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

Note I – Summary of Significant Accounting Policies

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

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

I.A. Financial Reporting Entity

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

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

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

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

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

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

I.B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

I.C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

The City Charter and the current Investment Policy, adopted by the City Council on September 9, 2010, authorize consolidated cash pool investments in the following: direct federal government obligations; federal agencies and instrumentalities; SEC registered money market funds with the highest credit quality rating; interest bearing time deposits or savings accounts in qualified public depositories; debt issued by the State of Florida or any political subdivision thereof including pools; securities of open-end or closed-end management-type investment companies as defined in the policy; collateralized repurchase agreements and reverse repurchase agreements; local government investment pools per Section 163.01, Florida Statutes; and commercial paper of prime quality as defined in the policy. All investments are reported at fair value.

The City utilizes a very conservative investment philosophy when it invests its pooled cash funds in that the return of the principal is more important than the return on the principal. The City does not actively trade its portfolio and generally holds investments until maturity. Through the use of a 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, 2015, the performance measure weighted average was 0.64%. The actual pooled cash earnings performance before bank charges was 1.49%.

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

I.D.2. Receivables and payables

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

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

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

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

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

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

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

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

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

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

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

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

I.D.4. Restricted assets

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

I.D.5. Capital assets

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

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

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

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

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

I.D.6. Compensated absences

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

I.D.7. Long-term obligations

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption on net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The City reports deferred outflows related to bond refundings and pensions.

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

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

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

I.D.9. Net position flow assumption

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

I.D.10. Fund balance flow assumption

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

I.D.11. Fund balance policies

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

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

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

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

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

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

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

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

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

I.D.12. Use of estimates

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

Note II – Stewardship, Compliance, and Accountability

II.A. Budgets and budgetary accounting

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

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

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

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

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

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

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

Note III – Detailed Notes on All Funds

III.A. Deposits and investments

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

Deposits

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

Pooled Cash and Investments

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

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

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

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

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

Interest Rate Risk – Pooled Cash and Investments:

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

Credit Risk – Pooled Cash and Investments:

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

Concentration of Credit Risk – Pooled Cash and Investments:

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

Pension Plan Assets

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

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

Employees Pension Plan

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

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

Interest Rate Risk – Employees' Pension Plan:

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

Credit Risk – Employees' Pension Plan:

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

Concentration of Credit Risk – Employees' Pension Plan:

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

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:

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

Firefighters' Relief and Pension Plan

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

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

Interest Rate Risk – Firefighters' Relief and Pension Plan:

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

Credit Risk – Firefighters' Relief and Pension Plan:

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

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

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

Foreign Currency Risk – Firefighters' Relief and Pension Plan:

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

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
Cash and cash equivalents:				
Cash in bank	$ 9,263	0.05%	N/A	N/A
Cash in managed investment accounts	807,131	4.54%	N/A	N/A
Total cash and cash equivalents	816,394			
Investments:				
International equity securities	661,258	3.72%	N/A	N/R
Domestic stocks	9,594,426	53.97%	N/A	N/R
Domestic equity mutual funds	4,568,761	25.70%	N/A	N/R
International equity mutual funds	2,136,885	12.02%	N/A	N/R
Total investments	16,961,330			
Total managed cash and investments	$ 17,777,724	100.00%		

Interest Rate Risk – Police Supplemental Pension Plan:

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

Credit Risk – Police Supplemental Pension Plan:

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

Concentration of Credit Risk – Police Supplemental Pension Plan:

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

Foreign Currency Risk – Police Supplemental Pension Plan:

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

Firefighters Supplemental Pension Plan

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

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

Interest Rate Risk – Firefighters Supplemental Pension Plan:

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

Credit Risk – Firefighters Supplemental Pension Plan:

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

Concentration of Credit Risk – Firefighters Supplemental Pension Plan:

The Firefighters Supplemental Pension Plan investment policy limits concentration of credit risk by limiting the investment in common stock or capital stock of any one issuing company within an investment manager's portfolio to 5% of the portfolio. Similarly, no more than 5% of a fixed income investment manager's portfolio may be invested in the securities of any single corporate issuer per the plan investment policy. Finally, investments in collateralized mortgage obligations are limited to 25% of the market value of the investment manager's total portfolio.

