

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Note I – Summary of Significant Accounting Policies

The City of Clearwater, Florida (the City) was incorporated in 1923 per Chapter 9710, Special Laws of Florida, 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 110,000 and is located in the four-county Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA), which has an estimated population of 2,735,000.

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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the enterprise fund types in accordance with GASB Statement Number 20. 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.

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, 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 Number 14, as amended by GASB Statement No. 39, 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 Resolution 81-68, although it is legally separate, is reported as if it were part of the City (blended component unit) due to the City Council serving as the governing board of 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 September 30, 2009, 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 2009) 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, 2009, 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 sole 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 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, and thereafter amended and restated by the Second Amended and Restated Interlocal Agreement, dated July

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

27, 1999, (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, 2009, FGU has 23 members. Separate audited financial statements of FGU as of September 30, 2009, are available from FGU.

B. Basic Financial Statements Under the New Financial Reporting Model

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

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents information on all of the assets and liabilities of the City. The difference between assets and liabilities is reported as net assets. Changes in net assets 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 quasi-external charges between enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. 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.

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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

The City reports the following major proprietary 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 service of the City from charges made to the users of the service.

The Solid Waste Utility enterprise fund is used to account for the financing, construction, operation, and maintenance of the solid waste service of the City from charges made to the users of the service.

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, graphics, 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 Firefighter's 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.

When both restricted and nonrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as needed.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 33, have been met, and funds are available from the grantor agency or government.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Property taxes, franchise taxes, 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.

D. Assets, Liabilities, and Net Assets or Equity

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 fed funds rate was 0.25% at September 30, 2009. This account is collateralized through the State of Florida Public Deposits Program.

Under City Charter and the current Investment Policy, adopted by the City Council on September 7, 1995, consolidated cash pool investments are limited to the following: United States Government Securities, Certificates of Deposit in Local Banks, Repurchase Agreements, Savings Accounts in Local Banks, Federal Government Agency Securities, Municipal Bonds issued by governmental entities within the state of Florida (other than City of Clearwater issues), and State of Florida Bonds.

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 laddered 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, 2009, the performance measure weighted average was 1.09%. The actual pooled cash earnings performance before bank charges was 3.43%.

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.

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".

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable less than 60 days are included in the trade accounts receivable allowance for uncollectibles at the five-year average loss experience rate of 2.99%. Trade accounts receivable in excess of 60 days are reserved at 40%. The property tax receivable allowance for uncollectibles 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 2008 thru 2004), and 100% of the receivable attributable to fiscal years 2003 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 NCGA Interpretation No. 3. Property taxes for the following fiscal year are levied by 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 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. The tax rate of 4.7254 mills for the year ended September 30, 2009, reflects a 1.0% increase from the prior year millage rate of 4.6777.

3. Inventories and prepaid items

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 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.

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 Utility restricted customer deposits; and assets of the Water & Sewer Utility, Gas Utility, Stormwater Utility, and Parking System 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.

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) and an estimated useful life in excess of five years. 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, if the estimated average useful life of the individual asset is five years or more. Additionally, higher thresholds for capitalization apply to the following categories: land

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

improvements, \$50,000; buildings, building improvements, and utility systems, \$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 market 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 \$10,936,178. Of this amount, \$454,455, \$50,368, and \$108,135 were included as part of the cost of capital assets under construction in connection with water & sewer, gas, and stormwater system projects, respectively. These interest expense amounts were netted against related project interest earnings of (\$541,978), \$-0-, and (\$53,909), respectively, to arrive at net capitalized interest of (\$87,523), \$50,368, and \$54,226 for water & sewer, gas, and stormwater system projects, respectively.

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

<u>Assets</u>	<u>Years</u>
Buildings & building improvements	10-40
Public domain infrastructure	20-40
Utility systems	18-40
Machinery & equipment	5-15
Vehicles	5-10

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.

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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Note II – Stewardship, Compliance, and Accountability

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 in capital expenditures, transfers, 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. Except for the treatment of encumbrances, the CRA Fund Budget is adopted on a basis consistent with GAAP, and all non-encumbered 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 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

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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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.

At year-end, the government's cash and investment balances were as follows, excluding pension plan investments and investments held under Bond Trust Indenture Agreements:

<u>Pooled 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 on hand	\$ 649,364		n/a	n/a
Cash in bank	10,677,424		n/a	n/a
Commercial paper	-			
Total cash and cash equivalents	\$ 28,995,295	8.4%	n/a	n/a
<u>Investments:</u>				
Treasuries	20,213,360	5.8%	1.31	n/a
Treasury zeroes	3,022,617	0.9%	0.50	n/a
U.S. Agencies				
Government National Mortgage Assn (GNMA)	31,955,271	9.2%	2.37	Aaa
Federal Farm Credit Bank (FFCB)	18,572,146	5.4%	4.02	Aaa
Federal Home Loan Bank (FHLB)	56,627,388	16.4%	1.96	Aaa
Federal Home Loan Mortgage Assn (FHLMC)	40,740,589	11.8%	3.49	Aaa
Federal Home Loan Mortgage Assn Zeroes	-	0.0%		Aaa
Financing Corporation (FICO)	-	0.0%	0.00	Aaa
Federal National Mortgage Assn (FNMA)	54,651,830	15.8%	4.91	Aaa
Federal National Mortgage Assn (FNMA) Zeroes	-		0.00	Aaa
Federal National Mortgage Assn (FNMA) Zeroes	-		0.00	Aa-
Dept of Housing and Urban Development (HUD)	14,901,632	4.3%	3.84	Aaa
Student Loan Marketing Association (SLMA)	5,371,372	1.6%	2.66	Aaa
Student Loan Marketing Association (SLMA)	-	0.0%		A
Student Loan Marketing Association (SLMA)	6,596,186	1.9%	5.43	Baa1
Other Government Sponsored Agencies	17,308,273	5.0%	3.24	Aaa
Other Government Sponsored Agencies - Zeroes	23,667,823	6.8%	4.59	Aaa
Municipal bonds	8,121,389	2.3%	3.06	Aa2/Aa3
Municipal bonds	1,961,859	0.6%	0.90	Baa1/W/R
Collateralized mortgage obligations	<u>13,423,958</u>	3.9%	3.02	Aaa
Total investments	<u>317,135,693</u>			
Total pooled cash and investments	<u>\$ 346,130,988</u>	100.0%	3.28	

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Cash and investments as of September 30, 2009 are classified in the accompanying financial statements as follows:

<u>Statement of net assets</u>	<u>09/30/09</u>
Primary Government:	
Cash and investments	\$ 241,601,861
Restricted cash and investments	99,558,237
Fiduciary Funds:	
Cash and investments-pension funds	4,545,961
Cash and investments-agency fund	424,929
Total cash and investments per CAFR	\$ 346,130,988

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 policy requires that the weighted average maturity be 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 four 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.

Bond Trust Indenture Agreement / Debt Service Investments

The City invests in certain prescribed investments per the terms of revenue bond trust indenture agreements. As of September 30, 2009, these consisted of:

<u>Bond Trust Indenture Debt Service Investments</u>	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted avg maturity (years)</u>	<u>Moody's Rating</u>
<u>Investments:</u>				
Commercial paper	\$ 888,514	100.0%	0.15	A1
Total investments	888,514			
Total pooled cash and investments	\$ 888,514			

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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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>	Carrying <u>Amount</u>	% of <u>Portfolio</u>	Weighted avg <u>maturity (years)</u>	Moody's <u>Rating</u>
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents - pooled cash	\$ 2,001,423	0.4%	n/a	n/a
Cash in managed investment accounts	<u>32,108,945</u>	5.9%	n/a	n/a
Total cash and cash equivalents	<u>34,110,368</u>			
<u>Investments:</u>				
Treasuries	14,026,557	2.6%	7.4	n/a
Treasuries - strips	334,231	0.1%	15.1	n/a
Treasuries - index linked	3,066,173	0.6%	9.5	n/a
Government bonds	2,405,640	0.4%	24.1	Baa1
U.S. agencies	5,593,040	1.0%	18.6	Aaa
U.S. agencies	1,348,270	0.2%		Aa2
U.S. agencies	109,151	0.0%		Baa1
Domestic corporate bonds	7,074,167	1.3%	11.3	Aa1/Aa2/Aa3
Domestic corporate bonds	22,840,038	4.2%		A1/A2/A3
Domestic corporate bonds	27,451,955	5.0%		Baa1/Baa2/Baa3
Domestic corporate bonds	3,019,045	0.6%		Ba1 Ba2 Ba3
Domestic corporate bonds	721,020	0.1%		B3
Domestic corporate bonds	3,855,495	0.7%		C CA Caa1 Ca2
Domestic corporate bonds	72,509	0.01%		D
International equity securities	68,520,040	12.50%	n/a	n/a
Domestic stocks	230,595,726	42.1%	n/a	n/a
Mortgage backed bonds	63,235,271	11.5%	23.2	Aaa
Commodity exchange traded notes	563,473	0.1%	n/a	n/a
Domestic equity mutual funds	35,416,923	6.5%	n/a	n/a
Other/rights/warrants	94,393	0.0%	n/a	n/a
International equity mutual funds	<u>23,743,278</u>	4.3%	n/a	n/a
Total investments	<u>514,086,395</u>			
Total managed cash and investments	<u>\$ 548,196,763</u>	100.0%		

* See pooled cash note disclosure above

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, 2009, the Plan had \$7,668,069 invested in domestic corporate bonds that had fallen below investment grade as the result of investment downgrades, as indicated on the table above. 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 individual manager guidelines.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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.

