewer Revenue Sufficiency Analysis



Final Report

July 21, 2016

Prepared by:

BURTON & ASSOCIATES

A Hawksley Consulting Company



CLEARWATER

BRIGHT AND BEAUTIFUL • RAY TO BEACH

July 21, 2016

Mr. Jay Ravins
Finance Director
City of Clearwater
100 S. Myrtle Avenue
Clearwater, FL 33756

Re: FY 2016 Water & Sewer Revenue Sufficiency Analysis – Final Report

Dear Mr. Ravins:

Burton & Associates is pleased to present this Final Report of the FY 2016 Revenue Sufficiency Analysis that we have performed for the City's Water and Sewer Enterprise Fund.

We appreciate the fine assistance provided by you, your staff, and all of the members of City staff who participated in the analysis.

If you have any questions, please do not hesitate to call me at (813) 443-5138.

Very truly yours,



Andrew J. Burnham
Senior Vice President

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SECTION 1. INTRODUCTION

Burton & Associates has conducted a Revenue Sufficiency Analysis (RSA) for the City of Clearwater's Water & Sewer Enterprise Fund (Utility). The following sections of this report describe in detail the procedures, assumptions, results, and recommendations of the RSA.

1.1 BACKGROUND

In recent years, many challenges have affected the financial performance of the Utility. Pinellas County, the City's wholesale water provider, has continued to increase its wholesale rates. Aging infrastructure continues to drive the need for additional renewal and replacement projects within the Utility's capital improvement plan. Moreover, a combination of recent economic conditions and continued conservation awareness has caused many of the Utility's customers to reduce the quantity of water they are using.

With these challenges and many others ahead, the City retained Burton & Associates to evaluate the adequacy of the revenue provided by its current rates and the annual rate adjustments proposed in the FY 2015 RSA Study¹ to meet its financial requirements over a five-year planning period and ten-year projection period. Additionally, the Utility requested Burton & Associates update a detailed water demand and customer account analysis to continue to understand the trends and magnitude of these reductions and to develop updated customer and demand projections for use in this RSA.

1.2 OBJECTIVE

The objective of this RSA was to evaluate the sufficiency of the Utility's current rates and proposed annual rate adjustments for water and wastewater and to identify a plan of future

¹ The 2015 RSA proposed 4.5% rate increase for FY 2016 and 4.0% annual increases for FY 2017 through FY 2025 for water and wastewater.

increases that would provide adequate revenue to fund the Utility's cost requirements over a multi-year projection period while recognizing the effects of recent minor customer and demand growth², increasing purchased water costs, and increasing renewal and replacement requirements.

1.3 STUDY PROCEDURES

During the conduct of this RSA, we evaluated the Utility's financial management plan by examining the impact of key parameters (such as a small increase in customers and demand, price elasticity, increasing reclaimed water usage, increasing purchased water costs, additional renewal and replacement and operating expenses, etc.) upon important financial indicators by use of graphical representations projected on a large viewing screen from our computer rate models. In this way, we evaluated the adequacy of the Utility's current plan of annual rate increases to provide sufficient revenues to fund the Utility's cost requirements for FY 2017 and identified a plan of equal annual future increases over the remainder of the projection period (FY 2017 thru FY 2026) that would meet the financial requirements, goals, and objectives of the Utility.

In order to initiate the RSA, we obtained the Utility's historical and budgeted financial information regarding the operation of the Water and Sewer Enterprise Fund. We obtained the Utility's multi-year capital improvement program (CIP) and the Utility's current debt obligations and the covenants, or promises made to bond holders or other lenders, relative to net income coverage requirements, reserves, etc. We also counseled with City staff regarding other assumptions and policies that would affect the Water and Sewer Enterprise Fund, such as required levels of reserves, interest earnings rates, escalation rates for operating costs, increases to wholesale water costs, etc.

² Since the Great Recession the Utility experienced significant account and consumption declines and in recent years that downward trend has started to slowly reverse.

All of this information was entered into our Financial Analysis and Management System (FAMS) interactive model. The FAMS model produces a multi-year projection of the sufficiency of the Utility's revenues to meet all of its current and projected financial requirements and determines the level of rate revenue increases necessary in each year to provide sufficient revenues to fund all of the Utility's requirements.

FAMS also utilizes all available and unrestricted funds in each year of the projection period to pay for capital projects, in accordance with the cash application rules in the model as defined with City staff. This produces a detailed summary of the funding sources to be used for each project in the CIP.

To the extent that current revenues and unrestricted reserves are not adequate to fund all capital projects in any year of the projection period, the FAMS model identifies a borrowing requirement to fund those projects or portions thereof that are determined to be eligible for borrowing. In this way, the FAMS model is used to develop a borrowing program that includes the required borrowing amount by year and the resultant annual debt service obligations of the Utility for each year in the projection period.

SECTION 2. ANALYSIS

This section presents the results of the analysis and the financial management plan developed during the conduct of this RSA. The first sub-section presents a description of the base data, assumptions, and policies of the RSA. The second sub-section provides the results of the RSA, while the Appendix includes detailed financial analysis schedules supporting the financial management plan identified herein.

2.1 ASSUMPTIONS

During the conduct of the RSA, we communicated with City staff regarding various data and assumptions used in the development of the financial management plan presented herein. The base data, assumptions, and policies included in the RSA are as follows:

Beginning Fund Balances – The Utility’s Comparative Balance Sheet and Restricted Asset Statement for September 30, 2015 provided the historical financial information used to establish the beginning FY 2016 balances for each of the various funds. It is important to note that funds reserved or encumbered for specific capital projects were included in the beginning fund balances available for capital projects in FY 2016 and the associated capital project costs were included in the CIP.

Base Revenues – The revenues utilized in the RSA reflect a combination of estimated and budgeted FY 2016 amounts. The estimated FY 2016 results are based on FY 2015 actual amounts, adjusted for assumed customer and usage changes as well as the adopted 4.5% rate increase for FY 2016. Revenues consist of water, wastewater, irrigation and reclaimed water rate revenues and all other categories of revenue.

Table 2 below presents a comparison of the projected rate revenues from the FY 2015 RSA and the actual and estimated information utilized in the current RSA. As can be seen, the FY 2016 revenue estimate from this RSA is approximately \$401,000, or 0.56%, higher than the projected amount from the FY 2015 RSA.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

ANALYSIS

Table 2. Actual/Estimated Revenues vs. FY 2015 RSA Projections

	<u>FY 2015</u>	<u>FY 2016</u>
Actual/Estimated Rate Revenue*	\$68,655,644	72,249,062
FY 2015 RSA Projected Revenue*	\$68,736,150	71,848,267
Difference	\$80,506	\$400,795

*Rate Revenue includes Water, Irrigation, Reclaimed Water, and Sewer Revenue.

For each year after FY 2016, rate revenues in this RSA are adjusted based upon assumed rate increases, customer growth, and changes in demand. All other non-rate revenues were based upon the FY 2016 Approved Budget and FY 2017 Preliminary Budget.

Customer Growth – As stated previously, we performed an analysis of the Utility’s historical account and demand data. Relative to accounts or customers, we specifically reviewed changes in the number of active accounts by month during the past 10 years. Based upon this review, we developed annual forecasts of active accounts for each service type that recognize a gradual return to historical number of active accounts over the next ten years. Schedule 2 of the Appendix includes detailed projections of active accounts for water, irrigation, sewer, and reclaimed water service.

Forecast of Billed Demands – The analysis of historical billed demands was based upon a review of the Utility’s monthly billing consumption by service and customer class for the past 10 fiscal years. The results of this analysis concluded that in recent years a minor increase in accounts has caused a stabilization and/or minor increase in demand. Despite overall increase in demand, the trend of declining average usage per account continues (see Table 3).

The Utility has experienced a reduction of approximately 11.6% in total billed potable water demand since 2008; or approximately 1.40% per year. However, as economic conditions are slowly improving, we anticipate and estimate that average use per single-family residential account per month will increase slightly from the FY 2015 level of 3,931 gallons to 3,953 gallons in FY 2016. Across all customer classes, we anticipate a slight increase (0.26%) in total billed potable water demand in FY 2016 as compared to FY 2015.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

ANALYSIS

Table 3. Changes in Billed Potable Water Demand from FY 2010 to FY 2016

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016 (est.)</u>
Total Annual Demand (In Thousand Gallons)*	3,370,436	3,402,819	3,359,115	3,379,731	3,342,953	3,362,701	3,371,372
Percentage Change	-3.51%	0.96%	-1.28%	0.61%	-1.09%	0.59%	0.26%
Average Monthly Single-Family Demand/Account	4,292	4,278	4,132	4,080	3,997	3,931	3,953
Percentage Change		-0.32%	-3.41%	-1.27%	-2.03%	-0.02%	0.01%

*Includes Single-Family, Multi-Family, Commercial, Government, and Industrial Demands.

We incorporated the multi-year billed demand projections into the RSA for each service (which include both the effects of changes in use per account and the annual changes in accounts described previously). Schedule 2 of the Appendix includes detailed projections of billed demand by service.

Reclaimed Water Use Revenue Impacts – As reclaimed water is made available to more customers and reclaimed water usage increases, there will be a reduction in the Utility’s potable irrigation customers and demands as well as a corresponding reduction in the amount of wholesale water that has to be purchased. As such, there will also be a reduction in lawn irrigation revenues as they are replaced by lower revenues from reclaimed water customers. The net effect of these reclaimed water impacts causes projected rate increases to be larger. The customer and demand projections for lawn irrigation and reclaimed water service on Schedule 2 include the impact of the continued expansion of the reclaimed water system.

Price Elasticity – This adjustment is incorporated into the FAMS model to reflect that as rates increase, discretionary water usage will likely decline. Therefore, in order to generate sufficient revenue, projected rate increases will have to be adjusted to reflect a smaller usage base to which they will be applied, thus causing the projected rate increases to be larger. The price elasticity adjustment reduces all usage revenues by the product of the annual rate increase and the annual assumed elasticity coefficient. In each year of the projection period the price elasticity coefficient is 0.30, meaning for every 10% increase in rates, there is a resulting 3% reduction in consumption.

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Interest Earnings – The projection of interest earnings on invested funds (including funds dedicated for CIP projects) was calculated in each year based upon a computation of average fund balances in each year of the analysis and assumed annual interest rates of 1.50% in FY 2016, 1.75% in FY 2017, 2.00% in FY 2018, and 2.5% in FY 2019 and each year thereafter for the remainder of the projection period.

Base Operating Expenditures – To offset the impacts of the observed revenue reductions which resulted from decreases in customers and demands during the recent economic recession, City staff undertook several cost containment/cutting initiatives. As economic conditions revert to better levels, operating expenditures are anticipated to track growth. Table 4 presents a comparison of the projected operating expenditures (excluding purchased water costs) from the FY 2015 RSA and the estimated/projected information utilized in the current RSA. As can be seen, the Utility's estimated operating expenditures for FY 2016 and FY 2017 are slightly higher (2.98% and 1.40%, respectively) than the projections of the FY 2015 RSA.

Table 4. Estimated/Budgeted Expenditures vs. FY 2015 RSA Projections

	<u>FY 2016</u>	<u>FY 2017</u>
Currently Estimated/Budgeted Expenditures*	\$40,386,936	41,635,749
FY 2015 RSA Projected Expenditures*	\$39,218,359	41,063,393
Difference	\$1,168,577	\$572,356

*Expenditures exclude purchased water costs, debt service, PILOT, lease-purchase expenses, and renewal & replacement transfer.

The FY 2016 revenue requirements in this RSA are based principally upon the FY 2016 Approved Budget, which reflect all operations and maintenance (O&M) expenses, other miscellaneous expenses, debt service requirements, and inter-fund transfers (including PILOT and Renewal & Replacement (R&R) Transfers). Future O&M expense adjustments, not included in the FY 2016 Approved Budget, were provided by City staff.

Renewal & Replacement Transfers – The R&R Transfers include annual contributions from the Wastewater Collection, WPC Plant Operations and Water Distribution departments and an Additional R&R Transfer. The FY 2016 transfer amounts were

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provided in the FY 2016 Budget, and beginning in FY 2017, are calculated based upon 5% of prior year's total operating revenue, distributed to each department based upon the ratio of budgeted FY 2016 transfers by department to the total transfer amount.

Based upon discussions with City staff, the RSA includes an Additional R&R Transfer in order to comply with updated rating agency criteria for funding capital projects with cash rather than additional borrowing. The Additional R&R Transfer is assumed to begin in FY 2016 in the amount of \$1,000,000 and is assumed to increase by \$1,000,000 in each year of the projection period such that by FY 2025, the Additional R&R Transfer will be \$10,000,000 and will stay at \$10,000,000 in FY 2026.

O&M Cost Additions – In addition to the base budgeted amounts of O&M expenses, incremental operating costs have been included in the RSA, mainly relating to future additional water supply and treatment expenses associated with planned facility expansions. The complete list of all future additional/incremental O&M costs that were included in the RSA is presented on Schedule 7 of the Appendix.

Cost Escalation – Annual cost escalators for the various types of O&M expenses were provided by City staff and applied in each year of the projection period beginning in FY 2017. A summary of the specific cost escalation factors are presented on Schedule 1 of the Appendix.

Payment in Lieu of Taxes – The annual calculation of the payment in lieu of taxes transfer is based upon FY 2016 Approved budget and upon 5.5% of the prior year's total operating revenues in FY 2017 and each year thereafter of the projection period.

Total Demand and Purchased Water Expenses – The total forecasted demand that is purchased by the City is based upon the billed demand projections described previously and is assumed to be approximately 3.50 million gallons per day (MGD) in FY 2016. This volume takes into account several projects still included in the CIP that seek to reduce the City's reliance on Pinellas County's Water Supply. As such, purchased water demands throughout the projection period are reduced to approximately 1.5 MGD in FY 2019, per City plans to significantly reduce the amount of water purchased from Pinellas County.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

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It is the goal of the City to provide as much of the City's average daily flow demand locally, but maintain reliance upon the County and Regional System for maintenance, peaking demands, and emergency supply. The annual amount of water purchased is multiplied against the projected wholesale water rate of Pinellas County in order to determine the purchased water expense each year that is incorporated into the RSA.

Increases in Pinellas County Water Rates – Per the current plan of adjustments as adopted by the Pinellas County Board of County Commissioners, it is assumed that Pinellas County wholesale water rates charged to the City will increase by 1.75% in FY 2017 and each year thereafter, consistent with Pinellas County's most recent rate study³ available at the time the RSA was being conducted.

Minimum Working Capital – The plan assumes that the Utility will maintain a minimum Working Capital Reserve fund balance in an amount equal to six months of O&M and purchased water expenses from FY 2017 thru FY 2026.

Utilities typically establish a target reserve balance for working capital, or unrestricted, reserves in order to provide the ability to withstand cash-flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer may pay for that service. In addition to timing, the volume of cash flow for utilities can be substantially affected by weather and seasonal demand patterns. Absent a detailed multi-year historical study of monthly cash flows and an analysis of the aging of accounts receivable, there are various industry guidelines and practices available to determine an appropriate target reserve.

However, per a recent analysis conducted by the Rates and Charges Committee of the American Water Works Association (AWWA), a prudent level of minimum unrestricted reserves is an amount equal to at least 2 months of operating and maintenance expenses. This is also consistent with our industry experience, in which water and sewer utilities

³ FY 2015 Utility Rate Study, Final Report dated July 30, 2015.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

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generally target minimum reserves in the range of 2 to 6 months of operating and maintenance expenses.

Capital Projects Funding – The CIP was provided by City staff through FY 2022. Beginning in FY 2023, unspecified future capital projects were projected based upon the average annual CIP spending for the preceding five years. It is important to note that beginning in FY 2018, a 3.0% annual compounding cost escalation factor has been applied to each capital project to account for inflation in the future cost of construction.

In total, the cost of the CIP (including cost inflation) from FY 2016 – FY 2026 equals approximately \$349 million. A detailed list of the specific projects and costs by year are presented on Schedule 4 of the Appendix of this Report.

Borrowing Assumptions – To the extent new debt would be required in any year of the projection period to fund a portion of the CIP, the FAMS model calculates debt service with the following terms:

Table 5. Borrowing Assumptions

Senior-Lien Debt:		
Term		30 Years
Interest Rate		5.50 %
Interim Financing:		
Term		1 Year
Interest Rate		1.50% - 2.50%
Short-Term Debt:		
Term		5 Years
Interest Rate		1.50% - 2.50%

It is assumed that any interim borrowings would be refinanced the following year and included in a senior-lien revenue bond or bank loan.

Senior-Lien Debt Service Payment Schedule – All future revenue bond issues, as calculated by FAMS, are assumed to be issued in the middle of the fiscal year. As a result, only an interest payment is made in the year in which each bond is issued. All subsequent years reflect full annual principal and interest payments.

Interim Financing – The analysis assumes the use of interim financing in FY 2017, FY

2019, FY 2021, FY 2023 and FY 2025; while it assumes senior-lien borrowing, or revenue bonds, are issued in FY 2018 and every even year thereafter. All interim financing issues are assumed at the beginning of the fiscal year and are refinanced in the subsequent year as part of the senior-lien borrowing. Until refinanced as part of the subsequent bond issue, the only carrying costs for the interim financing are interest-only payments.

Short-Term Borrowing – The analysis assumes the use of short-term borrowing to calculate the debt service for lease/payments provided by staff as part of the Capital Improvement Plan.

Debt Service Coverage – There are two debt service coverage tests in the Utility's outstanding bond covenants as follows:

- Rate Covenant – Net income must be at least 1.15 times annual debt service
- Parity Test – Net income must be at least 1.20 times maximum annual debt service (only in years when revenue bonds are issued).