Foreign Currency Risk – Firefighters Supplemental Pension Plan:

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

III.B. Receivables

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

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

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

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

III.C. Capital assets

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 76,787,171	$ 518,920	$ -	$ -	$ 77,306,091
Construction in progress	15,432,742	1,848,798	(14,542,022)	-	2,739,518
Total non-depreciable capital assets	92,219,913	2,367,718	(14,542,022)	-	80,045,609
Depreciable capital assets:					
Buildings	152,821,063	19,144,844	-	-	171,965,907
Improvements other than buildings	33,266,351	3,806,748	-	-	37,073,099
Machinery and equipment	83,576,099	11,249,898	(3,426,328)	(7,995)	91,391,674
Infrastructure	147,642,463	643,499	-	-	148,285,962
Total depreciable capital assets	417,305,976	34,844,989	(3,426,328)	(7,995)	448,716,642
Less accumulated depreciation for:					
Buildings	(61,335,321)	(4,889,765)	-	-	(66,225,086)
Improvements other than buildings	(16,448,082)	(1,373,752)	-	-	(17,821,834)
Machinery and equipment	(66,178,798)	(6,296,312)	3,321,441	7,995	(69,145,674)
Infrastructure	(85,364,730)	(4,840,667)	-	-	(90,205,397)
Total accumulated depreciation	(229,326,931)	(17,400,496)	3,321,441	7,995	(243,397,991)
Net depreciable capital assets	187,979,045	17,444,493	(104,887)	-	205,318,651
Net governmental activities capital assets	$ 280,198,958	$ 19,812,211	$ (14,646,909)	$ -	$ 285,364,260

Business-type activities:	Beginning Balance	Increases	Decreases	Transfers / Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 30,509,054	$ 18,000	$ (576,758)	$ -	$ 29,950,296
Construction in progress	46,364,998	4,939,078	(41,862,480)	-	9,441,596
Total non-depreciable capital assets	76,874,052	4,957,078	(42,439,238)	-	39,391,892
Depreciable capital assets:					
Buildings	13,671,516	20,498,567	-	-	34,170,083
Improvements other than buildings	598,030,187	33,230,634	-	-	631,260,821
Machinery and equipment	10,150,440	8,167,676	(83,797)	7,995	18,242,314
Total depreciable capital assets	621,852,143	61,896,877	(83,797)	7,995	683,673,218
Less accumulated depreciation for:					
Buildings	(7,274,869)	(440,014)	-	-	(7,714,883)
Improvements other than buildings	(259,209,940)	(19,006,445)	-	-	(278,216,385)
Machinery and equipment	(7,723,621)	(631,727)	83,797	(7,995)	(8,279,546)
Total accumulated depreciation	(274,208,430)	(20,078,186)	83,797	(7,995)	(294,210,814)
Net depreciable capital assets	347,643,713	41,818,691	-	-	389,462,404
Net business-type activities capital assets	$ 424,517,765	$ 46,775,769	$ (42,439,238)	$ -	$ 428,854,296

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

Governmental activities:	
General government	$ 660,666
Public safety	844,406
Physical environment	21,172
Transportation, including depreciation on infrastructure assets	4,941,570
Economic environment	525,748
Culture and recreation	4,752,247
Capital assets held by governmental internal service funds are charged to the various functions based on their usage of assets	5,654,687
	$ 17,400,496

Business-type activities:	
Water and sewer utility	$ 13,855,405
Gas utility	2,143,057
Solid waste and recycling utility	349,545
Stormwater utility	2,915,457
Marine operations	67,623
Aviation operations	178,830
Parking system operations	238,406
Clearwater Harbor Marina operations	329,863
	$ 20,078,186

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

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

III.D. Interfund receivables, payables, and transfers

III.D.1. Interfund balances

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

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

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

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

Descriptions of interfund loans as of September 30, 2015:

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

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

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

An internal loan from the Central Insurance Fund to the Community Redevelopment Agency special revenue fund in the amount of $1,900,000 to underwrite the acquisition, closing costs and site demolition costs related to the acquisition of the Economy Inn and surrounding properties in the East Gateway area for redevelopment purposes. This loan, which commenced on September 9, 2010, provides for interest-only payments at the cash-pool rate through fiscal year 2012, and level debt service (principal and interest) from fiscal year 2013 through fiscal year 2018. The current portion of this loan ($316,667) is classified as due to/due from other funds, while the long-term portion ($633,333) is classified as an advance.