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>
Common stock	Euro	\$ 24,890,430
Common stock	Japanese Yen	9,665,047
Common stock	Hong Kong Dollar	6,031,127
Common stock	Chinese Yan Renminibi	5,684,872
Common stock	Brazil Real	5,105,755
Common stock	Taiwan Dollars	4,390,206
Common stock	Mexico Pesos	4,035,339
Common stock	South Korea Won	3,787,345
Common stock	India Rupee	3,623,553
Common stock	British Pound	3,454,221
Common stock	South Africa Rand	2,935,363
Common stock	Australian Dollar	2,460,616
Common stock	Russian Ruble	2,030,470
Common stock	Swedish Krona	1,946,955
Common stock	Israel Shekel	1,940,557
Common stock	Thailand Bath	1,637,318
Common stock	Indonesia Rupiah	1,268,877
Common stock	Singapore Dollar	1,189,546
Common stock	Chile Peso	1,106,893
Common stock	Turkey Liras	807,271
Common stock	Malaysia Ringgit	759,785
Common stock	Poland Zloty	712,298
Common stock	Norwegian Krone	622,091
Common stock	Czeck Rep Koruna	455,724
Common stock	Swiss Franc	366,851
Common stock	Peru nuevo sol	363,344
Common stock	Saudi Arabia	349,155
Common stock	Danish Krone	243,728
Common stock	Various Others	350,308
Total		<u>\$ 92,215,046</u>

Firefighter’s Relief and Pension Plan

At year-end, the Firefighter’s Relief and Pension Plan cash and investment balances were as follows:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

	Carrying Amount	% of Portfolio	Weighted avg maturity (years)	Moody's Rating
<u>Cash and cash equivalents:</u>				
Cash and cash equivalents	\$ 2,526,363	35.0%	n/a	n/a
Total cash and cash equivalents	<u>2,526,363</u>			
<u>Investments:</u>				
U.S. agency - Federal Nat'l Mortgage Assn. (FNMA)	3,672,206	50.8%	9.87	Aaa
U.S. agency - Federal Agricultural Mortgage Corp. (FAMCA)	<u>1,027,995</u>	14.2%	0.55	Aaa
Total investments	<u>4,700,201</u>			
Total managed cash and investments	<u>\$ 7,226,564</u>	100.0%		

Interest Rate Risk – Firefighter’s Relief and Pension Plan:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Firefighter’s 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 – Firefighter’s Relief and Pension Plan:

The Firefighter’s 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 – Firefighter’s Relief and Pension Plan:

The Firefighter’s 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 – Firefighter’s Relief and Pension Plan:

The Firefighter’s Relief and Pension Plan investment policy does not permit investment in foreign fixed income or equity securities.

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	\$ 18,175	0.1%	n/a	n/a
Cash in managed investment accounts	220,054	1.6%	n/a	n/a
Total cash and cash equivalents	<u>238,229</u>		n/a	n/a
<u>Investments:</u>				
Treasuries	3,104,404	23.0%	6.97	n/a
U.S. agencies	794,454	5.9%	3.55	Aaa
Domestic corporate bonds	309,613	2.3%	5.77	Aa1/Aa2/Aa3
Domestic corporate bonds	842,367	6.3%		A1/A2/A3
Domestic corporate bonds	15,286	0.1%	n/a	Baa1
Domestic stocks	6,787,319	50.3%	n/a	n/a
Mortgage backed bonds	31,381	0.2%	31.33	Aaa
International equity securities	1,359,061	10.1%	n/a	n/a
Total investments	<u>13,243,885</u>			
Total managed cash and investments	<u>\$ 13,482,114</u>	100.0%		

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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 Lehman Brothers Government/Corporate Bond index. Additionally, no issues, Treasury, or Corporate Bonds may be purchased with maturities in excess of 15 years.

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 one of the national or international stock exchanges. Additionally, fixed income security investments are limited to “A” rated or higher corporate bonds, debentures, and preferred stocks; corporate debt provided the corporation meets the standards set forth in section 185.06(1)(b), Florida Statutes; and U.S. Government and agency obligations. Finally, the investment policy requires that investment managers dispose of any issue that has been downgraded below “A” 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 investment in common stock or capital stock of any one issuing company to 5% of the outstanding capital stock of the company. Additionally, the policy limits any one-industry position to no more than 25% of the equity portfolio.

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 no more than 20% of the plan assets invested in international equities. Investment in fixed income foreign investments is not permitted per the investment policy. The Plan has no current exposure to foreign currency risk.

Firefighters Supplemental Pension Plan

At year-end, the Firefighters Supplemental 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 in managed investment accounts	\$ 113,270	1.3%	n/a	n/a
Total cash and cash equivalents	<u>113,270</u>			
<u>Investments:</u>				
Treasuries	1,069,345	12.6%	8.36	n/a
U.S. agencies	325,390	3.8%	2.16	Aaa
Domestic corporate bonds	80,297	0.9%	3.78	Aa1/Aa2/Aa3
Domestic corporate bonds	481,101	5.7%		A1/A2/A3
Domestic corporate bonds	405,886	4.8%		Baa1/Baa2/Baa3
Domestic corporate bonds floating rate	17,600	0.2%	17.95	Ba3
Domestic corporate bonds floating rate	21,627	0.3%	4.37	Baa1/Baa2/Baa3
Foreign bonds	5,341	0.1%	8.46	Baa1/Baa2/Baa3
Domestic stocks	1,770,556	20.9%	n/a	n/a
Equity mutual funds	342,255	4.0%	n/a	n/a
EAFE mutual funds	2,298,783	27.1%	n/a	n/a
Mortgage/Asset backed bonds	1,550,127	18.3%	23.87	Aaa
Total investments	<u>8,368,308</u>			
Total managed cash and investments	<u>\$ 8,481,578</u>	100.0%		

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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 135% of the duration of the Merrill Lynch Master 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. Additionally, investments in corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio. An additional investment policy restriction is that investment in equity securities whose market capitalization is less than \$2 billion dollars shall be limited to 25% of the total equity portfolio. Additionally, fixed income corporate security investments are limited to “Baa” rated (per Moody’s) or higher corporate bonds (investment grade). Finally, collateralized mortgage obligations must be backed by a federal agency (i.e. GNMA, FHLMC, or FNMA) or rated Aaa by Moody’s, and must pass the FFIEC High Risk Security Test on an annual basis.

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 10% of a fixed income investment manager’s portfolio may be invested in the securities of any single corporate issuer per the plan investment policy. Finally, investments in collateralized mortgage obligations are limited to 15% 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 investment policy does not have a formal policy to limit foreign currency risk, other than a guideline of no more than 10% of the plan assets invested in international equities.

B. Receivables

Receivables as of year-end for the City’s governmental, proprietary, internal service, and fiduciary funds, including the applicable allowances for uncollectible accounts for the proprietary funds, are segregated on the fund financial statements. The Mortgages, Notes, and Other Loans amount of \$13,316,403 reported on the Governmental Funds balance sheet includes \$13,223,495 of long-term loans receivable that are not expected to be collected within the next fiscal year.

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:

	<u>Taxes</u>	<u>Interest</u>	<u>Accounts</u>	<u>Notes</u>	<u>Other</u>	<u>Total</u>
General fund	\$ 294,620	\$ 247,524	\$ 206,306	\$ -	\$ 1,928,393	\$ 2,676,843
Special Development	19,830	323,637	-	-	-	343,467
Capital Improvement	-	2,070	-	-	-	2,070
Non-major governmental funds	-	140,421	-	13,316,403	59,945	13,516,769
Internal service funds	-	374,228	-	-	-	374,228
Total governmental activities	<u>\$ 314,450</u>	<u>\$ 1,087,880</u>	<u>\$ 206,306</u>	<u>\$ 13,316,403</u>	<u>\$ 1,988,338</u>	<u>\$ 16,913,377</u>
Water and Sewer Utility	\$ -	\$ 486,421	\$ 4,781,560	\$ -	\$ 75,895	\$ 5,343,876
Gas Utility	-	126,598	2,288,735	-	-	2,415,333
Solid Waste Utility	-	108,229	1,580,559	-	-	1,688,788
Stormwater Utility	-	99,995	1,896,647	-	-	1,996,642
Non-major enterprise funds	-	226,351	202,376	-	-	428,727
Total business-type	<u>\$ -</u>	<u>\$ 1,047,594</u>	<u>\$ 10,749,877</u>	<u>\$ -</u>	<u>\$ 75,895</u>	<u>\$ 11,873,366</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

C. Capital assets

Capital asset activity for the year ended September 30, 2009:

	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 71,018,184	\$ 8,397,713	\$ 124,500	\$ -	\$ 79,291,397
Construction in progress	31,054,974	7,276,437	24,822,090	-	13,509,321
Total non-depreciable capital assets	<u>102,073,158</u>	<u>15,674,150</u>	<u>24,946,590</u>	<u>-</u>	<u>92,800,718</u>
Depreciable capital assets:					
Buildings	109,472,999	4,521,205	-	-	113,994,204
Improvements other than buildings	20,872,541	1,159,700	204	2,332,800	24,364,837
Machinery and equipment	70,714,624	4,782,816	3,730,194	-	71,767,246
Infrastructure	108,253,861	25,172,619	-	-	133,426,480
Total depreciable capital assets	<u>309,314,025</u>	<u>35,636,340</u>	<u>3,730,398</u>	<u>2,332,800</u>	<u>343,552,767</u>
Less accumulated depreciation for:					
Buildings	(28,456,702)	(3,594,996)	-	-	(32,051,698)
Improvements other than buildings	(8,984,746)	(1,157,495)	(204)	(93,312)	(10,235,349)
Machinery and equipment	(48,055,332)	(6,331,625)	(3,299,636)	-	(51,087,321)
Infrastructure	(58,899,423)	(3,367,549)	-	-	(62,266,972)
Total accumulated depreciation	<u>(144,396,203)</u>	<u>(14,451,665)</u>	<u>(3,299,840)</u>	<u>(93,312)</u>	<u>(155,641,340)</u>
Net depreciable capital assets	<u>164,917,822</u>	<u>21,184,675</u>	<u>430,558</u>	<u>2,239,488</u>	<u>187,911,427</u>
Net governmental activities capital assets	<u>\$ 266,990,980</u>	<u>\$ 36,858,825</u>	<u>\$ 25,377,148</u>	<u>\$ 2,239,488</u>	<u>\$ 280,712,145</u>

	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 29,186,598	\$ 2,125,415	\$ 1	\$ -	\$ 31,312,012
Construction in progress	16,862,765	13,269,855	13,284,472	-	16,848,148
Total non-depreciable capital assets	<u>46,049,363</u>	<u>15,395,270</u>	<u>13,284,473</u>	<u>-</u>	<u>48,160,160</u>
Depreciable capital assets:					
Buildings	23,735,580	1,262,965	-	-	24,998,545
Improvements other than buildings	455,200,665	20,014,632	39,663	(2,332,800)	472,842,834
Machinery and equipment	9,423,331	508,350	286,057	26,201	9,671,825
Total depreciable capital assets	<u>488,359,576</u>	<u>21,785,947</u>	<u>325,720</u>	<u>(2,306,599)</u>	<u>507,513,204</u>
Less accumulated depreciation for:					
Buildings	(10,817,583)	(872,110)	-	-	(11,689,693)
Improvements other than buildings	(160,161,519)	(15,486,493)	-	93,312	(175,554,700)
Machinery and equipment	(6,296,885)	(827,313)	(250,066)	(26,201)	(6,900,333)
Total accumulated depreciation	<u>(177,275,987)</u>	<u>(17,185,916)</u>	<u>(250,066)</u>	<u>67,111</u>	<u>(194,144,726)</u>
Net depreciable capital assets	<u>311,083,589</u>	<u>4,600,031</u>	<u>75,654</u>	<u>(2,239,488)</u>	<u>313,368,478</u>
Net business-type activities capital assets	<u>\$ 357,132,952</u>	<u>\$ 19,995,301</u>	<u>\$ 13,360,127</u>	<u>\$ (2,239,488)</u>	<u>\$ 361,528,638</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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

Governmental activities:

General government	\$	716,605
Public safety		1,715,102
Physical environment		190,964
Transportation, including depreciation of general infrastructure assets		3,345,879
Culture and recreation		3,632,226
Capital assets held by the government's governmental internal service funds are charged to the various functions based on their usage of the assets		4,850,889
Total depreciation expense - governmental activities	\$	14,451,665

Business-type activities:

Water and sewer utility	\$	11,593,194
Gas utility		1,797,396
Solid waste utility		256,589
Stormwater utility		2,228,314
Recycling utility		198,201
Marine operations		116,266
Aviation operations		196,872
Parking system operations		251,692
Harborview Center operations		547,392
Total depreciation expense - business-type activities	\$	17,185,916

Construction commitments

At September 30, 2009, material outstanding construction commitments were as follows:

<u>Project</u>	<u>Fund</u>	<u>Construction Commitments Outstanding</u>
Reclaimed Water Distribution System	Water & Sewer Utility enterprise fund	\$ 12,256,559
Downtown Boat Slips	Downtown Boat Slips enterprise fund	5,777,357
Reverse Osmosis Plant Expansion - Reservoir #1	Water & Sewer Utility enterprise fund	2,184,382
Wastewater Treatment Plan Aeration Improvements	Water & Sewer Utility enterprise fund	2,099,315
Wellfield Expansion	Water & Sewer Utility enterprise fund	1,868,874
Streets and Sidewalks Maintenance	Capital Improvement capital projects fund	1,443,718
Alligator Creek Channel F Drainage	Stormwater Utility enterprise fund	1,384,548
Lake Bellevue Stormwater Improvements	Stormwater Utility enterprise fund	927,711
Beach Connector Trail	Capital Improvement capital projects fund	904,943
Traffic Calming	Capital Improvement capital projects fund	772,754
Carpenter Complex Clubhouse Renovations	Capital Improvement capital projects fund	537,103
Total Construction Commitments		\$ 30,157,264

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

D. Interfund receivables, payables, and transfers

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, 2009, 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.

The amounts of the reclassified cash pool deficits, if any, as well as other individual fund interfund payable and receivable balances (current), at September 30, 2009, were as follows:

Fund	Due from Other Funds		Due to Other Funds	
	Deficit in Pooled Cash	Other Receivables	Deficit in Pooled Cash	Other Payables
Debt Service Fund:				
Notes and Mortgages	\$ -	\$ -	\$ 24,565	\$ -
Capital Project Fund:				
Capital Improvement	24,565	-	-	-
Enterprise Fund:				
Airpark Operations	-	-	-	20,271
Internal Service Funds:				
Administrative Services	-	-	-	91,654
Central Insurance	-	111,925	-	-
	<u>\$ 24,565</u>	<u>\$ 111,925</u>	<u>\$ 24,565</u>	<u>\$ 111,925</u>

Individual interfund advances (long-term) at September 30, 2009, follow:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 2,000,000	\$ -
Special Revenue Funds:		
Special Programs	700,000	-
Community Redevelopment Agency	-	700,000
Enterprise Funds:		
Airpark Operations	-	81,086
Parking System	-	4,000,000
Internal Service Funds:		
Administrative Services	-	641,574
Central Insurance	2,722,660	-
	<u>\$ 5,422,660</u>	<u>\$ 5,422,660</u>

Descriptions of long-term interfund loans as of September 30, 2009:

Two interfund loans from the Special Programs special revenue fund to the Community Redevelopment Agency special revenue fund in the amount of \$350,000 each, related to the purchase, remediation, and development of downtown parcels.

An internal five-year loan from the Central Insurance Fund to the Airpark 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 30th of the year that construction is completed, currently estimated to be September 30, 2010.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Internal loans of \$2,000,000 each from the General Fund and the Central Insurance Fund, at the cash-pool rate, to the Parking Fund to fund a contingency for construction of a beach parking garage. The loans commenced September 30, 2002, per contingency conditions of a development agreement. The contingency is no longer required per the terms of the development agreement, but the monies remain in the Parking Fund to potentially fund construction or acquisition of a beach parking garage.

An internal ten-year loan from the Central Insurance Fund to the Administrative Services Fund for the 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.

2. Interfund transfers

Interfund transfers for the year ended September 30, 2009, consisted of the following:

Transfers to General Fund from:	
Capital Improvements Fund	\$ 45,293
Water & Sewer Utility Enterprise Fund	2,760,380
Gas Utility Enterprise Fund	1,837,820
Solid Waste Utility Enterprise Fund	940,420
Stormwater Utility Enterprise Fund	651,740
Nonmajor governmental funds	1,487,228
Nonmajor enterprise funds	988,131
Total	<u>8,711,012</u>
Transfers to Special Development Fund from:	
Capital Improvements Fund	45,563
Total	<u>45,563</u>
Transfers to Capital Improvements Fund from:	
General Fund	5,062,104
Special Development Fund	9,886,135
Nonmajor governmental funds	30,000
Internal service funds	397,507
Total	<u>15,375,746</u>
Transfers to Nonmajor governmental funds from:	
General Fund	4,730,344
Special Development Fund	6,704,321
Water & Sewer Utility Enterprise Fund	123,000
Gas Utility Enterprise Fund	187,000
Solid Waste Utility Enterprise Fund	51,000
Stormwater Utility Enterprise Fund	47,000
Nonmajor governmental funds	1,696,002
Internal service funds	1,281,000
Total	<u>14,819,667</u>
Transfers to Gas Utility Enterprise Fund from:	
General Fund	200,000
Total	<u>200,000</u>
Transfers to Nonmajor enterprise funds from:	
General Fund	570,170
Capital Improvements Fund	615,235
Internal service funds	9,171,561
Total	<u>10,356,966</u>
Transfers to Internal service funds from:	
General Fund	104,833
Capital Improvements Fund	130,688
Gas Utility Enterprise Fund	12,473
Internal service funds	6,346
Total	<u>254,340</u>
Total interfund transfers	<u>\$ 49,763,294</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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.