It is important to note that these coverage requirements are minimum requirements. To the extent that a utility is unable to meet these requirements, it could be found in technical default and would potentially have its credit rating downgraded, which would affect the interest rates and terms of future financing initiatives. As a policy decision, utilities often measure revenue sufficiency and set rates based upon a higher coverage level so as to ensure compliance with these covenants in the event future projections of revenue and expenses do not occur as predicted. As such, the RSA reflects a target debt service coverage ratio of 1.50, which is considered *Midrange* for utility systems per recently published guidance from the municipal ratings agency Fitch Ratings (July 2013).

2.2 RESULTS

The steady reduction in billed water demand (despite the minor reversal in this trend in FY 2015) has had a measurable impact on the revenues of the Utility. However, the revenue impacts from demand reductions have largely been offset by 1) the avoidance of purchased

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

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water expenses due to demand reductions and increases of City production capacity, and 2) operating cost containment initiatives undertaken by City staff.

Using our financial forecasting model, we determined that an annual increase of 3.75% to water, wastewater, and reclaimed water rates through FY 2021 would provide adequate revenue to meet the Utility's operating and capital cost, debt service coverage, and reserve requirements during that time period. In fact, the RSA shows that 3.75% annual rate increases through FY 2026 should provide adequate revenue to meet the projected requirements of the Utility during each remaining year of the projection period.

Table 6 Recommended Financial Management Plan

	<u>FY 2017 - 26</u>
Water*	3.75%
Reclaimed Water	3.75%
Wastewater	3.75%

*Rate increases applicable to Potable and Irrigation rates.

2.2.1 Financial Results of Operations and Sources and Uses of Funds

The Appendix presents Schedules 1 through 13 that support the financial management plan identified in this Report. The schedules presented in the Appendix reflect a projection period that extends through FY 2026. While the immediate five-year period is most important, our analysis extends beyond this time period so that any significant cost or revenue shortfalls just outside of the first five year planning period may be identified and potentially addressed in the current RSA to avoid future financial harm and adverse rate impacts to customers.

SECTION 3. RATE SURVEY

As part of the RSA, we prepared two residential rate surveys that compare the current monthly bill for the Utility's typical residential user to that of neighboring communities. The rate surveys were performed in order to provide an understanding of the current market range of typical residential utility costs and how the Utility fits within that range.

3.1 METHODOLOGY

The rate surveys were conducted during the spring of calendar year 2016 and the rates presented in the survey were in effect at the time the survey was created (i.e. FY 2016 rates). The monthly bill calculations reflect typical single-family residential usage of 3,000 gallons per month (50% of the City's residential bills are issued at or below this level and it represents the most commonly billed usage amount) and 4,000 gallons per month (the statistical average usage).

The rates used in the surveys were based upon information available on each utility's website, provided by its billing department, and/or published in rate ordinances as available on Municode.com. The utilities surveyed were: Clearwater, Dunedin, Gulfport, Hillsborough County, New Port Richey, Oldsmar, Pasco County, Pinellas County, Port Richey, Safety Harbor, St. Petersburg, Tampa, Tarpon Springs, and Zephyrhills.

3.2 RESULTS

Assuming 3,000 gallons of water use, the Utility charges a monthly water and sewer bill that is slightly less than the median combined bill of the utilities surveyed. Table 7 demonstrates that the City's FY 2016 monthly water and sewer bill (\$46.20) is \$1.26 less than the median bill (\$47.46).

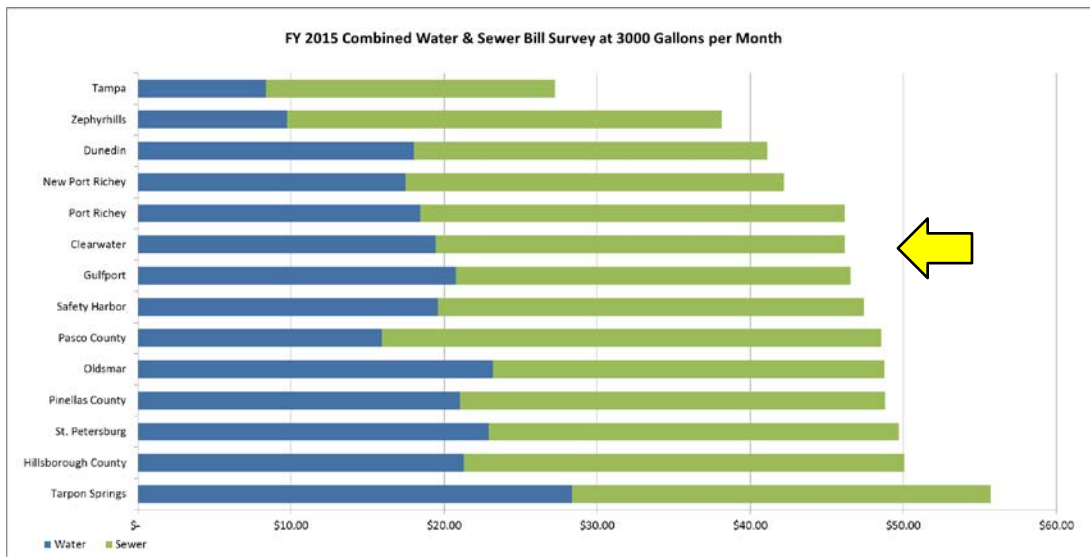
FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

RATE SURVEY

Table 7. Monthly Residential Water & Sewer (Using 3,000 gallons)

<u>Water & Sewer System</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Tarpon Springs	\$28.36	\$27.36	\$55.72
Hillsborough County	\$21.31	\$28.78	\$50.08
St. Petersburg	\$22.95	\$26.76	\$49.71
Pinellas County	\$21.04	\$27.78	\$48.82
Oldsmar	\$23.19	\$25.59	\$48.78
Pasco County	\$15.93	\$32.64	\$48.57
Safety Harbor	\$19.62	\$27.84	\$47.46
Gulfport	\$20.76	\$25.81	\$46.57
Clearwater	\$19.44	\$26.76	\$46.20
Port Richey	\$18.45	\$27.74	\$46.18
New Port Richey	\$17.50	\$24.70	\$42.20
Dunedin	\$18.06	\$23.07	\$41.13
Zephyrhills	\$9.74	\$28.40	\$38.14
Tampa	\$8.37	\$18.90	\$27.27
Median (excluding Clearwater)			\$47.46
Mean (excluding Clearwater)			\$45.43

The information presented in the table above is shown graphically below.



Assuming 4,000 gallons per month of water use, the Utility charges a monthly water and sewer bill that is slightly higher than the median combined bill of the utilities surveyed. Table 8 demonstrates that the City's FY 2016 monthly water and sewer bill (\$62.99) is \$4.91 higher than the median bill (\$58.08).

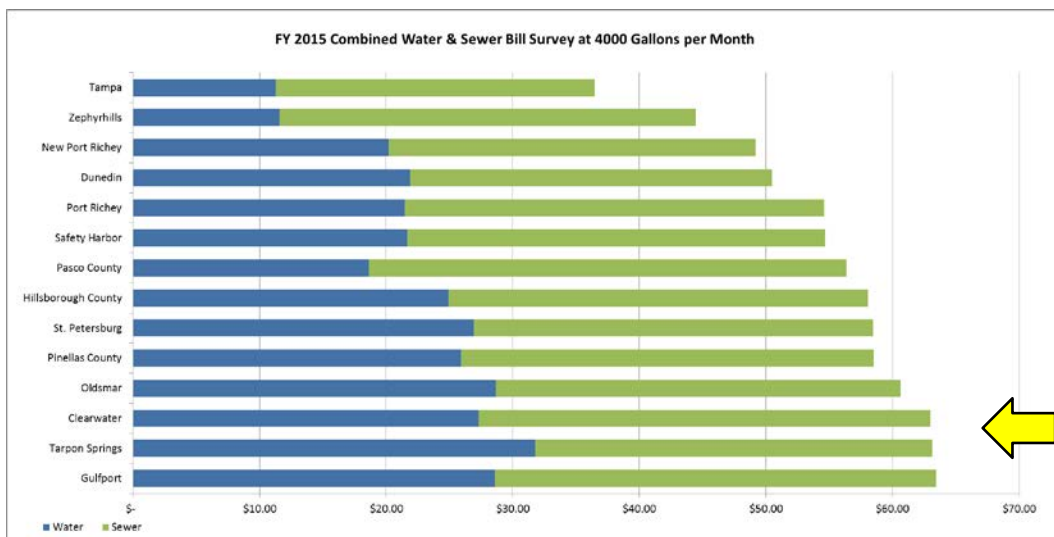
FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

RATE SURVEY

Table 8. Monthly Residential Water & Sewer (Using 4,000 gallons)

<u>Water & Sewer System</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Gulfport	\$28.59	\$34.87	\$63.46
Tarpon Springs	\$31.78	\$31.37	\$63.15
Clearwater	\$27.31	\$35.68	\$62.99
Oldsmar	\$28.66	\$32.01	\$60.67
Pinellas County	\$25.90	\$32.62	\$58.52
St. Petersburg	\$26.93	\$31.53	\$58.46
Hillsborough County	\$24.93	\$33.16	\$58.08
Pasco County	\$18.63	\$37.74	\$56.37
Safety Harbor	\$21.65	\$33.01	\$54.66
Port Richey	\$21.48	\$33.12	\$54.59
Dunedin	\$21.90	\$28.58	\$50.48
New Port Richey	\$20.19	\$29.01	\$49.20
Zephyrhills	\$11.58	\$32.88	\$44.46
Tampa	\$11.28	\$25.20	\$36.48
Median (excluding Clearwater)			\$56.37
Mean (excluding Clearwater)			\$54.51

The information presented in the table above is shown graphically below.



3.2.1 Future Considerations

It is important to note that this survey is a “snapshot in time” for FY 2016. With the multitude of financial and water demand pressures each utility is currently facing, many of the monthly bills shown in this survey are certain to change in FY 2017 and beyond.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

RATE SURVEY

Several cities currently have approved multi-year or automatic annual rate adjustment plans in place for FY 2017 and subsequent years, including Zephyr Hills, Hillsborough County, Tarpon Springs, Pinellas County, Port Richey, Dunedin, and New Port Richey to name a few. Similarly, other utilities are currently conducting or intend to conduct rate studies that will likely result in rate adjustments for FY 2017 and future years as well.

Therefore, while we will continue to perform such surveys as part of future revenue sufficiency analyses to reflect the most current and updated rate information for neighboring communities, we do not expect that the City will vary significantly from the median bill of the utilities surveyed in the future.

SECTION 4. CONCLUSIONS & RECOMMENDATIONS

This section presents our conclusions and recommendations of the RSA.

4.1 CONCLUSIONS

- Based upon the assumptions and supporting data described in Section 2.1, a plan of 3.75% water, wastewater, irrigation and reclaimed water rate increases in FY 2017 through FY 2021 should generate sufficient revenue to fund the Utility's system requirements in those years, including annual operating requirements and CIP expenditures, existing and new debt service, and adequate working capital reserves.
- Moreover, annual rate increases of 3.75% for the remainder of the projection period (i.e. FY 2022 – FY 2026) should generate sufficient revenue to meet the Utility's cost requirements during that time period, while meeting the financial performance goals and objectives of the Utility.

4.2 RECOMMENDATIONS

Based upon the analysis presented herein and the conclusions presented in the prior subsection, we recommend the following:

- The City should approve a 5-year plan of annual 3.75% rate increases through FY 2021. In doing so, the City affirms to rating agencies financial stability and willingness to set rates that will ensure sufficient revenues to cover future costs.
- We strongly recommend that the City continue to review the financial performance of the Utility on an annual basis and evaluate the adequacy of its revenues and current plan of rate increases. Doing so will allow for the recognition of updated revenue and expense information and changes in economic conditions so that any necessary adjustments can be made to planned rate increases in order to allow the Utility to meet its requirements during the projection period and minimize rate impacts to customers from future events occurring differently than currently projected.

Appendix

Supporting Schedules for the Revenue Sufficiency Analysis

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 1 – Assumptions

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
<u>Cost Escalation Factors:</u>											
Inflationary Cost Escalator ⁽¹⁾	N/A	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Internal Service Charges	N/A	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Internal Service Charge Codes	540100	540200	540300	540400	540500	540600	540700	540800	540900	541000	541100
	541200	541400	541500	541600	541700	541800	542000	542700	542800	542900	547900
Salaries & Overtime	N/A	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Health Insurance	N/A	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
EMP Pension Plan (% of Salaries)	N/A	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Additional OPEB Accrual	N/A	0.48%	14.40%	5.33%	16.44%	3.46%	17.94%	3.17%	6.17%	9.44%	8.04%
PILOT (% of Current Year Operating Revenue)	N/A	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Elec-Util Charges	N/A	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Pinellas County Rate Increase	N/A	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Average Annual Cost Escalation	N/A	1.15%	2.86%	0.75%	5.41%	3.59%	2.25%	2.11%	2.04%	1.99%	1.99%
<u>Impact Fees:</u>											
Water	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480	\$ 480
Sewer	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900
<u>Average Annual Interest Earnings Rate:</u>											
Revenue Fund	1.50%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Renewal & Replacement Fund	1.50%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Bond Funds (New Issues)	1.50%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<u>Other Assumptions:</u>											
Price Elasticity	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Working Capital Reserve Target (Months of O&M):	3.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Projected Annual Budget Execution:											
O&M Spending ⁽¹⁾	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Capital Spending	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>Debt Assumptions:</u>											
Debt Service Reserve Fund	1 Years of Debt Service										
Capitalized Interest to Bond Sinking Fund	0 times total Debt Service										
Total Costs of Issuance	2% of Par										
Term of Issuance	30 Years										
Annual Interest Rate	5.5%										
Rate Covenant:	1.5 x Debt Service										
Parity Test:	1.2 x Debt Service										
Debt Service Structure:	Level Debt Service										

(1) Applies to all O&M line-items, unless otherwise presented in this Schedule.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 2 – Growth and Demand Projections

	FY 2015 (Actual)	FY 2016 (Estimated)	FY 2017 (Projected)	FY 2018 (Projected)	FY 2019 (Projected)	FY 2020 (Projected)	FY 2021 (Projected)	FY 2022 (Projected)	FY 2023 (Projected)	FY 2024 (Projected)	FY 2025 (Projected)	FY 2026 (Projected)
1 Annual Water Growth: ⁽¹⁾												
2 Accounts	33,109	33,209	33,259	33,309	33,359	33,409	33,459	33,509	33,559	33,609	33,659	33,709
3 Projected Growth in Accounts		100	50	50	50	50	50	50	50	50	50	50
4 Percentage Growth in Accounts		0.30%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
5 Consumption (Tgal per Yr)	3,362,701	3,371,372	3,374,961	3,378,545	3,382,124	3,385,699	3,389,269	3,392,835	3,396,396	3,399,953	3,403,506	3,407,054
6 Projected Change in Consumption		8,671	3,588	3,584	3,579	3,575	3,570	3,566	3,561	3,557	3,552	3,548
7 Percentage Change in Consumption		0.26%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%	0.10%
8 Annual Irrigation Growth: ⁽¹⁾												
9 Accounts	2,054	2,036	2,014	1,992	1,971	1,949	1,928	1,906	1,884	1,863	1,841	1,820
10 Projected Growth in Accounts		(18)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)
11 Percentage Growth in Accounts		-0.89%	-1.06%	-1.07%	-1.08%	-1.10%	-1.11%	-1.12%	-1.13%	-1.15%	-1.16%	-1.17%
12 Consumption (Tgal per Yr)	194,585	194,809	194,714	194,622	194,534	194,449	194,368	194,290	194,216	194,146	194,080	190,800
13 Projected Change in Consumption		224	(95)	(92)	(88)	(85)	(81)	(78)	(74)	(70)	(66)	(3,280)
14 Percentage Change in Consumption		0.12%	-0.05%	-0.05%	-0.05%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.03%	-1.69%
15 Annual Reclaimed Water Growth: ⁽¹⁾												
16 Flat Rate Accounts	1,675	1,575	1,475	1,375	1,275	1,175	1,075	975	875	775	675	575
17 Projected Growth in Accounts		(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
18 Percentage Growth in Accounts		-5.97%	-6.35%	-6.78%	-7.27%	-7.84%	-8.51%	-9.30%	-10.26%	-11.43%	-12.90%	-14.81%
19 Metered Accounts	5,475	5,625	5,775	5,925	6,075	6,225	6,375	6,525	6,675	6,825	6,975	7,125
20 Projected Growth in Accounts		150	150	150	150	150	150	150	150	150	150	150
21 Percentage Growth in Accounts		2.74%	2.67%	2.60%	2.53%	2.47%	2.41%	2.35%	2.30%	2.25%	2.20%	2.15%
22 Consumption (Tgal per Yr)	1,600,051	1,645,683	1,691,510	1,737,531	1,783,744	1,830,147	1,876,740	1,923,519	1,970,485	2,017,635	2,064,967	2,112,481
23 Projected Change in Consumption		45,632	45,827	46,021	46,213	46,403	46,592	46,780	46,965	47,150	47,333	47,514
24 Percentage Change in Consumption		2.85%	2.78%	2.72%	2.66%	2.60%	2.55%	2.49%	2.44%	2.39%	2.35%	2.30%
25 Annual Sewer Growth: ⁽¹⁾												
26 Accounts	33,585	33,613	33,627	33,640	33,654	33,668	33,682	33,696	33,710	33,724	33,737	33,751
27 Projected Growth in Accounts		28	14	14	14	14	14	14	14	14	14	14
28 Percentage Growth in Accounts		0.08%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
29 Consumption (Tgal per Yr)	3,368,248	3,369,535	3,369,433	3,369,330	3,369,226	3,369,120	3,369,013	3,368,905	3,368,795	3,368,685	3,368,573	3,367,078
30 Projected Change in Consumption		1,288	(102)	(103)	(105)	(106)	(107)	(108)	(109)	(111)	(112)	(1,495)
31 Percentage Change in Consumption		0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.04%
32 Purchased Water Projections:												
33 Total Billed Demand (MGD)	9.75	9.77	9.78	9.79	9.80	9.81	9.82	9.83	9.84	9.85	9.86	9.86
34 Adj. for Lost & Unaccounted for Water ⁽²⁾	11.58	11.43	11.44	11.45	11.46	11.48	11.49	11.50	11.51	11.52	11.53	11.53
35 City-Based Production	6.48	8.50	8.50	8.50	10.55	10.55	10.55	10.55	10.55	10.55	10.55	10.55
36 Pinellas County Purchased Water (MGD)	5.09	3.50	2.94	2.95	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
37 Pinellas County Rate (per Tgal)	\$3.86	\$3.92	\$3.99	\$4.06	\$4.13	\$4.21	\$4.28	\$4.35	\$4.43	\$4.51	\$4.59	\$4.67
38 Current Rate Adjustment Forecast	N/A	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
39 Forecast Purchased Water Expense	N/A \$	5,011,904	4,287,346	4,378,969	2,262,711	2,302,309	2,342,599	2,383,595	2,425,308	2,467,751	2,510,936	2,554,878

(1) Per Service Count & Demand Analysis.