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

III.D.2. Interfund transfers

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

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

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

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

III.E. Leases

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

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

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

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

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

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

III.F. Long-term debt

III.F.1. Revenue Bonds

$14,810,000 in Spring Training Facility Revenue Bonds, Series 2002; issued to provide a portion of the costs of the acquisition, construction, rehabilitation and equipping of a spring training facility to be used by the Philadelphia Phillies major league baseball team; serial bonds due in annual installments of $660,000 due March 1, 2016, to $295,000 due March 1, 2022, with maximum principal of $845,000 due March 1, 2021; interest at 4.10% to 5.375%; 5.375% term bonds in the amount of $1,730,000 due March 1, 2027; and 5.375% term bonds in the amount of $1,750,000 due March 1, 2031.	$8,255,000
Total revenue bonds for governmental activities	8,255,000
$8,410,000 Water and Sewer Revenue Refunding Bonds, Series 2003; issued to refund and redeem on December 1, 2003, all of the City's Water and Sewer Refunding Revenue Bonds, Series 1993, maturing after December 1, 2003; serial bonds due in annual installments of $230,000 at December 1, 2015, to $260,000 due December 1, 2018, interest at 3.60% to 4.00%.	980,000
$67,715,000 Water and Sewer Revenue Bonds, Series 2009A; issued to pay the costs of the design, acquisition, construction, or reconstruction of capital improvements to the City's water and sewer system; serial bonds due in annual installments of $420,000 at December 1, 2019, to $495,000 due December 1, 2023; interest at 4.375% to 5.00%; 5.125% term bonds in the amount of $5,655,000 due December 1, 2032; and 5.25% term bonds in the amount of $59,780,000 due December 1, 2039.	67,715,000
$41,700,000 Water and Sewer Revenue Refunding Bonds, Series 2009B; issued to currently refund and redeem all of the outstanding principal amount of the City's Water and Sewer Refunding Revenue Bonds, Series 1998; serial bonds due in annual installments of $4,430,000 at December 1, 2015 to $5,150,000 due December 1, 2018; interest at 5.00%.	19,130,000

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

III.F.2. Restrictive covenants and collateral requirements

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

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

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

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

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

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

III.F.3. Pledged revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III.F.4. Advance refunding of bonds

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

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

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

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

(a) Governmental activities lease purchase contract additions of $8,315,252 includes $8,233,473 attributable to internal service funds and $81,779 attributable to governmental funds. The lease purchase contracts reduction of $3,541,856 includes $3,248,380 for internal service funds and $293,476 for governmental funds.

(b) Compensated absences are paid by the fund where salaries are incurred, which is primarily the General Fund for governmental activities.

(c) Since the plan's inception in fiscal 2008, other postemployment benefits costs are allocated to and paid by funds based on their percentage of full time equivalent employees, which is primarily the General Fund for governmental activities.

(d) The Central Insurance Fund, an internal service fund, accrues for estimated claims and pays claims for all departments.

III.G. Restricted assets

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

III.G.1. Water and Sewer Utility Fund

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

Sewer Improvement charges, the use of which is restricted by the authorizing ordinance to the construction of additions to the sewer system; assets remaining at September 30, 2015, are:	
Cash and Investments	$1,756,629
Assets of the Water and Sewer Utility Fund restricted under the provisions of the ordinances authorizing the issuance of Water and Sewer Revenue Bonds consisted of the following at September 30, 2015:	
<u>Water and Sewer Revenue Bonds Debt Service</u>:	
Cash and Investments	21,417,095
<u>Water and Sewer Revenue Bonds Renewals and Replacements</u>:	
Cash and Investments	12,344,577
Due from Other Governmental Entities for advances to the Florida Department of Transportation for utility relocations related to improvements to State Road 590 west of Marilyn Street to east of Audrey Drive	425,741
Assets of the Water and Sewer Utility Fund representing Customers' Deposits and therefore restricted, consisting entirely of Cash and Investments at September 30, 2015	3,191,015
Total restricted assets – Water and Sewer Utility Fund	$39,135,057

III.G.2. Gas Utility Fund

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

Gas System Revenue Bonds	
Debt Service:	
Cash and Investments	$ 110,953
Renewals and Replacements:	
Cash and Investments	300,000
Assets of the Gas Utility Fund representing Customers' Deposits at September 30, 2015:	
Cash and Investments	2,790,990
Total restricted assets – Gas Utility Fund	$ 3,201,943