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, 2009:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment	\$ 19,648,872	\$ 1,830,574
Less: Accumulated Depreciation	<u>(8,550,162)</u>	<u>(1,048,253)</u>
Total	<u>\$ 11,098,710</u>	<u>\$ 782,321</u>

The future minimum lease payments under capital lease purchase agreements are as follows as of September 30, 2009:

<u>Year Ending Sept. 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2010	\$ 3,828,240	\$ 320,775
2011	2,852,231	175,911
2012	1,732,596	102,562
2013	963,834	71,174
2014	374,884	25,815
2015	<u>34,676</u>	<u>-</u>
	9,786,461	696,237
Deduction of the amount of imputed interest necessary to reduce net minimum lease payments to present value	<u>(556,454)</u>	<u>(36,019)</u>
	<u>\$ 9,230,007</u>	<u>\$ 660,218</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, 2009, totaled \$500,580.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

F. Long-term debt

1. Revenue Bonds

<p>\$46,445,000 Infrastructure Sales Tax Revenue Bonds, Series 2001; issued for the acquisition, construction, or reconstruction of certain capital improvements to the City, including, but not limited to, a portion of the costs of constructing various capital improvements relating to road and bridge projects and a new main library; with \$6,620,000 of principal due December 1, 2009; interest at 4.00%.</p>	<p>\$ 6,620,000</p>
<p>\$11,470,000 Improvement Revenue Refunding Bonds, Series 2001; issued to provide a portion of the funds necessary to defease the City's Florida Public Service Tax and Bridge Revenue Bonds; serial bonds due in annual installments of \$355,000 due February 1, 2010, to \$450,000 due February 1, 2016; interest at 3.85% to 4.60%; 5.25% term bonds in the amount of \$3,240,000 due February 1, 2022; and 5.00% term bonds in the amount of \$2,850,000 due February 1, 2026.</p>	<p>8,895,000</p>
<p>\$14,810,000 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 \$530,000 due March 1, 2010, to \$295,000 due March 1, 2022, with a maximum principal of \$845,000 due March 1, 2021; interest at 3.375% 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.</p>	<p>11,740,000</p>
<p>\$12,900,000 Improvement Revenue Bonds, Series 2008; issued to provide a portion of the funds necessary to construct a downtown boat slip marina and the Beachwalk project; serial bonds due in annual installments of \$125,000 due August 1, 2010, to \$1,005,000 due August 1, 2028; interest at 4.66%. Bonds outstanding as of September 30, 2009, totaling \$9,135,000 are reported in the Downtown Boat Slips enterprise fund for financing of the boat slip marina construction.</p>	<p><u>3,650,000</u></p>
<p>Total revenue bonds for governmental activities</p>	<p><u>30,905,000</u></p>
<p>\$58,680,000 Water and Sewer Revenue Bonds, Series 2002; issued to pay for costs of expansions to the City's water and sewer system; serial bonds due in annual installments of \$1,255,000 due December 1, 2009, to \$2,420,000 due December 1, 2024, interest at 3.75% to 5.00%; 5.00% term bonds in the amount of \$11,050,000 due December 1, 2028; and 5.00% term bonds in the amount of \$13,665,000 due December 1, 2032.</p>	<p>52,360,000</p>
<p>\$8,410,000 Water and Sewer Revenue Refunding Bonds, Series 2003; issued to advance refund the City's Water and Sewer Refunding Revenue Bonds, Series 1993; serial bonds due in annual installments of \$190,000 at December 1, 2009, to \$260,000 due December 1, 2018, interest at 2.50% to 4.00%.</p>	<p>2,210,000</p>
<p>\$26,430,000 Water and Sewer Revenue Bonds, Series 2006; 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 \$1,410,000 at December 1, 2019, to \$2,070,000 due December 1, 2028, interest at 4.25% to 4.50%; 4.50% term bonds in the amount of \$4,410,000 due December 1, 2030; and 4.625% term bonds in the amount of \$4,795,000 due December 1, 2032.</p>	<p>26,430,000</p>
<p>\$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.</p>	<p>67,715,000</p>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

<p>\$41,700,000 Water and Sewer Revenue Refunding Bonds, Series 2009B; issued to advance refund the City's Water and Sewer Refunding Revenue Bonds, Series 1998; serial bonds due in annual installments of \$3,240,000 at December 1, 2009, to \$5,150,000 due December 1, 2018, interest at 4.00% to 5.00%.</p>	41,700,000
<p>\$8,890,000 Gas System Revenue Refunding Bonds, Series 2004; issued to advance refund the City's Gas System Revenue Bonds, Series 1996A; serial bonds due in annual installments of \$180,000 due September 1, 2010, to \$1,575,000 due September 1, 2026, interest at 2.50% to 4.375%.</p>	8,025,000
<p>\$7,195,000 Gas System Revenue Refunding Bonds, Series 2005; issued to partially advance refund the City's Gas System Revenue Refunding Bonds, Series 1997A and Series 1997B; serial bonds due in annual installments of \$225,000 due September 1, 2010, to \$325,000 due September 1, 2025, interest at 3.25% to 4.375%; and 4.375% term bonds in the amount of \$2,400,000 maturing on September 1, 2027.</p>	6,485,000
<p>\$3,700,000 Gas System Revenue Refunding Bonds, Series 2007; issued together with other funds of the City 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, 2010, through September 1, 2017; interest at 4.00%.</p>	2,960,000
<p>\$24,685,000 Stormwater Revenue Bonds, Series 2002; issued to finance the costs of capital improvements to the City's stormwater management system; serial bonds due in annual installments of \$515,000 due November 1, 2009, to \$965,000 due November 1, 2023, interest at 3.125% to 4.75%; and 4.75% term bonds in the amounts of \$3,205,000, \$5,115,000, and \$2,985,000, due November 1, 2026, 2030, and 2032, respectively.</p>	21,900,000
<p>\$14,430,000 Stormwater System Revenue Bonds, Series 2004; issued to finance the costs of capital improvements to the City's stormwater management system; serial bonds due in annual installments of \$345,000 due November 1, 2009, to \$865,000 due November 1, 2032, interest at 2.625% to 4.75%.</p>	13,110,000
<p>\$6,925,000 Stormwater System Revenue Refunding Bonds, Series 2005; issued to partially advance refund the Stormwater Revenue Bonds, Series 1999; serial bonds due in annual installments of \$220,000 due November 1, 2009, to \$470,000 due November 1, 2029, interest at 3.00% to 4.50%.</p>	6,770,000
<p>\$12,900,000 Improvement Revenue Bonds, Series 2008; issued to provide a portion of the funds necessary to construct a downtown boat slip marina and the Beachwalk project; serial bonds due in annual installments of \$125,000 due August 1, 2010, to \$1,005,000 due August 1, 2028; interest at 4.66%. Bonds outstanding as of September 30, 2009, totaling \$3,650,000 have been allocated to the general government activities for the Beachwalk project per above.</p>	9,135,000
<p>Total revenue bonds for business-type activities</p>	<u>258,800,000</u>
<p>Total revenue bonds</p>	<p><u>\$ 289,705,000</u></p>

2. Restrictive covenants and collateral requirements

The Infrastructure Sales Tax Revenue Bonds are limited obligations of the City payable solely from and secured by a lien upon and a pledge of the City's share of the proceeds derived by Pinellas County from the levy and collection of the one-cent discretionary infrastructure sales tax pursuant to Section 212.055(2), Florida Statutes, as amended (the Sales Tax Revenues) and, until applied in accordance with the provisions of the Ordinance, all moneys, including investments thereof, in the funds and accounts established by the Ordinance, other than the Rebate Fund (collectively the "Pledged Revenues"). The pledge of the Sales Tax Revenues does not constitute a lien upon any property of the City. The covenants of the ordinance authorizing the bonds include, among other things, an obligation of the City to do all things necessary on its part

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

to continue the levy and collection of the Sales Tax Revenues at the maximum rate permitted by and in compliance with Chapter 166, Part II, Florida Statutes, as amended, Chapter 212, Part I, Florida Statutes, as amended, and other applicable provisions of law (the "Act"), and any successor provision of the law. The City further covenants to proceed diligently to perform legally and effectively all steps required on its part in the levy and collection of the Sales Tax Revenues and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

The Improvement Revenue Refunding Bonds, Series 2001 and the Improvement Revenue Bonds, Series 2008 are limited obligations of the City payable solely from and secured by a lien upon and a pledge of the Public Service Tax as authorized by Section 166.231, Florida Statutes, as amended. The pledge of the Public Service Tax does not constitute a lien upon any property of the City. The covenants of the ordinance authorizing the bonds include, among other things, an obligation of the City to do all things necessary on its part to continue the levy and collection of the Public Service Tax at the rate permitted by and in compliance with Section 166.231, Florida Statutes, and Article III, Chapter 44, Code of Ordinances of the Issuer, and any successor provision of law. The Public Service tax is a revenue of the General Fund.