(2) Adj. for Lost & Unaccounted is estimated to be 17% for the projection period based on a 5-year average of prior year actual calculated for adjustments.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 3 – Beginning Balances

Fund Number	421			376	327	243, 246, 247, 263, 270, 279, 280, 286
GROUPING OF FUNDS IN MODEL	Revenue Fund	Water Impact Fees	Sewer Impact Fees	Capital Projects Fund	Renewal & Replacement	Restricted Reserves
CURRENT UNRESTRICTED ASSETS						
Cash and Cash Equivalents	37,929,997	-	1,756,629	-	12,299,492	21,356,501
Interest Receivable	235,006	-	-	-	60,594	45,085
Accounts Receivable, net of allowance for uncollectibles	-	-	-	-	-	-
Billed	3,829,926	-	-	-	-	-
Unbilled Charges Estimated	2,686,600	-	-	-	-	-
Less: Allowances for Uncollectible Accounts	(110,759)	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due From Other Governmental Entities	-	-	-	-	-	-
Due From Developers	-	-	-	-	-	-
Inventories at Cost	784,060	-	-	-	-	-
Prepaid Expenses and Other Assets	4,404	-	-	-	-	-
TOTAL ASSETS	45,359,234	-	1,756,629	-	12,360,086	21,401,586
Less: Accounts and Contract Payable	(4,718,227)	-	-	-	(412,337)	-
Less: Accrued Payroll	(257,437)	-	-	-	-	-
Less: Accrued Interest Payable	(13,865)	-	-	-	-	(2,469,522)
Less: Due to Other Funds	-	-	-	-	-	-
Less: Due to Other Governmental Entities	-	-	-	-	-	-
Less: Due to Other Funds (Deficit and Pooled Cash)	-	-	-	-	-	-
Less: Deposits	(3,191,015)	-	-	-	-	-
Less: Deferred Revenues	-	-	-	-	-	-
Current Portion of Long-Term Liabilities	-	-	-	-	-	-
Less: Compensated Absences	(399,613)	-	-	-	-	-
Less: Revenue Bonds	(1,062,500)	-	-	-	-	(5,312,500)
Less: Capital Lease Purchase Payable	(57,484)	-	-	-	-	-
CALCULATED FUND BALANCE (ASSETS - LIABILITIES)	35,659,093	-	1,756,629	-	11,947,749	13,619,564
Plus/(Less): Inventories at Cost	(784,060)	-	-	-	-	-
Plus/(Less):	-	-	-	-	-	-
Plus/(Less):	-	-	-	-	-	-
NET FUND BALANCE	34,875,033	-	1,756,629	-	11,947,749	13,619,564
FUND BALANCES	As of					
	9/30/2015					
Water Impact Fees	\$ -					
Sewer Impact Fees	\$ 1,756,629					
Capital Projects Fund	\$ -					
Renewal & Replacement	\$ 11,947,749					
Revenue Fund	\$ 34,875,033					
Restricted Reserves	\$ 13,619,564					
Total Consolidated Fund Balance	\$ 62,198,975					

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 4 – Capital Improvement Program

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
1 WATER PROJECTS											
2 Publ Util Admin Bldg R&R	-	231,000	200,000	70,000	-	25,000	-	-	-	-	-
3 Publ Util Admin Bldg R&R	167,396	-	-	-	-	-	-	-	-	-	-
4 System R&R-Maint	-	1,890,000	1,760,000	985,000	2,365,000	1,270,000	560,000	-	-	-	-
5 System R&R-Maint	440,086	-	-	-	-	-	-	-	-	-	-
6 Water Supp-Trtmnt	-	3,565,000	1,750,000	2,250,000	1,500,000	-	175,000	-	-	-	-
7 Water Supp-Trtmnt	320,490	-	-	-	-	-	-	-	-	-	-
8 Syst R&R-Capitlzd	-	2,220,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	-	-	-	-
9 Syst R&R-Capitlzd	342,845	-	-	-	-	-	-	-	-	-	-
10 Line Reloc-Capitlzd	-	1,440,000	485,000	1,275,000	400,000	2,350,000	400,000	-	-	-	-
11 Line Reloc-Capitlzd	1,411,302	-	-	-	-	-	-	-	-	-	-
12 Mtr/Back Flow Prev Dev Change	335,244	50,000	50,000	50,000	50,000	50,000	50,000	-	-	-	-
13 System Expsn	24,000	-	-	-	-	-	-	-	-	-	-
14 System Expsn	89,508	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-	-
15 Water Svc Lines	40,853	-	-	-	-	-	-	-	-	-	-
16 RO Plant Expsn R1	868,799	135,000	750,000	-	-	-	-	-	-	-	-
17 Water Quality Monitoring Devices	-	-	-	-	600,000	-	-	-	-	-	-
18 Rvrs Osmosis @ Resv 2	166,380	-	-	-	-	-	-	-	-	-	-
19 Rebate- Well, Lake Pond, Irig Abatemnt	720	-	20,000	-	20,000	-	-	-	-	-	-
20 Groundwater Replenishment Facility	3,058,837	-	5,104,000	9,236,000	-	-	-	-	-	-	-
21 Automated Meter Reading	-	-	-	-	-	100,000	-	-	-	-	-
22 Arsenic Treatment RO 3	-	2,050,000	-	8,150,000	-	-	-	-	-	-	-
23 Arsenic Treatment RO 3	62,090	-	-	-	-	-	-	-	-	-	-
24 Future Water Expansion Projects	-	-	-	-	-	-	-	250,000	80,000	60,000	40,000
25 Future Water Non-Expansion Projects	-	-	-	-	-	-	-	10,480,000	8,206,200	3,273,000	1,956,000
26 TOTAL WATER PROJECTS	7,328,550	11,681,000	11,619,000	23,516,000	6,435,000	5,295,000	2,685,000	10,730,000	8,286,200	3,333,000	1,996,000
27 SEWER PROJECTS											
28 Public Works Complex	-	325,000	3,100,000	400,000	4,000,000	-	112,240	-	-	-	-
29 Citywide Connect	-	300,000	100,000	100,000	50,000	50,000	-	-	-	-	-
30 WWTP Screw Pump Replacement	-	100,000	750,000	-	-	-	-	-	-	-	-
31 WWTP Screw Pump Replacement	66	-	-	-	-	-	-	-	-	-	-
32 WWTP UV Disinfection Sys	-	700,000	3,000,000	-	-	-	-	-	-	-	-
33 Bio Solids Trtmnt	148,841	940,550	2,250,000	3,073,220	-	-	-	-	-	-	-
34 Odor Control	200,000	300,000	1,150,000	-	-	-	-	-	-	-	-
35 WWTP Generator Replacements	40,491	-	1,055,560	-	-	-	-	-	-	-	-
36 Sanitary Swr Extnsn	876,209	-	-	-	-	-	-	-	-	-	-
37 Sanitary Swr Extnsn	3,166,800	4,299,000	2,369,000	2,611,000	3,128,000	100,000	-	-	-	-	-
38 Sanitary Swr Extnsn	97,566	-	-	-	-	-	-	-	-	-	-
39 Sanitary Swr Extnsn	-	-	-	-	-	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
40 Sanitary Util Reloc	-	1,684,640	395,000	360,000	360,000	360,000	360,000	-	-	-	-
41 Sanitary Util Reloc	1,677,939	-	-	-	-	-	-	-	-	-	-
42 Laboratory Upgrd	-	230,000	150,000	20,000	-	-	-	-	-	-	-
43 Laboratory Upgrd	172,525	-	-	-	-	-	-	-	-	-	-
44 Facilities Upgrd & Impr	1,350,582	9,797,230	4,575,000	2,165,000	3,300,000	500,000	2,975,000	-	-	-	-

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 4 – Capital Improvement Program

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
45 Facilities Upgrd & Impr	415,628	-	-	-	-	-	-	-	-	-	-
46 WPC R&R	1,328,570	8,316,500	4,149,500	3,174,500	2,926,000	1,699,000	1,400,000	-	-	-	-
47 WPC R&R	1,264,153	-	-	-	-	-	-	-	-	-	-
48 Sanitary Swr R&R	3,772,653	13,968,500	9,825,000	6,189,500	4,014,000	3,385,000	3,385,000	-	-	-	-
49 Sanitary Swr R&R	924,260	-	-	-	-	-	-	-	-	-	-
50 Pump Stn Rplcmnt	770,799	1,357,000	1,240,500	2,062,500	1,430,000	2,442,500	4,470,000	-	-	-	-
51 Wet NNC Rule Compliance	-	-	1,407,410	-	-	-	-	-	-	-	-
52 Future Sewer Non-Expansion Projects	-	-	-	-	-	-	-	1,641,600	1,167,800	645,600	20,000
53 Future Sewer Expansion Projects	-	-	-	-	-	-	-	17,582,286	10,952,692	7,443,748	4,227,748
54 TOTAL SEWER PROJECTS	16,207,082	42,318,420	35,516,970	20,155,720	19,208,000	8,536,500	16,702,240	23,223,886	16,120,492	12,089,348	8,247,748
55 RECLAIMED PROJECTS											
56 Recl Wtr Dist Syst-Grants	1,322,286	1,250,000	600,000	1,250,000	250,000	1,250,000	750,000	-	-	-	-
57 TOTAL RECLAIMED PROJECTS	1,322,286	1,250,000	600,000	1,250,000	250,000	1,250,000	750,000	-	-	-	-
58 Total CIP Budget (in FY 2016 dollars)	24,857,918	55,249,420	47,735,970	44,921,720	25,893,000	15,081,500	20,137,240	33,953,886	24,406,692	15,422,348	10,243,748
59 Cumulative Projected Cost Escalation	0.0%	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%	19.4%	23.0%	26.7%	30.5%
60 Total CIP Budget (in Future dollars)	24,857,918	55,249,420	49,168,049	47,657,453	28,293,980	16,974,361	23,344,580	40,542,716	30,017,153	19,536,569	13,365,768
61 Annual CIP Execution Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
62 Projected Annual CIP Spending (in Future dollars)	24,857,918	55,249,420	49,168,049	47,661,945	28,301,049	16,981,769	23,339,061	40,540,940	30,020,231	19,540,115	13,368,091

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 5 – Projection of Cash Inflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
1 Rate Revenue Growth Assumptions:											
2 Growth in Water Accounts	0.30%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
3 Growth in Water Usage	0.26%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%	0.10%
4 Growth in Lawn Irrigation Accounts	-0.89%	-1.06%	-1.07%	-1.08%	-1.10%	-1.11%	-1.12%	-1.13%	-1.15%	-1.16%	-1.17%
5 Growth in Lawn Irrigation Usage	0.12%	-0.05%	-0.05%	-0.05%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.03%	-1.69%
6 Growth in Reclaimed Water Accounts	2.74%	2.67%	2.60%	2.53%	2.47%	2.41%	2.35%	2.30%	2.25%	2.20%	2.15%
7 Growth in Reclaimed Water Usage	2.85%	2.78%	2.72%	2.66%	2.60%	2.55%	2.49%	2.44%	2.39%	2.35%	2.30%
8 Growth in Sewer Accounts	0.08%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
9 Growth in Sewer Usage	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.04%
10 Annual Rate Revenue Adjustments:											
11 Water Rate Increase	N/A	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
12 Lawn Irrigation Rate Increase	N/A	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
13 Reclaimed Water Rate Increase	N/A	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
14 Sewer Rate Increase	N/A	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
15 Water & Sewer Rate Revenue:											
16 Water Rate Revenue											
17 Service Availability Charges	\$ 17,697,856	18,389,172	19,107,448	19,853,735	20,629,123	21,434,747	22,271,783	23,141,453	24,045,030	24,983,832	25,959,230
18 Usage Charges	\$ 12,311,395	12,642,817	12,983,129	13,332,569	13,691,381	14,059,814	14,438,128	14,826,584	15,225,456	15,635,020	16,055,563
19 Lawn Irrigation Rate Revenue											
20 Service Availability Charges	\$ 449,450	466,305	483,791	501,933	520,756	540,284	560,545	581,565	603,374	626,000	649,475
21 Usage Charges	\$ 2,192,557	2,274,778	2,360,082	2,448,585	2,540,407	2,635,672	2,734,510	2,837,054	2,943,444	3,053,823	3,168,341
22 Reclaimed Water Rate Revenue											
23 Service Availability Charges	\$ 1,168,988	1,221,248	1,275,783	1,332,690	1,392,072	1,454,034	1,518,684	1,586,139	1,656,518	1,729,944	1,806,548
24 Usage Charges	\$ 1,826,708	1,926,071	2,029,573	2,137,368	2,249,611	2,366,465	2,488,096	2,614,678	2,746,391	2,883,418	3,025,951
25 Sewer Rate Revenue											
26 Service Availability Charges	\$ 23,966,291	24,875,270	25,818,719	26,797,945	27,814,307	28,869,211	29,964,118	31,100,547	32,280,070	33,504,323	34,775,001
27 Usage Charges	\$ 12,635,816	12,961,783	13,296,154	13,639,146	13,990,980	14,351,886	14,722,095	15,101,849	15,491,392	15,890,978	16,294,178
28 Total Water & Sewer Rate Revenue	\$ 72,249,062	74,757,442	77,354,679	80,043,972	82,828,637	85,712,112	88,697,959	91,789,870	94,991,674	98,307,338	101,734,287
29 Other Operating Revenue:											
30 Water Taps	\$ 80,733	80,733	80,733	80,733	80,733	80,733	80,733	80,733	80,733	80,733	80,733
31 Sewer Taps	\$ 173,325	31,150	31,150	31,150	31,150	31,150	31,150	31,150	31,150	31,150	31,150
32 Water Service Charges	\$ 200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
33 Material & Water Service	\$ 45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
34 Fire Line Detect Installn	\$ 44,865	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
35 Other Water Revenue	\$ 80,490	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
36 Wpc Fee Safety Harbor	\$ 1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
37 Other Sewer Revenue	\$ 13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
38 Grease Ord Revenue	\$ 55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
39 Industrial Pretreatment Rv	\$ 20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
40 Lab Testing Fees	\$ 27,567	-	-	-	-	-	-	-	-	-	-
41 Late Payment Fee	\$ 262,524	271,000	271,000	271,000	271,000	271,000	271,000	271,000	271,000	271,000	271,000
42 Pretreatment Permit Violat	\$ 4,750	-	-	-	-	-	-	-	-	-	-
43 Rents-Commercial Property	\$ 18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
44 Ins Proceeds-Other	\$ 10,604	-	-	-	-	-	-	-	-	-	-
45 Sale Of Scrap	\$ 11,183	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
46 Cap Labor-Water	\$ 81,963	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
47 Workers Comp Reimburse	\$ 5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
48 Storm Water Utility Fund	\$ 4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
49 Total Other Operating Revenue	\$ 2,238,304	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 5 – Projection of Cash Inflows

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
50 Other Non-Operating Revenue:											
51 Interest Earned on Unrestricted Funds	\$ 526,747	494,925	465,788	592,655	610,972	638,325	656,882	671,187	685,095	698,879	712,779
52 Interest Earned on Restricted Funds	\$ 204,293	238,342	323,500	468,260	518,354	568,448	582,708	596,969	635,946	674,923	688,314
53 Less: Interim Financing Payments	\$ -	(249,274)	-	(452,753)	-	(62,077)	-	(322,636)	-	(105,252)	-
54 Total Non-Operating Revenue	\$ 731,040	483,994	789,288	608,162	1,129,326	1,144,696	1,239,590	945,520	1,321,041	1,268,549	1,401,093
55 Impact Fee Revenue:											
56 Water Impact Fees	\$ 48,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
57 Sewer Impact Fees	\$ 24,922	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461
58 Total Impact Fee Revenue	\$ 72,922	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461
59 Total Revenue	\$ 75,291,329	77,411,080	80,313,611	82,821,778	86,127,607	89,026,452	92,107,193	94,905,034	98,482,359	101,745,531	105,305,024