III.G.3. Solid Waste & Recycling Utility Fund

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

III.G.4. Stormwater Utility Fund

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

Stormwater Revenue Refunding Bonds – Series 2012	
Debt Service: Cash and Investments	$2,259,344
Stormwater Revenue Refunding Bonds – Series 2013	
Debt Service: Cash and Investments	576,087
Stormwater Revenue Refunding Bonds – Series 2014	
Debt Service: Cash and Investments	332,183
Total restricted assets – Stormwater Utility Fund	$ 3,167,614

III.G.5. Parking System Fund

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

Equity in Pooled Cash and Investments	$ 9,300,000
Total restricted assets – Parking System Fund	$ 9,300,000

III.H. Fund Balances Classification

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

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

In the Special Development Fund, restricted amounts relate to collections from drainage fees ($18,083), sidewalk fees ($152,337), transportation impact fees ($890,080), local option gas tax ($148,228), recreation impact fees ($763,624) and the local infrastructure sales tax ($1,139,770). Committed amounts relate to the portion of property tax revenues that is set aside in the budget process to provide funding for road maintenance projects ($253,297). Assigned amounts relate to interest earned on recreation impact fees ($23,912) and local infrastructure sales tax balances ($4,791,632).

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

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

Note IV - Other Information

IV.A. Risk management

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

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

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

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

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

IV.B. Statements of cash flows

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

IV.D. Employee retirement systems and pension plans

IV.D.1. Defined benefit pension plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mortality rates were based on the fully generational RP-2000 Combined Healthy Participant Mortality Tables for males and females. Mortality improvements are projected to all future years from the year 2000 using Scale BB.

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

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

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

Discount rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine single discount rate assumed that plan member contributions will be made a t the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

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

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

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

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

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

	Firefighters' Relief and Pension Plan
Retirees and benficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	-
Total number of participants	22

Benefits provided. The normal retirement benefit is a monthly benefit in the amount of 50% of the prevailing wage at the date of retirement of the lowest rank held by the participant during the three years immediately preceding retirement plus 2% of such prevailing wage for each year of service in excess of 20 years up to a maximum of 60%. Participants retiring at the age of 65 years are entitled to a benefit of 60% of the prevailing wage of the lowest rank held by the participant during the three years immediately preceding retirement. The ending rate of pay specified above may not exceed the highest rate of pay for the rank of Captain. Eligibility for normal retirement occurs upon completion of 20 years of service or attainment of age 65. The monthly benefits are payable for the life of the participant and continue, after the participant's death, to be paid to certain eligible surviving beneficiaries at an amount that is one-half of the amount received by the participant. Benefits are also provided for children of the deceased participant who are less than 18 years of age subject to certain limitations as to amount. The plan also provides for disability and death benefits and for vesting upon completion of at least 12 years of service. The plan provides for post retirement cost of living increases equal to the increase in the prevailing wage for the rank at which the participant retired with a limitation for those retiring on or after January 1, 1972, of 100% of the initial pension benefit for total cost of living increases. Participating employees are required to contribute 6% of their salaries up to the equivalent of the salary of a fireman holding the rank of Captain. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), is fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future valuations show an actuarial need for such.

Contributions. Effective with the fiscal year ended September 30, 2007, the Firefighters' Relief and Pension Plan, with no remaining active members (only retirees), was fully funded per the requirements of the governing Ordinance. The City may elect to contribute should future annual valuations show an actuarial need for such.

Investment policy. The Firefighters' Relief and Pension Plan investment policy was adopted on September 28, 2000. It must be reviewed annually by the Board of Trustees. The following was the adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
Domestic Fixed Income	0 - 70%
Pooled Cash	30% - 100%

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

Rate of return. For the fiscal year ended September 30, 2015, the annual money-weighted rate of return on investments of the Firefighters' Relief and Pension Plan, net of pension plan investment expense, was 4.315 %. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability/(asset). The components of the net pension liability/(asset) of the City for the Firefighters' Relief and Pension Plan at September 30, 2015, were as follows:

Total pension liability	$ 3,771,835
Plan fiduciary net position	4,615,299
City's net pension liability	$ (843,464)
Plan fiduciary net position as a percentage of the total pension liability	122.36%