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 2002; the Water and Sewer Refunding Revenue Bonds, Series 2003; the Water and Sewer Revenue Bonds, Series 2006; the Water and Sewer Revenue Bonds, Series 2009A; and the Water and Sewer Refunding Revenue Bonds, Series 2009B 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 2004; Gas System Revenue Refunding Bonds, Series 2005; and the Gas System Revenue Refunding Bonds, Series 2007 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 System Revenue Bonds, Series 1999; Stormwater Revenue Bonds, Series 2002; Stormwater Revenue Bonds, Series 2004; and Stormwater Revenue Refunding Bonds, Series 2005 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 2002 and Series 2004 Bonds while the Series 1999 and Series 2005 Reserve Requirements have been satisfied with Reserve Fund Surety Bonds.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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

Year Ending September 30	Revenue Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 7,630,000	\$ 1,271,586	\$ 6,540,000	\$ 12,222,548
2011	1,050,000	1,100,559	7,185,000	11,894,678
2012	1,085,000	1,059,711	7,490,000	11,577,452
2013	1,130,000	1,016,340	7,825,000	11,244,182
2014	1,175,000	970,037	8,200,000	10,893,080
2015-2019	6,695,000	3,981,685	26,965,000	48,461,733
2019-2024	6,715,000	2,201,876	54,500,000	39,145,135
2025-2029	4,505,000	721,043	45,265,000	29,540,634
2030-2034	920,000	49,988	42,305,000	18,962,753
2035-2039	-	-	42,585,000	8,433,206
2040-2044	-	-	9,940,000	260,925
Totals	<u>\$ 30,905,000</u>	<u>\$ 12,372,825</u>	<u>\$ 258,800,000</u>	<u>\$ 202,636,326</u>

3. Pledged revenues

Sales Tax Pledged: The City has pledged future revenues derived from 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, to repay \$46.4 million in Infrastructure Sales Tax Revenue bonds issued in June 2001. Proceeds from the bonds providing financing for the acquisition, construction, or reconstruction of certain capital improvements to the City, including, but not limited to a portion of the costs of constructing various capital improvements relating to road and bridge projects and a new main library. The bonds are payable solely from the sales tax revenue and are payable through December 2009. 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 \$6,752,400. Principal and interest paid for the current year and total sales tax revenue were \$6,746,900 and \$8,574,091, respectively.

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 providing 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 \$17,721,680. Principal and interest paid for the current year and total revenue received were \$1,076,146 and \$1,087,654, respectively.

Public Service Tax and Communications Tax Pledged: The City has pledged future revenues derived from the collection of Public Service Tax and Communications Tax, to repay \$11.7 million in Improvement Revenue Refunding bonds issued in November 2001 and \$12.9 million in Improvement Revenue bonds issued in August 2008. Proceeds from the 2001 bonds provided a portion of the funds necessary to defease the City's outstanding Florida Public Service Tax and Bridge Revenue bonds, Series 1985 and Improvement Revenue Bonds, Series 1995. Proceeds from the 2008 bonds provided financing for the acquisition, construction, or reconstruction of certain capital improvements to the City, including a portion of the costs of constructing various capital improvements relating to the Beach Walk and Downtown Boat Slip Projects. The bonds are payable solely from the Public Service tax revenue and are payable through August 2028. Annual principal and interest payments on the bonds are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$29,641,343. Principal and interest paid for the current year and total Public Service Tax and Communication Tax revenues were \$1,475,922 and \$18,468,831, respectively.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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:

\$58.7 million in Water & Sewer Revenue bonds issued in July 2002. Proceeds from the bonds provided financing to make capital improvements and expansions 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 2032.

\$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.

\$26.4 million in Water & Sewer Revenue bonds issued in August 2006. 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 2032.

\$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.

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 \$354,058,038. Principal and interest paid for the current year and total net revenue were \$10,967,983 and \$20,647,352, respectively.

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:

\$24.7 million in Stormwater Revenue bonds issued in September 2002. Proceeds from the bonds provided financing to make capital improvements to the City's stormwater management system. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$14.4 million in Stormwater Revenue bonds issued in September 2004. Proceeds from the bonds provided financing to make capital improvements to the City's stormwater management system. The bonds are payable solely from the Stormwater Utility net revenues and are payable through November 2032.

\$6.9 million in Stormwater Revenue Refunding bonds issued in May 2005. Proceeds from the bonds provided sufficient funds to be available on November 1, 2008 to pay and redeem the City's outstanding Stormwater Revenue Bonds, Series 1999. The bonds are payable solely from the Water and Sewer 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 \$67,859,526. Principal and interest paid for the current year and total net revenue were \$2,700,340 and \$6,547,092, respectively.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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:

\$8.9 million in Gas System Revenue Refunding bonds issued in February 2004. Proceeds from the bonds provided financing to advance refund the outstanding principal of the City of Clearwater Gas System Revenue Bonds, Series 1996A. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2026.

\$7.2 million in Gas System Revenue Refunding bonds issued in June 2005. Proceeds from the bonds provided financing to advance refund the outstanding principal of the City of Clearwater Gas System Revenue Bonds, Series 1997A. The bonds are payable solely from the Gas System Utility net revenues and are payable through September 2027.

\$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.

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 \$25,396,164. Principal and interest paid for the current year and total net revenue were \$1,500,151 and \$13,179,429, respectively.

4. Advance refunding of bonds

On May 27, 2009, the City issued Water and Sewer Revenue Refunding Bonds, Series 2009B, in the amount of \$41.7 million, with the average interest rate of 4.993%, to advance refund \$45.59 million of outstanding Water and Sewer Revenue Refunding Bonds, Series 1998(Capital Appreciation Bonds), with an average interest rate of 5.096%. The bond net proceeds of \$45,042,852 (after payment of \$390,515 in underwriter fees and other issuance costs plus bond premium of \$3,733,367), and \$2,488,161 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. Subsequently the debt was called and fully redeemed during the current fiscal year.

The City completed the advance refunding to reduce its total debt service payments over the next 10 years by \$5.062 million and to obtain an economic gain (difference between the present values of the old and new debt service payments, less the cash contribution of \$4.155 million) of \$1,935,485.

In prior fiscal years, the City entered into various advance-refunding transactions related to certain of its bonded debt. A portion of the proceeds of the refunding bond issues was placed in trust and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt, of which \$6,285,000 was outstanding at September 30, 2009. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the City defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

The following schedule reflects the outstanding principal on refunded bonds as of September 30:

Business-type Activities:

Stormwater System Revenue Bonds, Series 1999	\$ 6,285,000
Total Business-type Activities	6,285,000
Total	\$ 6,285,000

5. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 38,230,000	\$ -	\$ (7,325,000)	\$ 30,905,000	\$ 7,630,000
Add (subtract) deferred amounts:					
For issuance premiums (discounts)	315,545	-	(51,593)	263,952	-
On refunding	(259,747)	-	23,165	(236,582)	-
Net revenue bonds payable	38,285,798	-	(7,353,428)	30,932,370	7,630,000
Lease purchase contracts (a)	10,560,463	2,685,068	(4,015,524)	9,230,007	3,546,301
Compensated absences	8,128,606	4,165,191	(4,709,661)	7,584,136	4,558,185
Other postemployment benefits	1,341,225	1,953,763	(477,435)	2,817,553	-
Claims payable	8,943,000	1,331,141	(2,285,141)	7,989,000	1,963,000
Governmental activity					
Long-term liabilities	\$ 67,259,092	\$ 10,135,163	\$ (18,841,189)	\$ 58,553,066	\$ 17,697,486
Business-type activities:					
Revenue bonds payable	\$ 202,495,264	\$ 110,901,777	\$ (54,597,041)	\$ 258,800,000	\$ 6,540,000
Less deferred amounts:					
For issuance premiums (discounts)	(1,275,019)	2,429,059	(135,175)	1,018,865	-
On refunding	(3,355,136)	(2,179,638)	548,910	(4,985,864)	-
Net revenue bonds payable	197,865,109	111,151,198	(54,183,306)	254,833,001	6,540,000
Lease purchase contracts	931,966	224,027	(495,775)	660,218	301,517
Compensated absences	1,937,792	1,060,082	(1,148,463)	1,849,411	1,111,525
Other postemployment benefits	454,875	675,337	(165,065)	965,147	-
Claims payable	198,187	-	(198,187)	-	-
Unearned revenue	-	187,113	-	187,113	-
Business-type activity					
Long-term liabilities	\$ 201,387,929	\$ 113,297,757	\$ (56,190,796)	\$ 258,494,890	\$ 7,953,042

(a) Governmental activities lease purchase contracts additions of \$2,685,068 includes \$2,159,834 attributable to internal service funds and \$525,234 attributable to governmental funds. The lease purchase contracts reduction of \$4,015,524 includes \$3,515,233 for internal service funds and \$500,291 for governmental funds.