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 6 – Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
1 1345 Admin Department											
2 Personal Services											
3 Full Time Salaries & Wages	\$ 477,250	486,795	496,531	506,462	516,591	526,923	537,461	548,210	559,174	570,358	581,765
4 Overtime	\$ 5,320	5,426	5,535	5,646	5,759	5,874	5,991	6,111	6,233	6,358	6,485
5 Life Ins \$2500 Empl & Pens	\$ 70	71	73	74	76	77	79	80	82	84	85
6 1% Life Insurance-Employee	\$ 450	459	468	478	487	497	507	517	527	538	549
7 Samp Life Insurance	\$ 1,790	1,826	1,862	1,900	1,938	1,976	2,016	2,056	2,097	2,139	2,182
8 Major Medical Ins-Emp	\$ 61,040	62,261	63,506	64,776	66,072	67,393	68,741	70,116	71,518	72,948	74,407
9 Social Security-Employee	\$ 19,090	19,472	19,861	20,258	20,664	21,077	21,498	21,928	22,367	22,814	23,271
10 Emp Pension Plan	\$ 45,310	87,623	89,376	91,163	92,986	94,846	96,743	98,678	100,651	102,664	104,718
11 Workers Compensation	\$ 5,460	5,569	5,681	5,794	5,910	6,028	6,149	6,272	6,397	6,525	6,656
12 Disability Insurance	\$ 950	969	988	1,008	1,028	1,049	1,070	1,091	1,113	1,135	1,158
13 Total Personal Services	\$ 616,730	670,472	683,881	697,559	711,510	725,740	740,255	755,060	770,161	785,564	801,276
14 O&M Expenses											
15 Professional Services	\$ 86,000	87,720	89,474	91,264	93,089	94,951	96,850	98,787	100,763	102,778	104,834
16 Other Contractual Serv	\$ 410	418	427	435	444	453	462	471	480	490	500
17 Postage	\$ 70	71	73	74	76	77	79	80	82	84	85
18 Interfd Other Serv Chgs	\$ 62,050	63,291	64,557	65,848	67,165	68,508	69,878	71,276	72,701	74,155	75,639
19 Interfd Admin Service Chg	\$ 95,530	97,441	99,389	101,377	103,405	105,473	107,582	109,734	111,929	114,167	116,451
20 Advertising	\$ 400	408	416	424	433	442	450	459	469	478	488
21 Other Promotion Activity	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
22 Printing & Binding	\$ 200	204	208	212	216	221	225	230	234	239	244
23 Equipmt Rental	\$ 600	612	624	637	649	662	676	689	703	717	731
24 Other Equip Svc & Repair	\$ 6,870	7,007	7,148	7,290	7,436	7,585	7,737	7,891	8,049	8,210	8,374
25 Insurance	\$ 50	51	52	53	54	55	56	57	59	60	61
26 Ofc Equip Svc & Repair	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
27 R & R Structural Facil	\$ 1,120	1,142	1,165	1,189	1,212	1,237	1,261	1,287	1,312	1,339	1,365
28 Uniforms-Employee	\$ 7,400	7,548	7,699	7,853	8,010	8,170	8,334	8,500	8,670	8,844	9,021
29 Travel Expense-Emp	\$ 700	714	728	743	758	773	788	804	820	837	853
30 Mileage Reimbursement	\$ 200	204	208	212	216	221	225	230	234	239	244
31 Meals-Employee	\$ 150	153	156	159	162	166	169	172	176	179	183
32 Office Supplies	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
33 Operating Supplies & Matls	\$ 20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380
34 Medical Supplies	\$ 100	102	104	106	108	110	113	115	117	120	122
35 Memberships/Subs/Lic Emp	\$ 34,800	35,496	36,206	36,930	37,669	38,422	39,190	39,974	40,774	41,589	42,421
36 Officl Recognition-Emp	\$ 70	71	73	74	76	77	79	80	82	84	85
37 Training & Ref Employee	\$ 7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533
38 Telephone Service Variable	\$ 1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463
39 Radio Svc-Fixed	\$ 670	683	697	711	725	740	755	770	785	801	817
40 Telephone Svc Fixed	\$ 660	673	687	700	714	729	743	758	773	789	805
41 Postal Service	\$ 400	408	416	424	433	442	450	459	469	478	488
42 Risk Mgmt Service	\$ 1,840	1,877	1,914	1,953	1,992	2,032	2,072	2,114	2,156	2,199	2,243
43 Info Technology Charge	\$ 36,500	37,230	37,975	38,734	39,509	40,299	41,105	41,927	42,766	43,621	44,493
44 Employee Benefits-Fixed	\$ 1,480	1,510	1,540	1,571	1,602	1,634	1,667	1,700	1,734	1,769	1,804
45 Total O&M Expenses	\$ 371,470	378,899	386,477	394,207	402,091	410,133	418,336	426,702	435,236	443,941	452,820
46 TOTAL 1345 ADMIN DEPARTMENT	\$ 988,200	1,049,371	1,070,358	1,091,765	1,113,601	1,135,873	1,158,590	1,181,762	1,205,397	1,229,505	1,254,095

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

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Schedule 6 –Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
47 1346 WW Collection											
48 Personal Services											
49 Full Time Salaries & Wages	\$ 1,000,860	1,020,877	1,041,295	1,062,121	1,083,363	1,105,030	1,127,131	1,149,674	1,172,667	1,196,120	1,220,043
50 Overtime	\$ 40,420	41,228	42,053	42,894	43,752	44,627	45,519	46,430	47,358	48,306	49,272
51 Major Medical Ins-Emp	\$ 239,700	244,494	249,384	254,372	259,459	264,648	269,941	275,340	280,847	286,464	292,193
52 Social Security-Employee	\$ 14,380	14,668	14,961	15,260	15,565	15,877	16,194	16,518	16,848	17,185	17,529
53 Emp Pension Plan	\$ 174,820	183,758	187,433	191,182	195,005	198,905	202,884	206,941	211,080	215,302	219,608
54 Workers Compensation	\$ 38,770	39,545	40,336	41,143	41,966	42,805	43,661	44,535	45,425	46,334	47,260
55 CWA Life Insurance	\$ 4,570	4,661	4,755	4,850	4,947	5,046	5,147	5,249	5,354	5,462	5,571
56 Total Personal Services	\$ 1,513,520	1,549,232	1,580,217	1,611,821	1,644,057	1,676,938	1,710,477	1,744,687	1,779,580	1,815,172	1,851,476
57 O&M Expenses											
58 Professional Services	\$ 40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760
59 Other Contractual Serv	\$ 14,500	14,790	15,086	15,388	15,695	16,009	16,329	16,656	16,989	17,329	17,675
60 Telephone-Util Chgs	\$ 6,500	6,630	6,763	6,898	7,036	7,177	7,320	7,466	7,616	7,768	7,923
61 Gas,Water & Sanitation Utl	\$ 10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190
62 Postage	\$ 200	204	208	212	216	221	225	230	234	239	244
63 Interfd Svc Chg-Other Fund	\$ 27,980	28,540	29,110	29,693	30,286	30,892	31,510	32,140	32,783	33,439	34,107
64 Interfd Other Serv Chgs	\$ 279,180	284,764	290,459	296,268	302,193	308,237	314,402	320,690	327,104	333,646	340,319
65 Interfd Admin Service Chg	\$ 327,530	334,081	340,762	347,577	354,529	361,620	368,852	376,229	383,754	391,429	399,257
66 Advertising	\$ 100	102	104	106	108	110	113	115	117	120	122
67 Other Promotion Activity	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
68 Printing & Binding	\$ 1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463
69 Dump Fee	\$ 1,600	1,632	1,665	1,698	1,732	1,767	1,802	1,838	1,875	1,912	1,950
70 Equipt Rental	\$ 4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595	4,687	4,780	4,876
71 Insurance	\$ 271,670	277,103	282,645	288,298	294,064	299,946	305,945	312,063	318,305	324,671	331,164
72 Other Equip Svc & Repair	\$ 10,500	10,710	10,924	11,143	11,366	11,593	11,825	12,061	12,302	12,548	12,799
73 Uniforms-Employee	\$ 8,160	8,323	8,490	8,659	8,833	9,009	9,189	9,373	9,561	9,752	9,947
74 Travel Expense-Emp	\$ 3,500	3,570	3,641	3,714	3,789	3,864	3,942	4,020	4,101	4,183	4,266
75 Mileage Reimbursement	\$ 250	255	260	265	271	276	282	287	293	299	305
76 Meals-Employee	\$ 150	153	156	159	162	166	169	172	176	179	183
77 Other Services Or Charges	\$ 400	408	416	424	433	442	450	459	469	478	488
78 Office Supplies	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
79 Operating Supplies & Matls	\$ 125,000	127,500	130,050	132,651	135,304	138,010	140,770	143,586	146,457	149,387	152,374
80 Medical Supplies	\$ 150	153	156	159	162	166	169	172	176	179	183
81 \$750-5000 Mach & Equip	\$ 5,200	5,304	5,410	5,518	5,629	5,741	5,856	5,973	6,093	6,214	6,339
82 Memberships/Subs/Lic Emp	\$ 1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	1,828	1,865
83 Officl Recognition-Emp	\$ 240	245	250	255	260	265	270	276	281	287	293
84 Training & Ref Employee	\$ 16,930	17,269	17,614	17,966	18,326	18,692	19,066	19,447	19,836	20,233	20,638
85 Garage Services	\$ 573,060	584,521	596,212	608,136	620,299	632,705	645,359	658,266	671,431	684,860	698,557
86 Telephone Service Variable	\$ 2,900	2,958	3,017	3,078	3,139	3,202	3,266	3,331	3,398	3,466	3,535
87 Radio Svc-Fixed	\$ 11,820	12,056	12,298	12,543	12,794	13,050	13,311	13,577	13,849	14,126	14,409
88 Telephone Svc Fixed	\$ 2,220	2,264	2,310	2,356	2,403	2,451	2,500	2,550	2,601	2,653	2,706
89 Postal Service	\$ 50	51	52	53	54	55	56	57	59	60	61
90 Risk Mgmt Service	\$ 6,320	6,446	6,575	6,707	6,841	6,978	7,117	7,260	7,405	7,553	7,704
91 Info Technology Charge	\$ 84,960	86,659	88,392	90,160	91,963	93,803	95,679	97,592	99,544	101,535	103,566
92 Garage Variable	\$ 8,500	8,670	8,843	9,020	9,201	9,385	9,572	9,764	9,959	10,158	10,361
93 Administrative Charge	\$ 575,430	586,939	598,677	610,651	622,864	635,321	648,028	660,988	674,208	687,692	701,446
94 Employee Benefits-Fixed	\$ 5,070	5,171	5,275	5,380	5,488	5,598	5,710	5,824	5,940	6,059	6,180
95 Total O&M Expenses	\$ 2,429,800	2,478,396	2,527,964	2,578,523	2,630,094	2,682,696	2,736,349	2,791,076	2,846,898	2,903,836	2,961,913
96 Capital Outlay											
97 >\$5,000 Machinery & Equip	\$ 17,800	18,156	18,519	18,890	19,267	19,653	20,046	20,447	20,856	21,273	21,698
98 Total Capital Outlay	\$ 17,800	18,156	18,519	18,890	19,267	19,653	20,046	20,447	20,856	21,273	21,698
99 TOTAL 1346 WW COLLECTION	\$ 3,961,120	4,045,784	4,126,700	4,209,234	4,293,418	4,379,287	4,466,872	4,556,210	4,647,334	4,740,281	4,835,086

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Schedule 6 – Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
100 1347 WW Main											
101 Personal Services											
102 Full Time Salaries & Wages	\$ 1,266,080	1,291,402	1,317,230	1,343,574	1,370,446	1,397,855	1,425,812	1,454,328	1,483,415	1,513,083	1,543,344
103 Overtime	\$ 84,890	86,588	88,320	90,086	91,888	93,725	95,600	97,512	99,462	101,451	103,480
104 Life Ins \$2500 Empl & Pens	\$ 10	10	10	11	11	11	11	11	12	12	12
105 Samp Life Insurance	\$ 250	255	260	265	271	276	282	287	293	299	305
106 Major Medical Ins-Emp	\$ 288,650	294,423	300,311	306,318	312,444	318,693	325,067	331,568	338,199	344,963	351,863
107 Social Security-Employee	\$ 21,160	21,583	22,015	22,455	22,904	23,362	23,830	24,306	24,792	25,288	25,794
108 Emp Pension Plan	\$ 221,380	232,452	237,101	241,843	246,680	251,614	256,646	261,779	267,015	272,355	277,802
109 CWA Life Insurance	\$ 5,290	5,396	5,504	5,614	5,726	5,841	5,957	6,077	6,198	6,322	6,448
110 Total Personal Services	\$ 1,887,710	1,932,109	1,970,751	2,010,166	2,050,369	2,091,377	2,133,204	2,175,868	2,219,386	2,263,774	2,309,049
111 O&M Expenses											
112 Professional Services	\$ 193,000	196,860	200,797	204,813	208,909	213,088	217,349	221,696	226,130	230,653	235,266
113 Other Contractual Serv	\$ 12,300	12,546	12,797	13,053	13,314	13,580	13,852	14,129	14,411	14,700	14,994
114 Elec-Util Charges	\$ 250,000	255,000	260,100	265,302	270,608	276,020	281,541	287,171	292,915	298,773	304,749
115 Gas,Water & Sanitation Util	\$ 12,700	12,954	13,213	13,477	13,747	14,022	14,302	14,588	14,880	15,178	15,481
116 Postage	\$ 600	612	624	637	649	662	676	689	703	717	731
117 Interfd Svc Chg-Other Fund	\$ 2,240	2,285	2,330	2,377	2,425	2,473	2,523	2,573	2,625	2,677	2,731
118 Interfd Other Serv Chgs	\$ 257,110	262,252	267,497	272,847	278,304	283,870	289,548	295,339	301,245	307,270	313,416
119 Interfd Admin Service Chg	\$ 395,760	403,675	411,749	419,984	428,383	436,951	445,690	454,604	463,696	472,970	482,429
120 Advertising	\$ 100	102	104	106	108	110	113	115	117	120	122
121 Printing & Binding	\$ 100	102	104	106	108	110	113	115	117	120	122
122 Taxes	\$ 30	31	31	32	32	33	34	34	35	36	37
123 Equipt Rental	\$ 5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	6,095
124 Uniform Rental	\$ -	-	-	-	-	-	-	-	-	-	-
125 Insurance	\$ 47,560	48,511	49,481	50,471	51,480	52,510	53,560	54,631	55,724	56,839	57,975
126 Other Equip Svc & Repair	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
127 Uniforms-Employee	\$ 9,860	10,057	10,258	10,464	10,673	10,886	11,104	11,326	11,553	11,784	12,019
128 Travel Expense-Emp	\$ 5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	6,095
129 Mileage Reimbursement	\$ 400	408	416	424	433	442	450	459	469	478	488
130 Meals-Employee	\$ 400	408	416	424	433	442	450	459	469	478	488
131 Other Services Or Charges	\$ 600	612	624	637	649	662	676	689	703	717	731
132 Office Supplies	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
133 Operating Supplies & Matls	\$ 170,000	173,400	176,868	180,405	184,013	187,694	191,448	195,277	199,182	203,166	207,229
134 Lab Chem Supplies	\$ 18,000	18,360	18,727	19,102	19,484	19,873	20,271	20,676	21,090	21,512	21,942
135 Medical Supplies	\$ 100	102	104	106	108	110	113	115	117	120	122
136 \$750-5000 Mach & Equip	\$ 9,100	9,282	9,468	9,657	9,850	10,047	10,248	10,453	10,662	10,875	11,093
137 Memberships/Subs/Lic Emp	\$ 2,100	2,142	2,185	2,229	2,273	2,319	2,365	2,412	2,460	2,510	2,560
138 Officl Recognition-Emp	\$ 290	296	302	308	314	320	327	333	340	347	354
139 Training & Ref Employee	\$ 25,160	25,663	26,176	26,700	27,234	27,779	28,334	28,901	29,479	30,069	30,670
140 Garage Services	\$ 197,490	201,440	205,469	209,578	213,770	218,045	222,406	226,854	231,391	236,019	240,739
141 Telephone Service Variable	\$ 4,950	5,049	5,150	5,253	5,358	5,465	5,575	5,686	5,800	5,916	6,034
142 Radio Svc-Fixed	\$ 17,060	17,401	17,749	18,104	18,466	18,836	19,212	19,597	19,989	20,388	20,796
143 Risk Mgmt Service	\$ 7,110	7,252	7,397	7,545	7,696	7,850	8,007	8,167	8,330	8,497	8,667
144 Info Technology Charge	\$ 89,750	91,545	93,376	95,243	97,148	99,091	101,073	103,095	105,156	107,260	109,405
145 Bldg & Maint Dept Svc Fx	\$ 6,770	6,905	7,044	7,184	7,328	7,475	7,624	7,777	7,932	8,091	8,253
146 Garage Variable	\$ 32,500	33,150	33,813	34,489	35,179	35,883	36,600	37,332	38,079	38,841	39,617
147 Bldg & Maint-Variable	\$ 500	510	520	531	541	552	563	574	586	598	609
148 Employee Benefits-Fixed	\$ 5,710	5,824	5,941	6,059	6,181	6,304	6,430	6,559	6,690	6,824	6,960
149 Total O&M Expenses	\$ 1,783,350	1,819,017	1,855,397	1,892,505	1,930,355	1,968,963	2,008,342	2,048,509	2,089,479	2,131,268	2,173,894
150 Capital Outlay											
151 >\$5,000 Machinery & Equip	\$ 13,500	13,770	14,045	14,326	14,613	14,905	15,203	15,507	15,817	16,134	16,456
152 Total Capital Outlay	\$ 13,500	13,770	14,045	14,326	14,613	14,905	15,203	15,507	15,817	16,134	16,456
153 TOTAL 1347 WW MAIN	\$ 3,684,560	3,764,896	3,840,194	3,916,998	3,995,338	4,075,244	4,156,749	4,239,884	4,324,682	4,411,176	4,499,399