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 9/30/14	$ 3,797,780	$ 4,860,303	$ (1,062,523)
Changes for the year:			
Service cost	-	-	-
Interest	100,650	-	100,650
Differences between expected and actual experience	114,258	-	114,258
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	199,776	(199,776)
Benefit payments, including refunds of employee contributions	(442,775)	(442,775)	-
Administrative expense	-	(2,005)	2,005
Other changes	201,922	-	201,922
Net changes	(25,945)	(245,004)	219,059
Balances at 9/30/15	$ 3,771,835	$ 4,615,299	$ (843,464)

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

Inflation	2.00%
Salary increases	N/A
Investment rate of return	3.00% net of investment expense

Mortality rates were based on the RP2000 table projected to 2020 using Scale BB for retired participants. Mortality rates for disabled participants were based on PBGC Tables 3 and 4 for males and females, respectively. There is no projection of mortality improvement due to the small number of participants and their advanced age.

Long-term expected rate of return. Because the Firefighters' Relief and Pension Plan is limited to investments in fixed income securities and pooled cash, the long-term expected rate of return will approximate the discount rate of 3.00%.

Discount rate. A discount rate of 3.00% was used to measure the total pension liability. The discount rate was based on the actuary's expectation of future yields and consideration of the City's projection of future weighted yield based on current asset holdings.

Sensitivity of the net pension liability/(asset) to changes in the discount rate. The following presents the Firefighters' Relief and Pension Plan's net pension liability/(asset), calculated using a discount rate of 3.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

1% Decrease 2.00%	Discount Rate Assumption 3.00%	1% Increase 4.00%
$ (642,860)	$ (843,464)	$ (1,027,253)

*Pension expense***.** For the year ended September 30, 2015, the City recognized pension expense of $0 for the Firefighters' Relief and Pension Plan.

IV.D.2. Police Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible policemen, which is funded by earmarked revenues received from the State and is administered by the Board of the Police Supplemental Pension Plan. The revenues received from the State are allocated among eligible police officers on the basis of days employed as Clearwater Police Officers. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, totaled $908,419 for the year ended September 30, 2015, and are obtained from an eighty-five one hundredths of one percent (0.85%) excise tax on the gross receipts from premiums collected on casualty insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund police department expenditures in the current year. The current year contributions represent 4.95% of current year covered payroll. The fair value of cash and investments at September 30, 2015, totaled $17,777,724.

The Police Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.471 through 2.480 of the Municipal Code of the City of Clearwater and Chapter 185 of Florida Statutes. Under the plan provisions, the total monies received during each fiscal year, after payment or provision for all costs and expenses of management and operation of the plan, are allocated to participants on the basis of the total number of shares to which each participant is entitled. Each participant is entitled to one share in the fund for each day of service as a police officer of the City.

All police officers, as defined in Section 26.70(g) of the Code of Ordinances of the City of Clearwater, who are elected, appointed, or employed full-time by the City are eligible to participate in the plan. There are no employee contributions to the supplemental plan. Benefits are fully vested for a lump sum distribution after twenty years from the date of hire, with provision for partial vesting after ten or more years under the plan. Accumulated benefits are payable in full in case of death while employed by the City or in case of total and permanent job-related disability. Non-vested participants' account values upon termination of employment during any fiscal year are added to the monies received during that fiscal year for allocation to the remaining participants in the plan on the basis of total days worked.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2015, the payroll of the covered officers' was $18,347,664; the City's total payroll for the same period was $86,804,948.

Since the entitlement to benefits is based entirely upon the allocation of monies received by the plan to the participants' share accounts, there is no actuarial liability on the part of either the State or the City.

IV.D. 3. Firefighters Supplemental Pension Fund

A supplemental defined contribution pension plan exists for all eligible firefighters, which is funded by earmarked revenues received from the State and is administered by the Board of the Clearwater Firefighters Supplemental Pension Plan. The revenues received from the State are allocated among eligible firefighters on the basis of days worked during the previous year. These revenues received from the State of Florida "on-behalf" of the City's employees, which comprise the plan contributions, amounted to $1,171,812 in the year ended September 30, 2015, and are obtained from a one and eighty-five one hundredths percent (1.85%) excise tax on the gross receipts from premiums collected on property insurance policies covering property within the City's corporate limits. These monies were recognized as General Fund revenues and General Fund fire department expenditures in the current year. The contributions represent 9.0% of current year covered payroll. The fair value of cash and investments at September 30, 2015, totaled $16,871,766.