G. Segment information

Generally accepted accounting principles (GAAP) require segment disclosure for nonmajor enterprise funds with revenue bonds outstanding. The following condensed statements are presented for the Downtown Boat Slips enterprise fund to satisfy this disclosure requirement:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Condensed Statement of Net Assets	Downtown Boat Slips
Assets:	
Current assets	\$ 5,973,035
Restricted assets	9,005,286
Deferred charges	38,727
Capital assets	6,882,199
Total assets	<u>21,899,247</u>
Liabilities:	
Current liabilities	1,027,544
Current liabilities payable from restricted assets	70,949
Noncurrent liabilities	
Revenue bonds	<u>9,135,000</u>
Total noncurrent liabilities	<u>9,135,000</u>
Total liabilities	<u>10,233,493</u>
Net assets:	
Invested in capital assets (net of related debt)	6,882,199
Restricted assets	382,194
Unrestricted	4,401,361
Total net assets	<u>\$ 11,665,754</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	Downtown Boat Slips	Condensed Statement of Cash Flows	Downtown Boat Slips
Operating revenues	\$ -		
Operating expenses	9,421	Net cash provided (used) by:	
Operating income (loss)	<u>(9,421)</u>	Operating activities	\$ 40,579
Nonoperating revenues (expenses):		Noncapital financing activities	9,786,796
Investment earnings	230,512	Capital and related financing activities	(5,919,595)
Amortization of bond issue costs	(461,557)	Investing activities	<u>173,272</u>
Interest expense	(4,162)		
Other	50,000	Net increase (decrease)	4,081,052
Transfers in from other funds	9,786,796	Beginning cash and cash equivalents	<u>10,833,582</u>
Change in net assets	<u>9,592,168</u>	Ending cash and cash equivalents	<u>\$ 14,914,634</u>
Beginning net assets	2,073,586		
Ending net assets	<u>\$ 11,665,754</u>		

H. Restricted assets

1. Water and Sewer Utility Fund

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

Water Improvement charges, the use of which is restricted by the authorizing ordinance to the construction of additions and improvements to the water system; assets remaining at September 30, 2009, are:

Cash and Investments \$ 1,702,816

Sewer Improvement charges, the use of which is restricted by the authorizing ordinance to the construction of additions and improvements to the sewer system; assets remaining at September 30, 2009, are:

Cash and Investments 5,827,719

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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, 2009:

Water and Sewer Revenue Bonds Debt Service:

Cash and Investments	20,557,832
----------------------	------------

Water and Sewer Revenue Bonds Renewals and Replacements:

Cash and Investments	10,525,539
Interest Receivable	106,526

Water and Sewer Revenue Bonds Construction:

Cash and Investments	40,909,209
Interest Receivable	41,930

Assets of the Water and Sewer Utility Fund consisting of amounts Due from Other Governments for advances to the Florida Department of Transportation for utility relocations related to improvements to State Road 55 (U. S. Highway 19)	4,078,199
--	-----------

Assets of the Water and Sewer Utility Fund representing Customers' Deposits and therefore restricted, consisting entirely of Cash and Investments at September 30, 2009	2,502,641
---	-----------

Total restricted assets – Water and Sewer Utility Fund	\$86,252,411
--	--------------

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, 2009:

Gas System Revenue Bonds

Debt Service:

Cash and Investments	\$ 123,306
----------------------	------------

Renewals and Replacements:

Cash and Investments	300,000
----------------------	---------

Assets of the Gas Utility Fund representing Customers' Deposits at September 30, 2009:

Cash and Investments	2,255,878
----------------------	-----------

Total restricted assets – Gas Utility Fund	\$ 2,679,184
--	--------------

3. Solid Waste Utility Fund

Restricted assets in the Solid Waste Utility Fund designated for construction represent customer deposits in the amount of \$963,339 at September 30, 2009, and consisted entirely of Cash and Investments.

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, 2009:

Stormwater Revenue Bonds – Series 2002

Debt Service: Cash and Investments	\$ 2,445,287
------------------------------------	--------------

Stormwater Revenue Bonds – Series 2004

Debt Service: Cash and Investments	1,449,324
------------------------------------	-----------

Stormwater Refunding Revenue Bonds – Series 2005

Debt Service: Cash and Investments	313,907
------------------------------------	---------

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Fees received in lieu of on-site drainage retention for new or improved businesses within the Prospect Lake Drainage District, restricted for stormwater improvements, at September 30, 2009:

Cash and Investments	490,663
----------------------	---------

Total restricted assets – Stormwater Utility Fund	\$ 4,699,181
---	--------------

5. Parking System Fund

Contributions from the Special Development Fund from developer payments in lieu of parking, restricted for downtown parking; assets remaining at September 30, 2009:

Cash and Investments	\$ 37,035
----------------------	-----------

Total restricted assets – Parking System Fund	\$ 37,035
---	-----------

6. Downtown Boat Slips Fund

Assets restricted under the provisions of the ordinances for the issuance of revenue bonds consisted of the following at September 30, 2009:

Improvement Revenue Bonds – Series 2008

Debt Service: Cash and Investments	\$ 453,142
Construction: Cash and Investments	8,552,144

Total restricted assets – Downtown Boat Slips Fund	\$ 9,005,286
--	--------------

Note IV - Other Information

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 \$500,000. The property damage excess coverage is \$50,000,000 with a \$300,000 (\$500,000 or 5%, whichever is greater for named storm) self-insured retention. Settled claims have not exceeded excess coverage in any of the past three years.

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, 2009, is based on the requirements of Governmental Accounting Standards Board 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.

Changes in the claims liability amounts in fiscal years 2008 and 2009 were:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

	Self Insurance
Balance at October 1, 2008	\$ 9,125,776
Current year claims and changes in estimates	1,720,073
Claim payments	(1,704,662)
Balance at September 30, 2008	9,141,187
Current year claims and changes in estimates	1,331,141
Claim payments	(2,483,328)
Balance at September 30, 2009	\$ 7,989,000

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.

C. 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.

D. Employee retirement systems and pension plans

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 nonclassified (primarily managerial) employees. The Firefighter's Relief and Pension Plan covered eligible firefighters hired prior to July 1, 1963, and is closed to new entrants. Neither of these plans issues a stand-alone financial report. As indicated, both plans are self-administered, and the costs of administering the plans are paid from the respective plan assets.

The **Employees' Pension Plan** is authorized by and operates under the provisions of Sections 2.391 through 2.411 of the Municipal Code of the City of Clearwater. Plan provisions have been duly approved as required by the voters in referendums. There were no changes in plan provisions or actuarial assumptions for the current year. The normal retirement benefit is a monthly benefit equal to 2-3/4% of average monthly compensation for the highest five of the final ten years of service multiplied by the number of years of service to date of retirement. The minimum benefit under the plan is \$300 per month. Eligibility for normal retirement occurs upon completion of at least 10 years of service and the attainment of age 65, or completion of at least 20 years of service and the attainment of age 55, or completion of 30 years of service, for employees engaged in non-hazardous duty. For those engaged in hazardous duty, eligibility occurs upon completion of 20 years of service. The normal monthly benefits are payable for the life of the participant and continue, after the participant's death, to be paid at the same amount for 5 years to eligible surviving beneficiaries; after 5 years, the survivor annuity is reduced to 50% of the original amount. The plan provides for an annual cost of living increase of up to 1-1/2%. 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. There are seven other benefit payment options that are computed to be the actuarial equivalent of the normal

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

benefit. Covered employees contribute 8% 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.

The **Firefighter's 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. There were no changes in plan provisions or actuarial assumptions for the current year. 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. The City was required to contribute a sufficient additional amount to maintain the actuarial soundness of the plan for a period of 35 years commencing January 1, 1972. This contribution was based upon, but not limited to, the amount of property tax that a levy of 0.6 mills would produce. Effective with the fiscal year ended September 30, 2007, the Firefighter's 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.

As of the the most recent actuarial valuation date, January 1, 2009 for the Employees' Pension Plan and January 1, 2008 for the Firefighter's Relief and Pension Plan, the membership of the plans was as follows:

	Employees' Pension Plan	Firefighter's Relief and Pension Plan
Retirees and beneficiaries currently receiving benefits	835	43
Terminated employees entitled to benefits but not yet receiving them	68	-
Active employees:		
Fully vested	1,116	-
Nonvested	512	-
Total number of participants	<u>2,531</u>	<u>43</u>

For the fiscal year ended September 30, 2009, the covered payroll for the Employees' Pension Fund was \$78,446,812. The City's total payroll for the same period was \$89,850,696. Annual pension cost and contributions information for the last three fiscal years for both the Employees' Pension Plan and the Firefighter's Relief and Pension Plan follows:

<u>Employees' Pension Plan</u>				
Year Ended Sept 30	Annual Pension Cost (a)	Employer Contributions	Percent Contributed	Net Pension Asset
2007	\$ 14,027,313	\$ 10,256,662 (b)	73%	\$ 15,046,922
2008	\$ 11,391,880	\$ 10,376,234 (b)	91%	\$ 14,031,276
2009	\$ 9,022,632	\$ 10,318,483 (b)	114%	\$ 15,327,127

a) The actuarially determined contribution requirements for the City's fiscal year ended September 30, 2009, are based on actuarial valuations as of January 1, 2008. Since the City's contributions are made during its fiscal year (which commences

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

nine months after the date of the actuarial valuation), the City, with approval of State regulatory authorities, is following the practice of adding interest to its required contributions at the assumed rate of return on investments for a period of one year.

- (b) The employer contribution is less than the annual pension cost due to a “drawdown” of the net pension asset. The net pension asset is the result of legally required contributions in excess of actuarially required contributions in prior years.

Firefighter's Relief and Pension Plan

Year Ended Sept 30	Annual Pension Cost (a)	Employer Contributions	Percent Contributed
2007	\$ 1,467,259	\$ 1,467,259	100%
2008 (b)	\$ -	\$ -	-
2009	\$ -	\$ -	-

- a) The actuarially determined contribution requirements for the City's fiscal year ended September 30, 2009, are based on actuarial valuations as of January 1, 2008. Since the City's contributions are made during its fiscal year (which commences nine months after the date of the actuarial valuation), the City, with approval of State regulatory authorities, is following the practice of adding interest to its required contributions at the assumed rate of return on investments for a period of one year.
- b) Effective with the fiscal year ended September 30, 2007, the Firefighter's 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 biennial valuations show an actuarial need for such.