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 6 –Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
154 1351 WPC Plant Ops											
155 Personal Services											
156 Full Time Salaries & Wages	\$ 2,021,040	2,061,461	2,102,690	2,144,744	2,187,639	2,231,391	2,276,019	2,321,540	2,367,970	2,415,330	2,463,636
157 Overtime	\$ 277,690	283,244	288,909	294,687	300,581	306,592	312,724	318,979	325,358	331,865	338,503
158 Life Ins \$2500 Empl & Pens	\$ 20	20	21	21	22	22	23	23	23	24	24
159 Samp Life Insurance	\$ 580	592	603	616	628	640	653	666	680	693	707
160 Major Medical Ins-Emp	\$ 384,460	392,149	399,992	407,992	416,152	424,475	432,964	441,624	450,456	459,465	468,655
161 Social Security-Employee	\$ 38,220	38,984	39,764	40,559	41,371	42,198	43,042	43,903	44,781	45,676	46,590
162 Emp Pension Plan	\$ 353,960	371,063	378,484	386,054	393,775	401,650	409,683	417,877	426,235	434,759	443,455
163 Workers Compensation	\$ 25,580	26,092	26,613	27,146	27,689	28,242	28,807	29,383	29,971	30,570	31,182
164 Disability Insurance	\$ 420	428	437	446	455	464	473	482	492	502	512
165 CWA Life Insurance	\$ 7,920	8,078	8,240	8,405	8,573	8,744	8,919	9,098	9,280	9,465	9,654
166 Total Personal Services	\$ 3,109,890	3,182,112	3,245,754	3,310,669	3,376,882	3,444,420	3,513,308	3,583,574	3,655,246	3,728,351	3,802,918
167 O&M Expenses											
168 Professional Services	\$ 507,000	517,140	527,483	538,032	548,793	559,769	570,964	582,384	594,031	605,912	618,030
169 Other Contractual Serv	\$ 978,900	998,478	1,018,448	1,038,817	1,059,593	1,080,785	1,102,400	1,124,448	1,146,937	1,169,876	1,193,274
170 Elec-Util Charges	\$ 2,650,000	2,703,000	2,757,060	2,812,201	2,868,445	2,925,814	2,984,330	3,044,017	3,104,897	3,166,995	3,230,335
171 Gas,Water & Sanitation Util	\$ 250,000	255,000	260,100	265,302	270,608	276,020	281,541	287,171	292,915	298,773	304,749
172 Postage	\$ 16,000	16,320	16,646	16,979	17,319	17,665	18,019	18,379	18,747	19,121	19,504
173 Interfd Other Serv Chgs	\$ 372,350	379,797	387,393	395,141	403,044	411,104	419,327	427,713	436,267	444,993	453,893
174 Interfd Admin Service Chg	\$ 573,180	584,644	596,336	608,263	620,428	632,837	645,494	658,404	671,572	685,003	698,703
175 Advertising	\$ 1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	1,828
176 Other Promotion Activity	\$ 500	510	520	531	541	552	563	574	586	598	609
177 Freight	\$ 400	408	416	424	433	442	450	459	469	478	488
178 Printing & Binding	\$ 300	306	312	318	325	331	338	345	351	359	366
179 Dump Fee	\$ 500	510	520	531	541	552	563	574	586	598	609
180 Taxes	\$ 45,000	45,900	46,818	47,754	48,709	49,684	50,677	51,691	52,725	53,779	54,855
181 Equipmt Rental	\$ 40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760
182 Insurance	\$ 241,420	246,248	251,173	256,197	261,321	266,547	271,878	277,316	282,862	288,519	294,290
183 Ofc Equip Svc & Repair	\$ 250	255	260	265	271	276	282	287	293	299	305
184 Other Equip Svc & Repair	\$ 25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291	29,877	30,475
185 Bldg Repair Maint Svcs	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
186 Uniforms-Employee	\$ 14,280	14,566	14,857	15,154	15,457	15,766	16,082	16,403	16,731	17,066	17,407
187 Travel Expense-Emp	\$ 10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	12,190
188 Mileage Reimbursement	\$ 2,600	2,652	2,705	2,759	2,814	2,871	2,928	2,987	3,046	3,107	3,169
189 Meals-Employee	\$ 6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314
190 Other Services Or Charges	\$ 1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	1,828
191 Office Supplies	\$ 9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338	10,545	10,756	10,971
192 Operating Supplies & Matls	\$ 200,000	204,000	208,080	212,242	216,486	220,816	225,232	229,737	234,332	239,019	243,799
193 Lab Chem Supplies	\$ 2,250,000	2,295,000	2,340,900	2,387,718	2,435,472	2,484,182	2,533,865	2,584,543	2,636,234	2,688,958	2,742,737
194 Medical Supplies	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
195 \$750-5000 Mach & Equip	\$ 20,900	21,318	21,744	22,179	22,623	23,075	23,537	24,008	24,488	24,977	25,477
196 Memberships/Subs/Lic Emp	\$ 9,940	10,139	10,342	10,548	10,759	10,975	11,194	11,418	11,646	11,879	12,117
197 Officl Recognition-Emp	\$ 400	408	416	424	433	442	450	459	469	478	488
198 Training & Ref Employee	\$ 13,700	13,974	14,253	14,539	14,829	15,126	15,428	15,737	16,052	16,373	16,700
199 Garage Services	\$ 170,450	173,859	177,336	180,883	184,501	188,191	191,954	195,793	199,709	203,704	207,778
200 Telephone Service Variable	\$ 28,490	29,060	29,641	30,234	30,838	31,455	32,084	32,726	33,381	34,048	34,729
201 Messenger Service	\$ 780	796	812	828	844	861	878	896	914	932	951
202 Radio Svc-Fixed	\$ 11,150	11,373	11,600	11,832	12,069	12,311	12,557	12,808	13,064	13,325	13,592
203 Telephone Svc Fixed	\$ 4,300	4,386	4,474	4,563	4,654	4,748	4,842	4,939	5,038	5,139	5,242
204 Postal Service	\$ 600	612	624	637	649	662	676	689	703	717	731
205 Risk Mgmt Service	\$ 10,530	10,741	10,955	11,175	11,398	11,626	11,858	12,096	12,338	12,584	12,836
206 Info Technology Charge	\$ 133,750	136,425	139,154	141,937	144,775	147,671	150,624	153,637	156,709	159,844	163,041
207 Bldg & Maint Dept Svc Fx	\$ 306,620	312,752	319,007	325,388	331,895	338,533	345,304	352,210	359,254	366,439	373,768
208 Custodial Service	\$ 22,030	22,471	22,920	23,378	23,846	24,323	24,809	25,306	25,812	26,328	26,854
209 Garage Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
210 Bldg & Maint-Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
211 Employee Benefits-Fixed	\$ 8,460	8,629	8,802	8,978	9,157	9,341	9,527	9,718	9,912	10,110	10,313
212 Total O&M Expenses	\$ 8,943,780	9,122,656	9,305,109	9,491,211	9,681,035	9,874,656	10,072,149	10,273,592	10,479,064	10,688,645	10,902,418
213 TOTAL 1351 WPC PLANT OPS	\$ 12,053,670	12,304,767	12,550,862	12,801,880	13,057,917	13,319,076	13,585,457	13,857,166	14,134,310	14,416,996	14,705,336

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Schedule 6 –Projection of Cash Outflows

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
214	1352 WPC Lab											
215	Personal Services											
216	Full Time Salaries & Wages	\$ 421,440	429,869	438,466	447,235	456,180	465,304	474,610	484,102	493,784	503,660	513,733
217	Life Ins \$2500 Empl & Pens	\$ 90	92	94	96	97	99	101	103	105	108	110
218	Samp Life Insurance	\$ 1,610	1,642	1,675	1,709	1,743	1,778	1,813	1,849	1,886	1,924	1,963
219	Major Medical Ins-Emp	\$ 88,420	90,188	91,992	93,832	95,709	97,623	99,575	101,567	103,598	105,670	107,783
220	Social Security-Employee	\$ 10,300	10,506	10,716	10,930	11,149	11,372	11,599	11,831	12,068	12,309	12,556
221	Emp Pension Plan	\$ 58,700	77,376	78,924	80,502	82,112	83,755	85,430	87,138	88,881	90,659	92,472
222	Workers Compensation	\$ 4,050	4,131	4,214	4,298	4,384	4,472	4,561	4,652	4,745	4,840	4,937
223	Disability Insurance	\$ 360	367	375	382	390	397	405	414	422	430	439
224	Total Personal Services	\$ 584,970	614,172	626,455	638,984	651,764	664,799	678,095	691,657	705,490	719,600	733,992
225	O&M Expenses											
226	Professional Services	\$ 30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570
227	Other Contractual Serv	\$ 183,500	187,170	190,913	194,732	198,626	202,599	206,651	210,784	214,999	219,299	223,685
228	Gas,Water & Sanitation Utl	\$ 42,000	42,840	43,697	44,571	45,462	46,371	47,299	48,245	49,210	50,194	51,198
229	Postage	\$ 100	102	104	106	108	110	113	115	117	120	122
230	Interfd Other Serv Chgs	\$ 79,790	81,386	83,014	84,674	86,367	88,095	89,856	91,654	93,487	95,356	97,264
231	Interfd Admin Service Chg	\$ 122,820	125,276	127,782	130,338	132,944	135,603	138,315	141,082	143,903	146,781	149,717
232	Printing & Binding	\$ 100	102	104	106	108	110	113	115	117	120	122
233	Taxes	\$ 4,700	4,794	4,890	4,988	5,087	5,189	5,293	5,399	5,507	5,617	5,729
234	Equipmt Rental	\$ 4,620	4,712	4,807	4,903	5,001	5,101	5,203	5,307	5,413	5,521	5,632
235	Insurance	\$ 1,880	1,918	1,956	1,995	2,035	2,076	2,117	2,160	2,203	2,247	2,292
236	Other Equip Svc & Repair	\$ 6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314
237	Uniforms-Employee	\$ 3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657	3,730
238	Travel Expense-Emp	\$ 7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533
239	Mileage Reimbursement	\$ 700	714	728	743	758	773	788	804	820	837	853
240	Meals-Employee	\$ 300	306	312	318	325	331	338	345	351	359	366
241	Other Services Or Charges	\$ 200	204	208	212	216	221	225	230	234	239	244
242	Office Supplies	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
243	Operating Supplies & Matls	\$ 6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	7,314
244	Lab Chem Supplies	\$ 125,000	127,500	130,050	132,651	135,304	138,010	140,770	143,586	146,457	149,387	152,374
245	Memberships/Subs/Lic Emp	\$ 400	408	416	424	433	442	450	459	469	478	488
246	Officl Recognition-Emp	\$ 90	92	94	96	97	99	101	103	105	108	110
247	Training & Ref Employee	\$ 17,700	18,054	18,415	18,783	19,159	19,542	19,933	20,332	20,738	21,153	21,576
248	Garage Services	\$ 6,490	6,620	6,752	6,887	7,025	7,165	7,309	7,455	7,604	7,756	7,911
249	Telephone Service Variable	\$ 650	663	676	690	704	718	732	747	762	777	792
250	Risk Mgmt Service	\$ 2,110	2,152	2,195	2,239	2,284	2,330	2,376	2,424	2,472	2,522	2,572
251	Info Technology Charge	\$ 44,290	45,176	46,079	47,001	47,941	48,900	49,878	50,875	51,893	52,931	53,989
252	Bldg & Maint Dept Svc Fx	\$ 41,720	42,554	43,405	44,274	45,159	46,062	46,983	47,923	48,882	49,859	50,856
253	Custodial Service	\$ 8,430	8,599	8,771	8,946	9,125	9,307	9,494	9,683	9,877	10,075	10,276
254	Garage Variable	\$ 500	510	520	531	541	552	563	574	586	598	609
255	Bldg & Maint-Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
256	Employee Benefits-Fixed	\$ 1,690	1,724	1,758	1,793	1,829	1,866	1,903	1,941	1,980	2,020	2,060
257	Total O&M Expenses	\$ 744,840	759,737	774,932	790,430	806,239	822,364	838,811	855,587	872,699	890,153	907,956
258	TOTAL 1352 WPC LAB	\$ 1,329,810	1,373,909	1,401,387	1,429,414	1,458,003	1,487,163	1,516,906	1,547,244	1,578,189	1,609,753	1,641,948

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Schedule 6 –Projection of Cash Outflows

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
259	1353 Indust Pretreat											
260	Personal Services											
261	Full Time Salaries & Wages	\$ 270,410	275,818	281,335	286,961	292,700	298,554	304,526	310,616	316,828	323,165	329,628
262	Overtime	\$ 15,490	15,800	16,116	16,438	16,767	17,102	17,444	17,793	18,149	18,512	18,882
263	Life Ins \$2500 Empl & Pens	\$ 10	10	10	11	11	11	11	11	12	12	12
264	1% Life Insurance-Employee	\$ 720	734	749	764	779	795	811	827	844	860	878
265	Samp Life Insurance	\$ 280	286	291	297	303	309	315	322	328	335	341
266	Major Medical Ins-Emp	\$ 73,190	74,654	76,147	77,670	79,223	80,808	82,424	84,072	85,754	87,469	89,218
267	Social Security-Employee	\$ 4,140	4,223	4,307	4,393	4,481	4,571	4,662	4,756	4,851	4,948	5,047
268	Emp Pension Plan	\$ 48,340	49,647	50,640	51,653	52,686	53,740	54,815	55,911	57,029	58,170	59,333
269	Workers Compensation	\$ 3,100	3,162	3,225	3,290	3,356	3,423	3,491	3,561	3,632	3,705	3,779
270	CWA Life Insurance	\$ 960	979	999	1,019	1,039	1,060	1,081	1,103	1,125	1,147	1,170
271	Total Personal Services	\$ 416,640	425,313	433,820	442,496	451,346	460,373	469,580	478,972	488,551	498,322	508,289
272	O&M Expenses											
273	Professional Services	\$ 25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291	29,877	30,475
274	Other Contractual Serv	\$ 67,750	69,105	70,487	71,897	73,335	74,801	76,298	77,823	79,380	80,968	82,587
275	Postage	\$ 400	408	416	424	433	442	450	459	469	478	488
276	Interfd Other Serv Chgs	\$ 53,200	54,264	55,349	56,456	57,585	58,737	59,912	61,110	62,332	63,579	64,851
277	Interfd Admin Service Chg	\$ 81,880	83,518	85,188	86,892	88,630	90,402	92,210	94,054	95,935	97,854	99,811
278	Advertising	\$ 800	816	832	849	866	883	901	919	937	956	975
279	Other Promotion Activity	\$ 40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760
280	Printing & Binding	\$ 300	306	312	318	325	331	338	345	351	359	366
281	Equipmt Rental	\$ 1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463
282	Insurance	\$ 1,890	1,928	1,966	2,006	2,046	2,087	2,128	2,171	2,214	2,259	2,304
283	Other Equip Svc & Repair	\$ 1,600	1,632	1,665	1,698	1,732	1,767	1,802	1,838	1,875	1,912	1,950
284	Uniforms-Employee	\$ 2,150	2,193	2,237	2,282	2,327	2,374	2,421	2,470	2,519	2,569	2,621
285	Travel Expense-Emp	\$ 4,940	5,039	5,140	5,242	5,347	5,454	5,563	5,675	5,788	5,904	6,022
286	Mileage Reimbursement	\$ 520	530	541	552	563	574	586	597	609	621	634
287	Meals-Employee	\$ 120	122	125	127	130	132	135	138	141	143	146
288	Other Services Or Charges	\$ 200	204	208	212	216	221	225	230	234	239	244
289	Office Supplies	\$ 1,250	1,275	1,301	1,327	1,353	1,380	1,408	1,436	1,465	1,494	1,524
290	Operating Supplies & Matts	\$ 13,250	13,515	13,785	14,061	14,342	14,629	14,922	15,220	15,524	15,835	16,152
291	Lab Chem Supplies	\$ 1,300	1,326	1,353	1,380	1,407	1,435	1,464	1,493	1,523	1,554	1,585
292	Memberships/Subs/Lic Emp	\$ 960	979	999	1,019	1,039	1,060	1,081	1,103	1,125	1,147	1,170
293	Officl Recognition-Emp	\$ 60	61	62	64	65	66	68	69	70	72	73
294	Training & Ref Employee	\$ 6,350	6,477	6,607	6,739	6,873	7,011	7,151	7,294	7,440	7,589	7,741
295	Garage Services	\$ 16,190	16,514	16,844	17,181	17,525	17,875	18,233	18,597	18,969	19,349	19,736
296	Telephone Service Variable	\$ 1,300	1,326	1,353	1,380	1,407	1,435	1,464	1,493	1,523	1,554	1,585
297	Radio Svc-Fixed	\$ 2,620	2,672	2,726	2,780	2,836	2,893	2,951	3,010	3,070	3,131	3,194
298	Postal Service	\$ 900	918	936	955	974	994	1,014	1,034	1,054	1,076	1,097
299	Risk Mgmt Service	\$ 1,580	1,612	1,644	1,677	1,710	1,744	1,779	1,815	1,851	1,888	1,926
300	Info Technology Charge	\$ 46,970	47,909	48,868	49,845	50,842	51,859	52,896	53,954	55,033	56,133	57,256
301	Garage Variable	\$ 500	510	520	531	541	552	563	574	586	598	609
302	Bldg & Maint-Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
303	Employee Benefits-Fixed	\$ 1,270	1,295	1,321	1,348	1,375	1,402	1,430	1,459	1,488	1,518	1,548
304	Total O&M Expenses	\$ 377,450	384,999	392,699	400,553	408,564	416,735	425,070	433,571	442,243	451,088	460,109
305	TOTAL 1353 INDUST PRETREAT	\$ 794,090	810,312	826,519	843,049	859,910	877,108	894,650	912,543	930,794	949,410	968,398