The Employees' Pension Plan net pension asset at September 30, 2009, totaled \$15,327,127. It was comprised of the following components:

Annual required contributions (ARC)	\$ 8,451,471
Interest on the net pension asset	(1,052,346)
Adjustment to annual contribution	<u>1,623,507</u>
Annual pension cost	9,022,632
Fiscal 2009 employer contributions	<u>10,318,483</u>
Increase in net pension asset	1,295,851
Net pension asset beginning of year	<u>14,031,276</u>
Net pension asset end of year	<u><u>\$ 15,327,127</u></u>

The net pension asset for the Employees' Pension Plan, representing excess contributions as calculated per GASB 27 requirements, is identical in amount to the plan “credit balance” as disclosed in prior years. A total of \$10,523,764 of the current net pension asset balance is attributable to governmental funds and therefore is not reflected in the governmental fund financial statements in accordance with the modified accrual basis of accounting. The remaining \$4,803,363 attributable to proprietary funds is reflected in the proprietary fund financial statements on the accrual basis of accounting.

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 a "capital maintenance" measurement focus and the accrual basis of accounting. Fund assets, primarily investments, are valued at fair value for balance sheet purposes, in accordance with GASB No. 25. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

As of September 30, 2009, neither the Employees' Pension Plan nor the Firefighter's Relief and Pension Plan held investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits.

Significant actuarial assumptions utilized in the actuarial valuations as of January 1, 2009, the most recent actuarial valuation date, are as follows:

Employees' Pension Plan

- (1) Assumed rate of return on investments of 7.5%.
- (2) Projected salary increase at a rate of 6% per year, including both cost-of-living adjustments of 3% and merit or seniority increases at 3%.
- (3) Mortality based on the *RP 2000 Combined Healthy Mortality Table*.
- (4) Pre-retirement withdrawals assumed to occur in accordance with a table of declining withdrawal rates for hazardous and non-hazardous duty categories.
- (5) Pre-retirement incidence of disability is assumed to occur in accordance with a standard scale of moderate disability rates (Class 1, 1952 Inter-Company); rates for females assumed to be twice that for males.

Firefighter's Relief and Pension Plan

- (1) Assumed rate of return on investments of 4.5%.
- (2) Assumed benefits grow at an annually compounded rate of 2%. There are no longer any active members in this plan.
- (3) Mortality based on the *1994 Unisex Mortality Table* for retired participants; assumed disabled participants will experience mortality according to PBGC Tables 3 and 4 for males and females, respectively.
- (4) Assumed no withdrawals will occur.
- (5) Assumed probability of an active participant becoming disabled is zero (no active participants).
- (6) Assumed value of one mill of ad valorem tax will increase at rate of 5% per year.

The actuarial valuation of the Employees' Pension Plan as of January 1, 2007, reflected changes in actuarial assumptions as follows: The mortality assumption was updated from the 1994 Group Annuity Reserving Table to the RP 2000 Combined Healthy Mortality Table; the retirement assumption was updated to reflect the City's experience and expected future retirement rates; and the withdrawal assumption was updated to reflect the City's experience and expected future withdrawal rates. The impact of these changes decreased the unfunded actuarial accrued liability from \$37,113,063 to \$22,417,537.

The actuarial valuation of the Firefighter's Relief and Pension Plan as of January 1, 2003, reflected two changes in actuarial assumptions. The valuation assumed an investment yield of 4.5% versus the prior valuation assumption of 5.5%. Also, the mortality pattern assumption was changed to the 1994 Unisex Mortality Table from the 1983 Group Annuity Mortality Table. The impact of these changes increased the unfunded actuarial accrued liability from \$3,222,326 to \$4,742,517.

It is the City's policy to fund pension costs accrued as determined on an actuarial basis. Annual required contributions (ARC) for the Employees' Pension Plan are calculated using the Entry Age Normal with Frozen Initial Liability method. The initial unfunded actuarial accrued liability determined at July 1, 1963, was amortized over a 40-year period; changes made in 1979 and subsequent years, which have had the effect of either increasing or decreasing the actuarial liability, are being amortized over a 30-year period from their effective dates in accordance with State law. The amortization method is level dollar closed.

Annual required contributions (ARC) for the Firefighter's Relief and Pension Fund are based on a variation of the aggregate actuarial cost method, under which the unfunded portion of the present value of the projected benefits is allocated over the present value of a 6.0% per year increasing annuity for the remaining years in the 35-year funding period which began January 1, 1972, pursuant to an agreement between the City and the Plan participants. For this purpose, the unfunded actuarial liability is determined after consideration of the available assets at the valuation date. The increasing fixed schedule produced by this method was established in 1988 and will be modified in the future only to the extent that a

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

current valuation indicates a higher required cost level, or if the resulting cost level exceeds 60% of a mill in a current year. Under the non-standard cost method used for this plan (due to the fact that there are no longer any active employees), all liabilities are unfunded actuarial liabilities and are being amortized according to the closed cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities.

As of January 1, 2009, the most recent actuarial valuation date, the Employees' Pension Plan was 96.3 percent funded. The actuarial accrued liability for benefits was \$557.5 million, and the actuarial value of assets was \$536.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$20.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$82.1 million, and the ratio of the UAAL to the covered payroll was 25 percent.

As of January 1, 2008, the most recent actuarial valuation date, the Firefighter's Relief and Pension Plan was 103 percent funded. The actuarial accrued liability for benefits was \$7.8 million, and the actuarial value of assets was \$8.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$247) thousand. The covered payroll was \$-0- with no active employees covered.

The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information regarding the change in the actuarial value of plan assets versus the actuarial accrued liabilities for benefits over time. Also included as required supplementary information following the notes to the financial statement, per Governmental Accounting Standards Board Statement Nos. 25 and 27, are the Schedules of Employer Contributions, which provide similar multiyear trend information on required employer contributions versus the actual amount contributed.

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 \$937,449 for the year ended September 30, 2009, 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 4.8% of current year covered payroll. The fair value of cash and investments at September 30, 2009, totaled \$13,482,114.

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 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Plan assets, primarily investments, are valued at fair value for balance sheet purposes, in accordance with GASB No. 25. 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, 2009, the payroll of the covered officers' was \$19,494,435; the City's total payroll for the same period was \$89,850,696.

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.

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 \$1,148,629 in the year ended September 30, 2009, 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 8.8% of current year covered payroll. The fair value of cash and investments at September 30, 2009, totaled \$8,481,578.

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 2.450 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, in accordance with GASB No. 25. 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, 2009, the covered payroll was \$12,983,380; the City's total payroll for the same period was \$89,850,696.

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, 2009

Statement of Fiduciary Net Assets:

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees'	Firemen's	Police Supplemental	Firefighters Supplemental
ASSETS				
Cash and investments	\$ 2,001,423	\$ 2,526,363	\$ 18,175	\$ -
Managed investment accounts, at fair value:				
Cash and cash equivalents	33,665,205	-	220,054	113,270
Government bonds	19,832,601	-	3,104,404	1,069,345
Agency bonds	7,050,461	4,700,201	794,454	325,390
Domestic corporate bonds	65,034,229	-	1,167,266	1,006,511
International corporate bonds	-	-	-	5,341
International equity securities	68,520,040	-	1,359,061	-
Domestic stocks	230,595,726	-	6,787,319	1,770,556
Mortgage backed bonds	63,235,271	-	31,381	1,550,127
Other rights / warrants	94,393	-	-	-
Commodity exchange-traded funds	563,473	-	-	-
Domestic equity mutual funds	35,416,923	-	-	342,255
International equity mutual fund	23,743,278	-	-	2,298,783
Total managed investment accounts	<u>547,751,600</u>	<u>4,700,201</u>	<u>13,463,939</u>	<u>8,481,578</u>
Securities lending collateral	134,478,540	-	-	-
Receivables:				
Interest and dividends	1,938,720	73,247	57,816	40,487
Unsettled investment sales	4,906,921	-	-	-
Securities lending earnings	28,718	-	-	-
Due from others	99,542	-	-	150,110
Total receivables	<u>6,973,901</u>	<u>73,247</u>	<u>57,816</u>	<u>190,597</u>
Total assets	<u>691,205,464</u>	<u>7,299,811</u>	<u>13,539,930</u>	<u>8,672,175</u>
LIABILITIES				
Accounts payable	736,072	-	-	-
Unsettled investment purchases	13,317,098	-	-	-
Obligations under securities lending	136,034,800	-	-	-
Total liabilities	<u>150,087,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Net assets held in trust for pension benefits	<u>\$ 541,117,494</u>	<u>\$ 7,299,811</u>	<u>\$ 13,539,930</u>	<u>\$ 8,672,175</u>

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Statement of Changes in Fiduciary Net Assets:

	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees'	Firemen's	Police Supplemental	Firefighters Supplemental
ADDITIONS				
Contributions:				
Contributions from employer	\$ 10,368,010	\$ -	\$ -	\$ -
Contributions from employer - state tax	12,000	-	937,449	1,148,629
Contributions from employees	6,253,091	-	-	-
Total contributions	<u>16,633,101</u>	<u>-</u>	<u>937,449</u>	<u>1,148,629</u>
Investment income (loss):				
Net appreciation (depreciation) in fair value of investments	17,912,888	81,724	(290,577)	107,190
Interest	9,839,280	456,404	219,654	166,200
Dividends	4,877,668	-	160,485	53,151
	<u>32,629,836</u>	<u>538,128</u>	<u>89,562</u>	<u>326,541</u>
Less investment expenses:				
Investment management / custodian fees	2,706,964	-	72,464	90,618
Net income (loss) from investing activities	<u>29,922,872</u>	<u>538,128</u>	<u>17,098</u>	<u>235,923</u>
Securities lending income:				
Gross earnings	746,619	-	-	-
Rebate paid	(115,442)	-	-	-
Bank fee	(176,604)	-	-	-
Net income (loss) from securities lending	<u>454,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total additions (losses)	<u>47,010,546</u>	<u>538,128</u>	<u>954,547</u>	<u>1,384,552</u>
DEDUCTIONS				
Benefits and withdrawal payments:				
Benefits	24,322,035	832,454	725,565	954,657
Withdrawal payments	610,253	-	-	-
Total benefits and withdrawal payments	<u>24,932,288</u>	<u>832,454</u>	<u>725,565</u>	<u>954,657</u>
Income (loss) before administrative expenses	22,078,258	(294,326)	228,982	429,895
Administrative expenses	164,704	-	10,731	23,356
Net increase (decrease)	<u>21,913,554</u>	<u>(294,326)</u>	<u>218,251</u>	<u>406,539</u>
Net assets held in trust for pension benefits:				
Beginning of year	519,203,940	7,594,137	13,321,679	8,265,636
End of year	<u>\$ 541,117,494</u>	<u>\$ 7,299,811</u>	<u>\$ 13,539,930</u>	<u>\$ 8,672,175</u>

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; 14% of compensation on behalf of the Chief of Police; 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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

The City's total payroll for the fiscal year ended September 30, 2009 was \$89,850,696. The Plan members' payroll for the same period totaled \$5,778,574. The City's contribution, per the above contribution rates, totaled \$485,435. The assets, reported at fair value based on quoted market prices, totaled \$4,006,547 at September 30, 2009.

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.

The City has previously reported the assets and associated liabilities of the deferred compensation plan in the City's financial statements as an agency fund. Effective with the change in legislation these assets are no longer City assets and the fiduciary responsibility has been transferred to the third party plan administrator. Consequently, effective with fiscal 1997, these assets are no longer reported in the accompanying financial statements, in compliance with Governmental Accounting Standards Board Statement No. 32.

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. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required 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. The term life insurance benefit provision is 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, 2009, the total retiree contributions for health insurance premiums were \$1,693,954. 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 considered to be 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, 2009, the City estimated it subsidized \$728,617 of health care costs for its retirees and their covered dependents, and paid \$14,513 for 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 City's Plan, including both the implicit rate subsidy for health insurance and the term life insurance benefit:

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Annual required contribution	\$ 2,657,200
Interest on net OPEB obligation	71,800
Adjustment to annual required contribution	<u>(99,800)</u>
Annual OPEB cost (expense)	2,629,200
Contributions made	<u>(642,600)</u>
Increase in net OPEB obligation	1,986,600
Net OPEB obligation - beginning of year	<u>1,796,100</u>
Net OPEB obligation - end of year	<u><u>\$ 3,782,700</u></u>

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 OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ending September 30, 2009, are presented below. Data is only presented for two fiscal years due to the implementation of GASB Statement 45 and this related disclosure effective with fiscal year ended September 30, 2008.

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Costs Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
9/30/2008	\$ 2,415,000	25.6 %	\$ 1,796,100
9/30/2009	\$ 2,629,100	24.4 %	\$ 3,782,700

As of September 30, 2009, the accrued liability for benefits was \$25,316,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$80.4 million and the ratio of the unfunded actuarial liability (UAL) to covered payroll was 31.5%.

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 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, 2009 actuarial valuation, the unit credit, level dollar actuarial cost method was used. The annual required contribution (ARC) reflects a 30-year, level dollar open amortization of the unfunded actuarial accrued liability (AAL). The actuarial assumptions included a 4.0% investment rate of return and 4.0% projected salary increases. Annual medical costs are assumed to increase 8.5% in the first year of valuation, with future annual increases assumed to grade uniformly to 5% over a seven year period and remain at 5% thereafter.

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 market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral at 105% of the market 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, 2009 was 32 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

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

the market value of such loaned security and the market value of the related collateral. At September 30, 2009, 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 31 days as of September 30, 2009. 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. Because of the unprecedented turmoil in the financial markets some of the securities held by the Core USA Collateral Fund suffered an unrealized "paper" loss during fiscal year 2008. The Plan's share of the decline in market value of these securities is \$1,556,260, and has been reflected in the pension plan's financial statements. None of these securities are in default and Northern Trust believes that at maturity they will receive par for all securities.

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 2009.

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. The deficiency of the cash collateral versus fair values of U.S. Equity securities listed below is a temporary situation due to change in market values and time lag in obtaining additional collateral; and does not reflect credit risk exposure due to the fact that the lending agent agreement indemnifies the Plan against loss if the collateral is inadequate to replace the securities lent. The unrealized loss on Core USA collateral pool of \$1,556,260 per following table is discussed above.

The following is a summary of securities on loan and their collateral:

<u>Security Type</u>	<u>Securities Collateralized by Cash</u>		<u>Securities Collateralized by Non-Cash</u>	
	<u>Fair Value</u>	<u>Cash Collateral</u>	<u>Fair Value</u>	<u>Non-Cash Collateral</u>
U.S. Corporate Fixed	\$ 7,219,931	\$ 7,406,469	\$ -	\$ -
U.S. Equity	110,333,204	113,200,729	5,270	5,392
U.S. Government Fixed	9,205,960	9,417,158	-	-
U.S. Agencies	3,423,484	3,503,332	-	-
Global Equities	2,306,304	2,507,112	-	-
Core USA unrealized loss	-	(1,556,260)	-	-
Total	<u>\$ 132,488,883</u>	<u>\$ 134,478,540</u>	<u>\$ 5,270</u>	<u>\$ 5,392</u>

On the statement of fiduciary net assets, a securities lending asset of \$134,478,540 was reported that represents the fair value of the investments made with cash collateral at September 30, 2009. In addition, a securities lending obligation of \$136,034,800 was reported that represents the collateral that the City is required to maintain to cover the market value of the loaned securities. The statement of changes in fiduciary net assets represents the net income associated with the securities lending transactions of \$454,573.

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.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

Pollution Remediation Claims Liabilities

During fiscal year 2009, the City implemented GASB Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement requires that the City analyze known polluted sites to determine future component cost outlays, including estimation where required, for pollution remediation. The effect of adopting GASB Statement 49 was a \$234,839 accrued liability for petroleum contamination cleanup at the fuel site at the Clearwater Airpark, an enterprise fund of the City. It is estimated that at least 57% of these cleanup costs are reimbursable through a grant from the Florida Department of Transportation. At fiscal year-end, grant-related expenditures for this cleanup are less than \$500 and no reimbursement has been accrued.

The City has nineteen other sites that currently have known contamination from petroleum products, metals, 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 nine sites are under monitoring plans or are awaiting responses from the Florida Department of Environmental Protection (FDEP) on data submitted by the City. Any additional cleanup costs for these sites cannot be estimated at this time.

Additionally the City has eleven further sites that are awaiting a No Further Action Site Rehabilitation Completion Order from the FDEP. No further costs are anticipated to be incurred for these sites.

Soil and groundwater contamination site

The City owns a property, currently used by the City Gas Division as its administrative offices and operating facility, that has been identified as having soil and groundwater impacts in a June 1990 report prepared by a United States Environmental Protection Agency contractor. The contamination allegedly resulted from the prior operation of a manufactured gas plant (MGP) from approximately 1929 to 1960. Following the discovery of the impacts, 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 action. Field activities to delineate the extent of impacts were performed between 1995-2003. 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 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. 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 the existing deep wells, so long as they remain unaffected by the contaminants of concern on the site. Prior to the resolution of this outstanding matter, we are unable to determine, to an acceptable degree of certainty, whether remediation will, in fact, be required at the Property and, if so, the estimated cost of such remediation.

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.

The City has pursued insurance claims under certain insurance policies covering the Property for the period of time from June 1961 through July 1986. The City recovered \$487,500 in various insurance settlement payments thru September 30, 1991. On September 17, 2001, the City agreed to reduce its claim against Southern American Insurance Company ("SAIC"), the sole remaining excess carrier, to an undiscounted value of \$300,000. Because this carrier was in liquidation, we were unable to determine, to an acceptable degree of certainty, the actual amount of payment to be received by the City.

City of Clearwater, Florida
Notes to the Basic Financial Statements
For the Year Ended September 30, 2009

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 final distribution payment of \$174,000 was issued to the City for a total collection amount of \$270,000 on the \$300,000 claim settlement. In summary, the City has recovered \$757,500 on all of its outstanding insurance claims.

Since 1993, the City has spent a total of \$758,238 on the manufactured gas plant assessment activities, which includes both environmental consultant and outside attorney fees.

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, 2009, the rate, which is set by the Pinellas County Board of County Commissioners (BOCC), was \$3.1844 per 1,000 gallons. The cost of water purchased from the County during fiscal years 2008 and 2009 was \$9,264,739 and \$8,312,863, respectively.

Grant Revenues

During the current fiscal year and prior fiscal years, the City received revenues and contributions related to grants from the Southwest Water Management District, 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.

G. 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.

H. 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 9/30/08</u>	<u>Amount Outstanding at 9/30/09</u>
Drew Gardens Refunding Bonds / residential rental facility	\$ 3,425,000	\$ 2,645,000	\$ 2,565,000

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.