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 6 – Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
306 2051 Water Distrib											
307 Personal Services											
308 Full Time Salaries & Wages	\$ 1,577,890	1,609,448	1,641,637	1,674,469	1,707,959	1,742,118	1,776,960	1,812,500	1,848,750	1,885,725	1,923,439
309 Overtime	\$ 83,690	85,364	87,071	88,812	90,589	92,401	94,249	96,134	98,056	100,017	102,018
310 Life Ins \$2500 Empl & Pens	\$ 20	20	21	21	22	22	23	23	23	24	24
311 1% Life Insurance-Employee	\$ 700	714	728	743	758	773	788	804	820	837	853
312 Samp Life Insurance	\$ 580	592	603	616	628	640	653	666	680	693	707
313 Major Medical Ins-Emp	\$ 350,170	357,173	364,317	371,603	379,035	386,616	394,348	402,235	410,280	418,486	426,855
314 Social Security-Employee	\$ 24,610	25,102	25,604	26,116	26,639	27,171	27,715	28,269	28,835	29,411	29,999
315 Emp Pension Plan	\$ 264,890	289,701	295,495	301,405	307,433	313,581	319,853	326,250	332,775	339,430	346,219
316 Workers Compensation	\$ 24,720	25,214	25,719	26,233	26,758	27,293	27,839	28,396	28,963	29,543	30,134
317 Disability Insurance	\$ 260	265	271	276	281	287	293	299	305	311	317
318 CWA Life Insurance	\$ 6,750	6,885	7,023	7,163	7,306	7,453	7,602	7,754	7,909	8,067	8,228
319 Total Personal Services	\$ 2,334,280	2,400,478	2,448,488	2,497,458	2,547,407	2,598,355	2,650,322	2,703,329	2,757,395	2,812,543	2,868,794
320 O&M Expenses											
321 Professional Services	\$ 81,000	82,620	84,272	85,958	87,677	89,431	91,219	93,044	94,904	96,802	98,739
322 Other Contractual Serv	\$ 4,750	4,845	4,942	5,041	5,142	5,244	5,349	5,456	5,565	5,677	5,790
323 Telephone-Util Chgs	\$ 4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485
324 Postage	\$ 300	306	312	318	325	331	338	345	351	359	366
325 Interfd Svc Chg-Other Fund	\$ 74,990	76,490	78,020	79,580	81,172	82,795	84,451	86,140	87,863	89,620	91,412
326 Interfd Other Serv Chgs	\$ 432,370	441,017	449,838	458,835	468,011	477,371	486,919	496,657	506,590	516,722	527,057
327 Interfd Admin Service Chg	\$ 504,940	515,039	525,340	535,846	546,563	557,495	568,644	580,017	591,618	603,450	615,519
328 Advertising	\$ 150	153	156	159	162	166	169	172	176	179	183
329 Other Promotion Activity	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
330 Printing & Binding	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
331 Taxes	\$ 500	510	520	531	541	552	563	574	586	598	609
332 Equipmt Rental	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
333 Insurance	\$ 171,770	175,205	178,710	182,284	185,929	189,648	193,441	197,310	201,256	205,281	209,387
334 Other Equip Svc & Repair	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
335 Uniforms-Employee	\$ 12,580	12,832	13,088	13,350	13,617	13,889	14,167	14,450	14,739	15,034	15,335
336 Travel Expense-Emp	\$ 13,550	13,821	14,097	14,379	14,667	14,960	15,260	15,565	15,876	16,194	16,517
337 Mileage Reimbursement	\$ 500	510	520	531	541	552	563	574	586	598	609
338 Meals-Employee	\$ 400	408	416	424	433	442	450	459	469	478	488
339 Other Services Or Charges	\$ 400	408	416	424	433	442	450	459	469	478	488
340 Office Supplies	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
341 Operating Supplies & Matls	\$ 350,000	357,000	364,140	371,423	378,851	386,428	394,157	402,040	410,081	418,282	426,648
342 Medical Supplies	\$ 800	816	832	849	866	883	901	919	937	956	975
343 \$750-5000 Mach & Equip	\$ 8,000	8,160	8,323	8,490	8,659	8,833	9,009	9,189	9,373	9,561	9,752
344 Memberships/Subs/Lic Emp	\$ 7,870	8,027	8,188	8,352	8,519	8,689	8,863	9,040	9,221	9,405	9,593
345 Officl Recognition-Emp	\$ 360	367	375	382	390	397	405	414	422	430	439
346 Training & Ref Employee	\$ 24,020	24,500	24,990	25,490	26,000	26,520	27,050	27,591	28,143	28,706	29,280
347 Garage Services	\$ 441,620	450,452	459,461	468,651	478,024	487,584	497,336	507,283	517,428	527,777	538,332
348 Telephone Service Variable	\$ 4,460	4,549	4,640	4,733	4,828	4,924	5,023	5,123	5,226	5,330	5,437
349 Messenger Service	\$ 780	796	812	828	844	861	878	896	914	932	951
350 Radio Svc-Fixed	\$ 8,910	9,088	9,270	9,455	9,644	9,837	10,034	10,235	10,439	10,648	10,861
351 Telephone Svc Fixed	\$ 3,490	3,560	3,631	3,704	3,778	3,853	3,930	4,009	4,089	4,171	4,254
352 Postal Service	\$ 200	204	208	212	216	221	225	230	234	239	244
353 Risk Mgmt Service	\$ 9,480	9,670	9,863	10,060	10,261	10,467	10,676	10,890	11,107	11,329	11,556
354 Info Technology Charge	\$ 145,460	148,369	151,337	154,363	157,451	160,600	163,812	167,088	170,430	173,838	177,315
355 Garage Variable	\$ 13,000	13,260	13,525	13,796	14,072	14,353	14,640	14,933	15,232	15,536	15,847
356 Bldg & Maint-Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
357 Administrative Charge	\$ 896,990	914,930	933,228	951,893	970,931	990,349	1,010,156	1,030,360	1,050,967	1,071,986	1,093,426
358 Employee Benefits-Fixed	\$ 7,610	7,762	7,917	8,076	8,237	8,402	8,570	8,741	8,916	9,095	9,277
359 Total O&M Expenses	\$ 3,238,750	3,303,525	3,369,596	3,436,987	3,505,727	3,575,842	3,647,359	3,720,306	3,794,712	3,870,606	3,948,018
360 TOTAL 2051 WATER DISTRIB	\$ 5,573,030	5,704,003	5,818,083	5,934,445	6,053,134	6,174,197	6,297,681	6,423,634	6,552,107	6,683,149	6,816,812

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Schedule 6 –Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
361 2053 Water Supply											
362 Personal Services											
363 Full Time Salaries & Wages	\$ 875,660	893,173	911,037	929,257	947,843	966,799	986,135	1,005,858	1,025,975	1,046,495	1,067,425
364 Overtime	\$ 31,920	32,558	33,210	33,874	34,551	35,242	35,947	36,666	37,399	38,147	38,910
365 Life Ins \$2500 Empl & Pens	\$ 10	10	10	11	11	11	11	11	12	12	12
366 Samp Life Insurance	\$ 280	286	291	297	303	309	315	322	328	335	341
367 Major Medical Ins-Emp	\$ 184,050	187,731	191,486	195,315	199,222	203,206	207,270	211,416	215,644	219,957	224,356
368 Social Security-Employee	\$ 13,150	13,413	13,681	13,955	14,234	14,519	14,809	15,105	15,407	15,715	16,030
369 Emp Pension Plan	\$ 145,270	160,771	163,987	167,266	170,612	174,024	177,504	181,054	184,676	188,369	192,136
370 Workers Compensation	\$ 10,320	10,526	10,737	10,952	11,171	11,394	11,622	11,854	12,092	12,333	12,580
371 CWA Life Insurance	\$ 3,890	3,968	4,047	4,128	4,211	4,295	4,381	4,468	4,558	4,649	4,742
372 Total Personal Services	\$ 1,264,550	1,302,437	1,328,486	1,355,055	1,382,156	1,409,799	1,437,995	1,466,755	1,496,090	1,526,012	1,556,533
373 O&M Expenses											
374 Professional Services	\$ 210,000	214,200	218,484	222,854	227,311	231,857	236,494	241,224	246,048	250,969	255,989
375 Other Contractual Serv	\$ 98,750	100,725	102,740	104,794	106,890	109,028	111,209	113,433	115,701	118,015	120,376
376 Elec-Util Charges	\$ 2,677,530	2,731,081	2,785,702	2,841,416	2,898,245	2,956,209	3,015,334	3,075,640	3,137,153	3,199,896	3,263,894
377 Gas,Water & Sanitation Utl	\$ 24,000	24,480	24,970	25,469	25,978	26,498	27,028	27,568	28,120	28,682	29,256
378 Postage	\$ 100	102	104	106	108	110	113	115	117	120	122
379 Interfd Svc Chg-Other Fund	\$ 6,720	6,854	6,991	7,131	7,274	7,419	7,568	7,719	7,874	8,031	8,192
380 Interfd Other Serv Chgs	\$ 186,180	189,904	193,702	197,576	201,527	205,558	209,669	213,862	218,140	222,502	226,952
381 Interfd Admin Service Chg	\$ 286,590	292,322	298,168	304,132	310,214	316,419	322,747	329,202	335,786	342,502	349,352
382 Advertising	\$ 200	204	208	212	216	221	225	230	234	239	244
383 Other Promotion Activity	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
384 Freight	\$ 500	510	520	531	541	552	563	574	586	598	609
385 Printing & Binding	\$ 1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	1,828
386 Dump Fee	\$ 500	510	520	531	541	552	563	574	586	598	609
387 Taxes	\$ 7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533
388 Equipmt Rental	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
389 Insurance	\$ 46,920	47,858	48,816	49,792	50,788	51,803	52,840	53,896	54,974	56,074	57,195
390 Ofc Equip Svc & Repair	\$ 100	102	104	106	108	110	113	115	117	120	122
391 Other Equip Svc & Repair	\$ 104,200	106,284	108,410	110,578	112,789	115,045	117,346	119,693	122,087	124,529	127,019
392 Uniforms-Employee	\$ 7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533	8,704
393 Travel Expense-Emp	\$ 7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366	8,533
394 Mileage Reimbursement	\$ 100	102	104	106	108	110	113	115	117	120	122
395 Meals-Employee	\$ 100	102	104	106	108	110	113	115	117	120	122
396 Office Supplies	\$ 3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657
397 Operating Supplies & Matts	\$ 1,445,850	1,474,767	1,504,262	1,534,348	1,565,035	1,596,335	1,628,262	1,660,827	1,694,044	1,727,925	1,762,483
398 Lab Chem Supplies	\$ 2,601,110	2,653,132	2,706,195	2,760,319	2,815,525	2,871,836	2,929,272	2,987,858	3,047,615	3,108,567	3,170,739
399 Medical Supplies	\$ 200	204	208	212	216	221	225	230	234	239	244
400 Memberships/Subs/Lic Emp	\$ 770	785	801	817	833	850	867	884	902	920	939
401 Officl Recognition-Emp	\$ 190	194	198	202	206	210	214	218	223	227	232
402 Training & Ref Employee	\$ 6,790	6,926	7,064	7,206	7,350	7,497	7,647	7,800	7,956	8,115	8,277
403 Garage Services	\$ 105,060	107,161	109,304	111,491	113,720	115,995	118,315	120,681	123,095	125,556	128,068
404 Telephone Service Variable	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
405 Radio Svc-Fixed	\$ 1,310	1,336	1,363	1,390	1,418	1,446	1,475	1,505	1,535	1,566	1,597
406 Telephone Svc Fixed	\$ 320	326	333	340	346	353	360	368	375	382	390
407 Postal Service	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
408 Risk Mgmt Service	\$ 5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	6,095
409 Info Technology Charge	\$ 97,670	99,623	101,616	103,648	105,721	107,836	109,992	112,192	114,436	116,725	119,059
410 Bldg & Maint Dept Svc Fx	\$ 123,350	125,817	128,333	130,900	133,518	136,188	138,912	141,690	144,524	147,415	150,363
411 Custodial Service	\$ 8,510	8,680	8,854	9,031	9,211	9,396	9,584	9,775	9,971	10,170	10,374
412 Garage Variable	\$ 2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438
413 Bldg & Maint-Variable	\$ 500	510	520	531	541	552	563	574	586	598	609
414 Employee Benefits-Fixed	\$ 4,020	4,100	4,182	4,266	4,351	4,438	4,527	4,618	4,710	4,804	4,900
415 Total O&M Expenses	\$ 8,078,780	8,240,356	8,405,163	8,573,266	8,744,731	8,919,626	9,098,018	9,279,979	9,465,578	9,654,890	9,847,988
416 Capital Outlay											
417 Contribution to Garge Fund	\$ 25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291	29,877	30,475
418 Total Capital Outlay	\$ 25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291	29,877	30,475
419 TOTAL 2053 WATER SUPPLY	\$ 9,368,330	9,568,292	9,759,658	9,954,851	10,153,948	10,357,027	10,564,168	10,775,451	10,990,960	11,210,780	11,434,995

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

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Schedule 6 – Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
420 2054 Reclaimed											
421 Personal Services											
422 Full Time Salaries & Wages	\$ 723,380	737,848	752,605	767,657	783,010	798,670	814,643	830,936	847,555	864,506	881,796
423 Overtime	\$ 54,190	55,274	56,379	57,507	58,657	59,830	61,027	62,247	63,492	64,762	66,057
424 Life Ins \$2500 Empl & Pens	\$ 10	10	10	11	11	11	11	11	12	12	12
425 Samp Life Insurance	\$ 270	275	281	287	292	298	304	310	316	323	329
426 Major Medical Ins-Emp	\$ 166,120	169,442	172,831	176,288	179,814	183,410	187,078	190,820	194,636	198,529	202,499
427 Social Security-Employee	\$ 10,260	10,465	10,675	10,888	11,106	11,328	11,554	11,786	12,021	12,262	12,507
428 Emp Pension Plan	\$ 127,480	132,813	135,469	138,178	140,942	143,761	146,636	149,569	152,560	155,611	158,723
429 Workers Compensation	\$ 16,110	16,432	16,761	17,096	17,438	17,787	18,142	18,505	18,875	19,253	19,638
430 CWA Life Insurance	\$ 3,210	3,274	3,340	3,406	3,475	3,544	3,615	3,687	3,761	3,836	3,913
431 Total Personal Services	\$ 1,101,030	1,125,834	1,148,350	1,171,317	1,194,744	1,218,638	1,243,011	1,267,871	1,293,229	1,319,093	1,345,475
432 O&M Expenses											
433 Professional Services	\$ 38,000	38,760	39,535	40,326	41,132	41,955	42,794	43,650	44,523	45,414	46,322
434 Postage	\$ 100	102	104	106	108	110	113	115	117	120	122
435 Interfd Other Serv Chgs	\$ 150,720	153,734	156,809	159,945	163,144	166,407	169,735	173,130	176,593	180,124	183,727
436 Interfd Admin Service Chg	\$ 232,000	236,640	241,373	246,200	251,124	256,147	261,270	266,495	271,825	277,261	282,807
437 Other Promotion Activity	\$ 50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583	59,755	60,950
438 Printing & Binding	\$ 800	816	832	849	866	883	901	919	937	956	975
439 Insurance	\$ 17,850	18,207	18,571	18,943	19,321	19,708	20,102	20,504	20,914	21,332	21,759
440 Uniforms-Employee	\$ 5,780	5,896	6,014	6,134	6,256	6,382	6,509	6,639	6,772	6,908	7,046
441 Travel Expense-Emp	\$ 4,450	4,539	4,630	4,722	4,817	4,913	5,011	5,112	5,214	5,318	5,425
442 Mileage Reimbursement	\$ 300	306	312	318	325	331	338	345	351	359	366
443 Meals-Employee	\$ 200	204	208	212	216	221	225	230	234	239	244
444 Other Services Or Charges	\$ 500	510	520	531	541	552	563	574	586	598	609
445 Office Supplies	\$ 1,200	1,224	1,248	1,273	1,299	1,325	1,351	1,378	1,406	1,434	1,463
446 Operating Supplies & Matls	\$ 30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570
447 Medical Supplies	\$ 250	255	260	265	271	276	282	287	293	299	305
448 \$750-5000 Mach & Equip	\$ 9,200	9,384	9,572	9,763	9,958	10,158	10,361	10,568	10,779	10,995	11,215
449 Memberships/Subs/Lic Emp	\$ 1,450	1,479	1,509	1,539	1,570	1,601	1,633	1,666	1,699	1,733	1,768
450 Officl Recognition-Emp	\$ 170	173	177	180	184	188	191	195	199	203	207
451 Training & Ref Employee	\$ 19,550	19,941	20,340	20,747	21,162	21,585	22,016	22,457	22,906	23,364	23,831
452 Garage Services	\$ 130,220	132,824	135,481	138,191	140,954	143,773	146,649	149,582	152,573	155,625	158,737
453 Telephone Service Variable	\$ 3,300	3,366	3,433	3,502	3,572	3,643	3,716	3,791	3,866	3,944	4,023
454 Radio Svc-Fixed	\$ 8,530	8,701	8,875	9,052	9,233	9,418	9,606	9,798	9,994	10,194	10,398
455 Telephone Svc Fixed	\$ 440	449	458	467	476	486	496	505	516	526	536
456 Risk Mgmt Service	\$ 4,470	4,559	4,651	4,744	4,838	4,935	5,034	5,135	5,237	5,342	5,449
457 Info Technology Charge	\$ 77,450	78,999	80,579	82,191	83,834	85,511	87,221	88,966	90,745	92,560	94,411
458 Garage Variable	\$ 1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	1,219
459 Administrative Charge	\$ 220,020	224,420	228,909	233,487	238,157	242,920	247,778	252,734	257,788	262,944	268,203
460 Employee Benefits-Fixed	\$ 3,590	3,662	3,735	3,810	3,886	3,964	4,043	4,124	4,206	4,290	4,376
461 Total O&M Expenses	\$ 1,011,540	1,031,771	1,052,406	1,073,454	1,094,923	1,116,822	1,139,158	1,161,942	1,185,180	1,208,884	1,233,062
462 Capital Outlay											
463 >\$5,000 Machinery & Equip	\$ 42,500	43,350	44,217	45,101	46,003	46,923	47,862	48,819	49,796	50,791	51,807
464 Total Capital Outlay	\$ 42,500	43,350	44,217	45,101	46,003	46,923	47,862	48,819	49,796	50,791	51,807
465 TOTAL 2054 RECLAIMED	\$ 2,155,070	2,200,954	2,244,973	2,289,873	2,335,670	2,382,384	2,430,031	2,478,632	2,528,205	2,578,769	2,630,344

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APPENDIX

Schedule 6 – Projection of Cash Outflows

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
466 ADDITIONAL OPEB EXPENSES											
467 1345 - Administration	\$ 16,195	16,273	18,616	19,608	22,832	23,622	27,860	28,743	30,516	31,126	31,749
468 1346 - Sanitary Sewer	\$ 40,089	40,281	46,081	48,537	56,516	58,471	68,961	71,147	75,537	77,048	78,589
469 1347 - Sanitary Sewer Maintenance	\$ 49,925	50,165	57,389	60,448	70,386	72,821	85,885	88,608	94,075	95,957	97,876
470 1351 - WPC Operations	\$ 84,440	84,845	97,063	102,236	119,044	123,163	145,258	149,863	159,110	162,292	165,538
471 1352 - WPC Lab	\$ 17,416	17,500	20,020	21,087	24,554	25,404	29,961	30,911	32,818	33,474	34,144
472 1353 - Industrial Pretreatment	\$ 10,252	10,301	11,784	12,412	14,453	14,953	17,636	18,195	19,318	19,704	20,098
473 2051 - Water Distribution	\$ 63,716	64,022	73,241	77,145	89,828	92,936	109,609	113,084	120,061	122,462	124,911
474 2053 - Water Supply	\$ 32,618	32,775	37,495	39,493	45,986	47,577	56,112	57,891	61,463	62,692	63,946
475 2054 - Reclaimed Water	\$ 28,443	28,580	32,696	34,439	40,101	41,488	48,931	50,482	53,597	54,669	55,762
476 Total Additional OPEB Expenses	\$ 343,094	344,742	394,385	415,405	483,700	500,435	590,213	608,924	646,495	659,425	672,613
477 INCREMENTAL EXPENDITURES ⁽¹⁾											
478 Other Incremental O&M	\$ 234,762	409,494	761,978	2,379,029	3,995,511	4,872,132	5,024,194	5,181,907	5,285,545	5,391,256	5,499,081
479 Engineer (Addl)	\$ -	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869	117,166	119,509
480 Uniform Costs	\$ -	60,000	61,200	62,424	63,672	64,946	66,245	67,570	68,921	70,300	71,706
481 TOTAL INCREMENTAL O&M	\$ 234,762	569,494	925,178	2,545,493	4,165,304	5,045,322	5,200,847	5,362,093	5,469,335	5,578,722	5,690,296
482 PURCHASED WATER COSTS ⁽²⁾											
483 Inv Purchase-Resale	\$ 5,011,904	4,287,346	4,378,969	2,262,711	2,302,309	2,342,599	2,383,595	2,425,308	2,467,751	2,510,936	2,554,878
484 TOTAL PURCHASED WATER COSTS	\$ 5,011,904	4,287,346	4,378,969	2,262,711	2,302,309	2,342,599	2,383,595	2,425,308	2,467,751	2,510,936	2,554,878
485 CAPITAL FINANCING COSTS ⁽³⁾											
486 2003 - Water/Sewer System Revenue Bonds - Fund 279	\$ 263,540	264,900	265,400	265,200	-	-	-	-	-	-	-
487 2009A - Water/Sewer System Revenue Bonds - Fund 246	\$ 3,535,219	3,535,219	3,535,219	3,535,219	3,944,719	3,943,219	3,937,266	3,931,738	3,934,716	3,930,072	3,932,909
488 2009B - Water/Sewer System Revenue Refunding Bonds - Fund 247	\$ 5,275,750	5,273,625	5,274,875	5,278,750	-	-	-	-	-	-	-
489 2011 - Water/Sewer System Revenue Refunding Bonds - Fund 280	\$ 3,518,131	3,524,931	3,520,506	3,480,131	3,481,381	3,487,881	3,489,381	3,495,631	3,501,256	3,506,006	3,526,981
490 2014 - Water/Sewer System Revenue Refunding Bonds - Fund 286	\$ 1,032,709	1,017,345	1,017,496	1,017,487	2,404,901	2,389,259	2,392,187	2,393,365	2,387,874	2,385,714	2,381,804
491 New L/T Debt Projected by FAMS-XL	\$ -	-	4,085,384	5,110,845	8,314,262	9,118,342	10,030,280	10,259,183	12,751,699	13,377,338	14,233,673
492 TOTAL CAPITAL FINANCING COSTS	\$ 13,625,349	13,616,020	17,698,880	18,687,632	18,145,262	18,938,701	19,849,114	20,079,917	22,575,544	23,199,129	24,075,368
493 LEASE PURCHASE EXPENSES											
494 Short-Term Debt Service (L/P) ⁽³⁾	\$ 27,985	4,203	-	-	-	-	-	-	-	-	-
495 New S/T Debt Projected by FAMS-XL ⁽⁴⁾	\$ 35,693	64,201	299,933	299,933	299,933	264,240	235,732	-	-	-	-
496 TOTAL LEASE PURCHASE EXPENSES	\$ 63,678	68,404	299,933	299,933	299,933	264,240	235,732	-	-	-	-

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Schedule 6 – Projection of Cash Outflows

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
497	TRANSFERS OUT											
498	R&R - Renewal & Replacement											
499	Wastewater Collection	\$ 4,121,000	1,827,968	1,889,714	1,953,648	2,019,850	2,088,401	2,159,385	2,232,891	2,309,009	2,387,835	2,469,306
500	WPC Plant Operations	\$ 1,836,170	814,477	841,989	870,476	899,973	930,517	962,145	994,896	1,028,812	1,063,934	1,100,234
501	Water Distribution	\$ 2,710,000	1,202,086	1,242,690	1,284,734	1,328,268	1,373,348	1,420,027	1,468,366	1,518,422	1,570,258	1,623,834
502	Additional R&R	\$ 1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	6,000,000	7,000,000	8,000,000	9,000,000	10,000,000	10,000,000
503	Payment in Lieu of Taxes											
504	Interfund Transfer - 1345	\$ 134,390	154,185	159,393	164,786	170,370	176,152	182,140	188,340	194,760	201,409	208,281
505	Interfund Transfer - 1346	\$ 460,750	528,617	546,473	564,962	584,106	603,930	624,457	645,714	667,726	690,521	714,081
506	Interfund Transfer - 1347	\$ 556,750	638,758	660,334	682,675	705,808	729,762	754,567	780,252	806,851	834,395	862,864
507	Interfund Transfer - 1351	\$ 806,320	925,089	956,337	988,692	1,022,195	1,056,887	1,092,810	1,130,010	1,168,532	1,208,423	1,249,654
508	Interfund Transfer - 1352	\$ 172,780	198,230	204,926	211,859	219,038	226,472	234,170	242,141	250,395	258,944	267,778
509	Interfund Transfer - 1353	\$ 115,190	132,157	136,621	141,244	146,030	150,986	156,118	161,432	166,935	172,634	178,524
510	Interfund Transfer - 2051	\$ 710,330	814,960	842,488	870,991	900,506	931,068	962,715	995,486	1,029,421	1,064,564	1,100,886
511	Interfund Transfer - 2053	\$ 403,160	462,544	478,168	494,346	511,098	528,444	546,405	565,005	584,266	604,212	624,827
512	Interfund Transfer - 2054	\$ 326,370	374,443	387,092	400,188	413,749	427,791	442,331	457,388	472,981	489,127	505,816
513	TOTAL TRANSFERS OUT	\$ 13,353,210	10,073,516	11,346,226	12,628,601	13,920,991	15,223,756	16,537,270	17,861,921	19,198,110	20,546,255	20,906,084
514	TOTAL CASH OUTFLOWS	\$ 72,539,877	69,781,810	76,682,305	79,311,285	82,638,439	86,502,411	89,867,875	92,310,690	97,249,213	100,324,284	102,685,653

(1) Incremental Expenditures presented in detail on Schedule 7.

(2) Purchased water costs presented in detail on Schedule 2.

(3) Based upon schedules provided by City staff.

(3) Based upon amortization schedules provided by City staff.

(4) To pay for Lease/Payment projects provided by staff as part of CIP; calculated by FAMS based on 5-year term at interest rates of 1.50% in FY 2016, 1.75% in FY 2017, 2.00% in FY 2018 and 2.50% in FY 2019 and each year thereafter.

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Schedule 7 – Additional Incremental O&M

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
1 Water System CIP O&M Impacts											
2 Reverse Osmosis Plant Expansion - Reservoir #1 (1),(4),(8)											
3 Reverse Osmosis Plant @ Reservoir #2 (1),(3),(4),(8)	\$ -	-	-	-	-	-	-	-	-	-	-
5 Groundwater Replenishment Facility (1), (3), (4), (8)	\$ -	-	-	842,450	1,761,370	1,834,971	1,912,149	1,993,070	2,032,931	2,073,590	2,115,062
6 Additional Treatment WTP #3	\$ -	-	-	245,000	504,700	519,840	535,440	551,500	562,530	573,781	585,257
7 Sewer System CIP O&M Impacts											
8 WWTP UV Disinfection (1) (4)	\$ -	-	193,090	404,750	424,220	893,680	920,490	948,100	967,062	986,403	1,006,131
9 WET NNC Rule Compliance (1) (3)	\$ -	-	-	308,840	717,900	1,026,750	1,047,285	1,068,231	1,089,595	1,111,387	1,133,615
10 Trailer Mounted Biosolids Centrifuge	\$ -	-	150,520	150,520	150,520	150,520	153,530	156,601	159,733	162,928	166,186
11 Maintenance Vehicles (3)	\$ 234,762	209,494	214,368	219,388	224,559	229,885	234,483	239,173	243,956	248,835	253,812
12 Other Incremental O&M*	\$ -	200,000	204,000	208,080	212,242	216,486	220,816	225,232	229,737	234,332	239,019
13 Engineer (Addl)**	\$ -	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869	117,166	119,509
14 Uniform costs***	\$ -	60,000	61,200	62,424	63,672	64,946	66,245	67,570	68,921	70,300	71,706
15 TOTAL INCREMENTAL EXPENDITURES	\$ 234,762	569,494	925,178	2,545,493	4,165,304	5,045,322	5,200,847	5,362,093	5,469,335	5,578,722	5,690,296

* Reflects the addition of 2 new positions, a Safety Compliance and Training Coordinator and a Maintenance Manager.

** Reflects the addition of 1 new Water & Sewer Engineer.

*** Reflects additional costs related to renegotiation of uniform contracts.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 8 – FAMS-XL © Control Panel



Note: Current Plan (blue bars) reflect results of FY 2016 Revenue Sufficiency Analysis (RSA) results and Last Plan (green bars) reflect results of FY 2015 RSA results.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 9 – Pro Forma

		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
1	Total Rate Revenue											
2	Base Rate Revenue	\$ 72,249,062	72,348,137	74,860,233	77,461,324	80,154,616	82,943,431	85,831,211	88,821,523	91,918,068	95,124,680	98,445,331
3	Additional Revenue From Growth	\$ -	108,226	111,741	115,369	119,116	122,983	126,976	131,097	135,353	139,746	137,763
4	Other Revenue Adjustments	\$ -	-	-	-	-	-	-	-	-	-	-
5	Subtotal: Base Revenue With Growth	\$ 72,249,062	72,456,363	74,971,973	77,576,694	80,273,732	83,066,414	85,958,186	88,952,621	92,053,421	95,264,425	98,583,094
6	Weighted Average Rate Increase	0.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
7	Additional Rate Revenue From Rate Increase	\$ -	2,614,323	2,704,804	2,798,482	2,895,471	2,995,892	3,099,867	3,207,525	3,318,998	3,434,423	3,553,698
8	Price Elasticity Adjustment	\$ -	(313,244)	(322,098)	(331,203)	(340,566)	(350,194)	(360,095)	(370,276)	(380,745)	(391,510)	(402,505)
9	Total Rate Revenue	\$ 72,249,062	74,757,442	77,354,679	80,043,972	82,828,637	85,712,112	88,697,959	91,789,870	94,991,674	98,307,338	101,734,287
10	Plus: Other Operating Revenue ⁽¹⁾	\$ 2,238,304	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183	2,133,183
11	EQUALS: TOTAL OPERATING REVENUE	\$ 74,487,366	76,890,625	79,487,862	82,177,155	84,961,820	87,845,295	90,831,142	93,923,053	97,124,857	100,440,521	103,867,470
12	Less: Operating Expenses											
13	Purchased Water Expenses	\$ (5,011,904)	(4,287,346)	(4,378,969)	(2,262,711)	(2,302,309)	(2,342,599)	(2,383,595)	(2,425,308)	(2,467,751)	(2,510,936)	(2,554,878)
14	O&M	\$ (40,386,936)	(41,635,749)	(42,855,506)	(45,327,560)	(47,862,999)	(49,624,032)	(50,750,900)	(51,830,054)	(52,892,048)	(53,949,889)	(55,028,887)
15	EQUALS: NET OPERATING INCOME	\$ 29,088,527	\$ 30,967,531	\$ 32,253,387	\$ 34,586,884	\$ 34,796,512	\$ 35,878,664	\$ 37,696,647	\$ 39,667,691	\$ 41,765,058	\$ 43,979,695	\$ 46,283,706
16	Plus: Non-Operating Income/(Expense)											
17	Non-Operating Revenue	\$ -	-	-	-	-	-	-	-	-	-	-
18	Interest of Fund Balances Less Interest on Interim Financing	\$ 731,040	483,994	789,288	608,162	1,129,326	1,144,696	1,239,590	945,520	1,321,041	1,268,549	1,401,093
19	Impact Fees	\$ 72,922	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461	36,461
20	Transfers In	\$ -	-	-	-	-	-	-	-	-	-	-
21	Equals: Net Income	\$ 29,892,489	31,487,986	33,079,136	35,231,507	35,962,299	37,059,821	38,972,698	40,649,672	43,122,560	45,284,706	47,721,259
22	Less: Revenues Excluded From Coverage Test											
23	Impact Fees	\$ (72,922)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)	(36,461)
24	Transfers In	\$ -	-	-	-	-	-	-	-	-	-	-
25	Equals: Net Income Available For Debt Service	\$ 29,819,567	31,451,525	33,042,675	35,195,046	35,925,838	37,023,360	38,936,237	40,613,211	43,086,099	45,248,245	47,684,798
26	Existing And New Debt Service For Coverage Test											
27	Existing Debt Service	\$ 13,625,349	13,616,020	13,613,496	13,576,787	9,831,001	9,820,359	9,818,833	9,820,734	9,823,846	9,821,792	9,841,695
28	Cumulative New Debt Service As Calculated by Model	\$ -	-	4,085,384	5,110,845	8,314,262	9,118,342	10,030,280	10,259,183	12,751,699	13,377,338	14,233,673
29	Total Conventional Debt Service	\$ 13,625,349	13,616,020	17,698,880	18,687,632	18,145,262	18,938,701	19,849,114	20,079,917	22,575,544	23,199,129	24,075,368
30	Calculated Debt Service Coverage	Target 1.50	2.19	2.31	1.87	1.88	1.98	1.95	1.96	2.02	1.91	1.95
31	Cash Flow Test											
32	Net Income Available For Debt Service	\$ 29,819,567	31,451,525	33,042,675	35,195,046	35,925,838	37,023,360	38,936,237	40,613,211	43,086,099	45,248,245	47,684,798
33	Net Interfund Transfers (In - Out)	\$ (3,686,040)	(4,228,984)	(4,371,832)	(4,519,744)	(4,672,900)	(4,831,491)	(4,995,713)	(5,165,768)	(5,341,867)	(5,524,229)	(5,712,711)
34	Net Debt Service Payment	\$ (13,625,349)	(13,616,020)	(17,698,880)	(18,687,632)	(18,145,262)	(18,938,701)	(19,849,114)	(20,079,917)	(22,575,544)	(23,199,129)	(24,075,368)
35	Short-Term Debt Service (L/P)	\$ (63,678)	(68,404)	(299,933)	(299,933)	(299,933)	(264,240)	(235,732)	-	-	-	-
36	Capital Outlay	\$ (98,800)	(100,776)	(102,792)	(104,847)	(106,944)	(109,083)	(111,265)	(113,490)	(115,760)	(118,075)	(120,437)
37	Renewal & Replacement	\$ (9,667,170)	(5,844,531)	(6,974,393)	(8,108,858)	(9,248,091)	(10,392,265)	(11,541,557)	(12,696,153)	(13,856,243)	(15,022,026)	(15,193,374)
38	Net Cash Flow	\$ 2,678,530	7,592,809	3,594,845	3,474,032	3,452,708	2,487,580	2,202,857	2,557,883	1,196,685	1,384,786	2,582,910
39	Unrestricted Reserve Fund Test											
40	Balance At Beginning Of Fiscal Year	\$ 34,875,033	33,601,300	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413
41	Cash Flow Surplus/(Deficit)	\$ 2,678,530	7,592,809	3,594,845	3,474,032	3,452,708	2,487,580	2,202,857	2,557,883	1,196,685	1,384,786	2,582,910
42	Projects Paid With Reserve Funds (Non Specified Funds)	\$ (3,952,263)	(18,232,562)	(2,939,155)	(3,296,134)	(2,165,189)	(1,586,919)	(1,618,925)	(1,997,450)	(644,466)	(834,272)	(2,021,440)
43	Balance At End Of Fiscal Year	\$ 33,601,300	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413	28,791,882
44	Minimum Working Capital Reserve Target	6 Mos *	\$ 11,349,710	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413
45	Excess/(Deficiency) Of Working Capital To Target	\$ 22,251,590	-	-	-	-	-	-	-	-	-	-

(1) Other Operating Revenues includes specific service charge revenues, Safety Harbor payments, collection fee charges, rents/leases, and other miscellaneous operating revenues.

* Operating Reserve Target is adjusted from 3 Months of O&M to 6 Months of O&M starting in FY 2017 per City Staff.

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Schedule 10 – Projected CIP Funding Sources

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
WATER IMPACT FEES	\$ 48,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
SEWER IMPACT FEES	\$ 1,781,551	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461
RECLAIMED IMPACT FEES	\$ -	-	-	-	-	-	-	-	-	-	-
FUTURE BOND PROCEEDS	\$ -	-	-	-	-	-	-	-	-	-	-
CAPITAL PROJECTS FUND	\$ -	-	-	-	-	-	-	-	-	-	-
RENEWAL & REPLACEMENT	\$ 19,076,104	8,491,995	6,997,558	8,109,089	9,248,094	10,392,265	11,541,557	12,696,153	13,856,243	10,249,204	5,543,311
ASSESSMENT FUND	\$ -	-	-	-	-	-	-	-	-	-	-
REVENUE FUND	\$ 3,952,263	18,232,562	2,939,155	3,296,134	2,165,189	1,586,919	1,618,925	1,997,450	644,466	834,272	2,021,440
SRF PROCEEDS	\$ -	-	-	-	-	-	-	-	-	-	-
INTERIM FINANCING	\$ -	28,488,402	-	36,220,260	-	4,966,124	-	25,810,877	-	8,420,177	-
DEBT PROCEEDS	\$ -	-	39,194,875	-	16,851,305	-	10,142,118	-	15,483,061	-	5,766,879
TOTAL PROJECTED CAPITAL SPENDING	\$ 24,857,918	55,249,420	49,168,049	47,661,945	28,301,049	16,981,769	23,339,061	40,540,940	30,020,231	19,540,115	13,368,091

(1) Schedules 11 & 12 present the detail for each projected Long-Term and Short-Term debt issuance.

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 11 – Senior-Lien Borrowing Projections

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Term (Years)	30	30	30	30	30	30	30	30	30	30	30
Interest Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Sources of Funds											
Par Amount	\$ -	-	74,279,716	-	58,243,941	-	16,580,698	-	45,318,461	-	15,569,732
Uses of Funds											
Proceeds	\$ -	-	67,683,277	-	53,071,565	-	15,108,243	-	41,293,937	-	14,187,056
Cost of Issuance 2.00% of Par	\$ -	-	1,485,594	-	1,164,879	-	331,614	-	906,369	-	311,395
Underwriter's Discount \$0.00 per \$1,000	\$ -	-	-	-	-	-	-	-	-	-	-
Bond Insurance 0 times total Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Capitalized Interest 0 Years Interest	\$ -	-	-	-	-	-	-	-	-	-	-
Debt Service Surety 0.00% of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve 1 Year(s) of Debt Service	\$ -	-	5,110,845	-	4,007,497	-	1,140,841	-	3,118,154	-	1,071,281
Other Costs											
Total Uses	\$ -	-	74,279,716	-	58,243,941	-	16,580,698	-	45,318,461	-	15,569,732
1 Year Interest	\$ -	-	4,085,384	-	3,203,417	-	911,938	-	2,492,515	-	856,335
Annual Debt Service	\$ -	-	5,110,845	-	4,007,497	-	1,140,841	-	3,118,154	-	1,071,281
Total Debt Service	\$ -	-	153,325,344	-	120,224,912	-	34,225,242	-	93,544,631	-	32,138,444
Required Proceeds for Capital Funding	\$ -	28,488,402	39,194,875	36,220,260	16,851,305	4,966,124	10,142,118	25,810,877	15,483,061	8,420,177	5,766,879

Interim Financing											
Interest Rate	1.50%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Utilize Interim Financing?	Y	Y	N	Y	N	Y	N	Y	N	Y	N
Proceeds	\$ -	28,488,402	-	36,220,260	-	4,966,124	-	25,810,877	-	8,420,177	-
Interest Payments	\$ -	249,274	-	452,753	-	62,077	-	322,636	-	105,252	-
End of Year Balance	\$ -	28,488,402	-	36,220,260	-	4,966,124	-	25,810,877	-	8,420,177	-
Proceeds to be Bond-Funded	\$ -	-	67,683,277	-	53,071,565	-	15,108,243	-	41,293,937	-	14,187,056
Cumulative New Annual Debt Service ⁽¹⁾	\$ -	-	4,085,384	5,110,845	8,314,262	9,118,342	10,030,280	10,259,183	12,751,699	13,377,338	14,233,673

(1) It is assumed that all debt is issued mid-fiscal year, resulting in interest-only payments in the year of issuance.

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Schedule 12 – Short-Term Borrowing Projections

		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Term (Years)		5	5	5	5	5	5	5	5	5	5	5
Interest Rate		1.50%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Sources of Funds												
Par Amount		\$ 170,707	135,354	1,111,111	-	-	-	-	-	-	-	-
Uses of Funds												
Proceeds		\$ 169,000	134,000	1,100,000	-	-	-	-	-	-	-	-
Cost of Issuance	1.00% of Par	\$ 1,707	1,354	11,111	-	-	-	-	-	-	-	-
Underwriter's Discount	\$0.00 per \$1,000	\$ -	-	-	-	-	-	-	-	-	-	-
Bond Insurance	0 times total Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Capitalized Interest	0 Years Interest	\$ -	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve	0 Year(s) of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
Other Costs		\$ -	-	-	-	-	-	-	-	-	-	-
Total Uses		\$ 170,707	135,354	1,111,111	-	-	-	-	-	-	-	-
1 Year Interest		\$ 2,561	2,369	22,222	-	-	-	-	-	-	-	-
Annual Debt Service		\$ 35,693	28,508	235,732	-	-	-	-	-	-	-	-
Total Debt Service		\$ 178,465	142,540	1,178,660	-	-	-	-	-	-	-	-
Cumulative New Annual Short Term Debt Service		\$ 35,693	64,201	299,933	299,933	299,933	264,240	235,732	-	-	-	-

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 13 – Funding Summary by Fund

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
1	<u>WATER IMPACT FEES</u>											
2	Balance At Beginning Of Fiscal Year	\$ -	-	-	-	-	-	-	-	-	-	-
3	Additional Annual Revenues	\$ 48,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
4	Less: Payment Of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
5	Subtotal	\$ 48,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
6	Less: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
7	Total Amount Available For Projects	\$ 48,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
8	Amount Paid For Projects	\$ (48,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)
9	Subtotal	\$ -	-	-	-	-	-	-	-	-	-	-
10	Add Back: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
11	Plus: Interest Earnings	\$ -	-	-	-	-	-	-	-	-	-	-
12	Less: Interest Allocated To Cash Flow	\$ -	-	-	-	-	-	-	-	-	-	-
13	Balance At End Of Fiscal Year	\$ -	-	-	-	-	-	-	-	-	-	-
14	<u>SEWER IMPACT FEES</u>											
15	Balance At Beginning Of Fiscal Year	\$ 1,756,629	-	-	-	-	-	-	-	-	-	-
16	Additional Annual Revenues	\$ 24,922	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461
17	Less: Payment Of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
18	Subtotal	\$ 1,781,551	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461
19	Less: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
20	Total Amount Available For Projects	\$ 1,781,551	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461	12,461
21	Amount Paid For Projects	\$ (1,781,551)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)	(12,461)
22	Subtotal	\$ -	-	-	-	-	-	-	-	-	-	-
23	Add Back: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
24	Plus: Interest Earnings	\$ 13,175	-	-	-	-	-	-	-	-	-	-
25	Less: Interest Allocated To Cash Flow	\$ (13,175)	-	-	-	-	-	-	-	-	-	-
26	Balance At End Of Fiscal Year	\$ -	-	-	-	-	-	-	-	-	-	-
40	<u>RENEWAL & REPLACEMENT</u>											
41	Balance At Beginning Of Fiscal Year	\$ 11,947,749	2,647,464	23,165	232	3	0	0	0	0	0	4,832,482
42	Additional Annual Revenues	\$ 9,667,170	5,844,531	6,974,393	8,108,858	9,248,091	10,392,265	11,541,557	12,696,153	13,856,243	15,022,026	15,193,374
43	Less: Payment Of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
44	Subtotal	\$ 21,614,919	8,491,995	6,997,558	8,109,089	9,248,094	10,392,265	11,541,557	12,696,153	13,856,243	15,022,026	20,025,856
45	Less: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
46	Total Amount Available For Projects	\$ 21,614,919	8,491,995	6,997,558	8,109,089	9,248,094	10,392,265	11,541,557	12,696,153	13,856,243	15,022,026	20,025,856
47	Amount Paid For Projects	\$ (19,076,104)	(8,491,995)	(6,997,558)	(8,109,089)	(9,248,094)	(10,392,265)	(11,541,557)	(12,696,153)	(13,856,243)	(10,249,204)	(5,543,311)
48	Subtotal	\$ 2,538,815	-	-	-	-	-	-	-	-	4,772,822	14,482,545
49	Add Back: Restricted Funds	\$ -	-	-	-	-	-	-	-	-	-	-
50	Plus: Interest Earnings	\$ 108,649	23,165	232	3	0	0	0	0	0	59,660	241,438
51	Less: Interest Allocated To Cash Flow	\$ -	-	-	-	-	-	-	-	-	-	-
52	Balance At End Of Fiscal Year	\$ 2,647,464	23,165	232	3	0	0	0	0	0	4,832,482	14,723,983

FY 2016 WATER & SEWER REVENUE SUFFICIENCY ANALYSIS

APPENDIX

Schedule 13 – Funding Summary by Fund

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
53	REVENUE FUND											
54	Balance At Beginning Of Fiscal Year	\$ 34,875,033	33,601,300	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413
55	Additional Annual Revenues	\$ 2,678,530	7,592,809	3,594,845	3,474,032	3,452,708	2,487,580	2,202,857	2,557,883	1,196,685	1,384,786	2,582,910
56	Less: Cash-Funded Capital Projects	\$ -	-	-	-	-	-	-	-	-	-	-
57	Less: Payment Of Debt Service	\$ -	-	-	-	-	-	-	-	-	-	-
58	Subtotal	\$ 37,553,563	41,194,109	26,556,392	27,091,270	27,247,843	27,570,234	28,186,172	29,125,131	28,324,366	29,064,685	30,813,322
59	Less: Restricted Funds	\$ (11,349,710)	(22,961,547)	(23,617,237)	(23,795,136)	(25,082,654)	(25,983,316)	(26,567,247)	(27,127,681)	(27,679,899)	(28,230,413)	(28,791,882)
60	Total Amount Available For Projects	\$ 26,203,853	18,232,562	2,939,155	3,296,134	2,165,189	1,586,919	1,618,925	1,997,450	644,466	834,272	2,021,440
61	Amount Paid For Projects	\$ (3,952,263)	(18,232,562)	(2,939,155)	(3,296,134)	(2,165,189)	(1,586,919)	(1,618,925)	(1,997,450)	(644,466)	(834,272)	(2,021,440)
62	Subtotal	\$ 22,251,590	-	-	-	-	-	-	-	-	-	-
63	Add Back: Restricted Funds	\$ 11,349,710	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413	28,791,882
64	Plus: Interest Earnings	\$ 513,572	494,925	465,788	592,655	610,972	638,325	656,882	671,187	685,095	698,879	712,779
65	Less: Interest Allocated To Cash Flow	\$ (513,572)	(494,925)	(465,788)	(592,655)	(610,972)	(638,325)	(656,882)	(671,187)	(685,095)	(698,879)	(712,779)
66	Balance At End Of Fiscal Year	\$ 33,601,300	22,961,547	23,617,237	23,795,136	25,082,654	25,983,316	26,567,247	27,127,681	27,679,899	28,230,413	28,791,882
67	RESTRICTED RESERVES											
68	Balance At Beginning Of Fiscal Year	\$ 13,619,564	13,619,564	13,619,564	18,730,409	18,730,409	22,737,906	22,737,906	23,878,747	23,878,747	26,996,902	26,996,902
69	Additional Funds:	\$ -	-	-	-	-	-	-	-	-	-	-
70	Debt Service Reserve On New Debt	\$ -	-	5,110,845	-	4,007,497	-	1,140,841	-	3,118,154	-	1,071,281
71	Other Additional Funds	\$ -	-	-	-	-	-	-	-	-	-	-
72	Subtotal	\$ 13,619,564	13,619,564	18,730,409	18,730,409	22,737,906	22,737,906	23,878,747	23,878,747	26,996,902	26,996,902	28,068,183
73	Plus: Interest Earnings	\$ 204,293	238,342	323,500	468,260	518,354	568,448	582,708	596,969	635,946	674,923	688,314
74	Less: Interest Allocated To Cash Flow	\$ (204,293)	(238,342)	(323,500)	(468,260)	(518,354)	(568,448)	(582,708)	(596,969)	(635,946)	(674,923)	(688,314)
75	Balance At End Of Fiscal Year	\$ 13,619,564	13,619,564	18,730,409	18,730,409	22,737,906	22,737,906	23,878,747	23,878,747	26,996,902	26,996,902	28,068,183

APPENDIX G

SCHEDULE OF RATES, FEES AND CHARGES

Rates, Fees And Charges

The City uses a three-tiered fee structure based on meter size and volume allowance for water and sewer usage. The fee includes a volume allowance for residential and nonresidential water usage. Any usage over the volume allowance is billed at one rate per 1,000 gallons up to a designated level and at a second rate for usage over that level. For irrigation, there is a base service charge, with no usage allowance, and a charge per 1,000 gallons of water usage up to a designated level and a higher charge for usage over that amount. The sewer utility rate is a monthly fee based on meter size and volume allowance of domestic water with an additional charge per 1,000 gallons of water consumed over the volume allowance.

<u>Residential and Nonresidential Water Rates</u>		October 1, <u>2016</u>	October 1, <u>2017</u>	October 1, <u>2018</u>	October 1, <u>2019</u>	October 1, <u>2020</u>
<u>Size of Meter</u>						
Monthly						
Fee-	Under 1 inch	20.16	20.91	21.69	22.50	23.34
	1 inch	47.04	48.79	50.61	52.50	54.46
	1.5 inch	672.00	697.00	723.00	750.00	778.00
	2 inch	1,565.76	1,624.01	1,684.59	1,747.50	1,812.74
	3 or 2 inch manifold	2,412.48	2,502.23	2,595.57	2,692.50	2,793.02
	4 inch	4,643.52	4,816.27	4,995.93	5,182.50	5,375.98
	6 inch	11,928.00	12,371.75	12,833.25	13,312.50	13,809.50
	8 inch	20,160.00	20,910.00	21,690.00	22,500.00	23,340.00

Additional charges are assessed for 1,000 gallons of usage in excess of volume allowances.

<u>Rates for Irrigation (Lawn) Meters</u>		October 1, <u>2016</u>	October 1, <u>2017</u>	October 1, <u>2018</u>	October 1, <u>2019</u>	October 1, <u>2020</u>
<u>Size of Meter</u>						
Base service						
charge-	Under 1 inch	7.19	7.46	7.74	8.03	8.33
	1 inch	21.58	22.39	23.23	24.10	25.00
	1.5 inch	107.97	112.02	116.22	120.58	125.10
	2 inch	302.32	313.65	325.42	337.62	350.28
	3 or 2 inch manifold	597.42	619.83	643.07	667.19	692.21
	4 inch	1,151.67	1,194.85	1,239.66	1,286.15	1,334.38
	6 inch	3,476.61	3,606.98	3,742.25	3,882.58	4,028.18

Sewer Rates

October 1, October 1, October 1, October 1, October 1,
2016 2017 2018 2019 2020

Size of Meter

Base monthly

charge- Under 1 inch	27.75	28.80	29.88	31.02	32.16
1 inch	64.75	67.20	69.72	72.38	75.04
1.5 inch	925.00	960.00	996.00	1,034.00	1,072.00
2 inch	2,155.25	2,236.80	2,320.68	2,409.22	2,497.76
3 or 2 inch manifold	3,320.75	3,446.40	3,575.64	3,712.06	3,848.48
4 inch	6,391.75	6,633.60	6,882.36	7,144.94	7,407.52
6 inch	16,418.75	17,040.00	17,679.00	18,353.50	19,028.00
8 inch	27,750.00	28,800.00	29,880.00	31,020.00	32,160.00
Per 1,000 gallons of water	9.25	9.60	9.96	10.34	10.72
used over the volume					
allowances					