As the plan is described as a money purchase pension plan, whereby contributions are allocated based on the number of days worked during the fiscal year ended September 30, and interest earnings allocated based on the beginning balances in each participant's account, there is no actuarial liability on the part of the State or the City.

The Firefighters Supplemental Pension Fund is authorized by and operates under the provisions of Sections 2.441 through 2.455 of the Municipal Code of the City of Clearwater and Chapter 175 of Florida Statutes. Eligibility requires two years of credited calendar year service as a firefighter with concurrent participation in the Employees' Pension Plan. There is no employee contribution to the supplemental plan, and benefits are vested for a lump sum distribution at ten years unless there is early retirement, disability or death. Non-vested participants' account values upon termination of employment are reallocated among the remaining participants on the basis of days worked during the previous year.

Plan assets, primarily investments, are valued at fair value for balance sheet purposes. Investment values are determined using the estimated fair value determined by averaging estimated fair values obtained from three or more nationally recognized brokers.

For the fiscal year ended September 30, 2015, the covered payroll was $13,669,674; the City's total payroll for the same period was $86,804,948.

IV.D.4. Pension Plan Financial Statements

Separate financial statements are provided in the Notes per the guidance of GASB Statement No. 34 as follows:

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

Statement of Fiduciary Net Position:	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters Supplemental Pension Fund
ASSETS				
Cash and investments	$ 664,633	$ 2,452,915	$ 9,263	$ -
Managed investment accounts, at fair value:				
Cash and cash equivalents	20,079,929	-	807,131	420,882
Government bonds	74,327,584	-	-	981,264
Index linked government bonds	2,024,881	-	-	-
Agency bonds	4,677,463	2,131,601	-	-
Domestic corporate bonds	93,432,687	-	-	2,612,955
International equity securities	68,841,663	-	661,258	134,742
Domestic stocks	385,095,014	-	9,594,426	3,631,667
Mortgage backed bonds	65,823,726	-	-	1,457,116
Asset backed securities	8,083,271	-	-	-
Other/Rights/Warrants	184,045	-	-	-
Domestic equity mutual funds	37,540,241	-	4,568,761	4,253,733
International equity mutual fund	34,071,336	-	2,136,885	1,136,840
Real estate	56,847,854	-	-	2,242,567
Total managed investment accounts	851,029,694	2,131,601	17,768,461	16,871,766
Securities lending collateral	196,139,408	-	-	-
Receivables:				
Interest and dividends	2,473,707	30,783	10,199	52,261
Unsettled investment sales	4,793,812	-	-	-
Securities lending earnings	27,041	-	-	-
Due from others	15,028	-	-	-
Total receivables	7,309,588	30,783	10,199	52,261
Total assets	1,055,143,323	4,615,299	17,787,923	16,924,027
LIABILITIES				
Accounts payable	921,265	-	-	-
Unsettled investment purchases	17,813,801	-	-	-
Obligations under securities lending	196,139,408	-	-	-
Total liabilities	214,874,474	-	-	-
FIDUCIARY NET POSITION				
Net position restricted for pension benefits	$ 840,268,849	$ 4,615,299	$ 17,787,923	$ 16,924,027

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

Statement of Changes in Fiduciary Net Position:	Defined Benefit Pension Trust Funds		Defined Contribution Pension Trust Funds	
	Employees' Pension Fund	Firefighters' Relief and Pension Fund	Police Supplemental Pension Fund	Firefighters Supplemental Pension Fund
ADDITIONS				
Contributions:				
Contributions from employer	$ 14,923,098	$ -	$ -	$ -
Contributions from employer - state tax	12,000	-	908,419	1,171,812
Contributions from employees	6,483,666	-	-	-
Total contributions	21,418,764	-	908,419	1,171,812
Investment income (loss):				
Net appreciation in fair value of investments	(17,161,321)	91,553	(877,078)	(881,548)
Interest	9,301,014	108,223	531	213,510
Dividends	8,385,894	-	221,986	1,017,954
	525,587	199,776	(654,561)	349,916
Less investment expenses:				
Investment management / custodian fees	(5,102,757)	-	(22,589)	(99,401)
Net income from investing activities	(4,577,170)	199,776	(677,150)	250,515
Securities lending income:				
Gross earnings	603,784	-	-	-
Rebate received	29,839	-	-	-
Bank fees	(221,545)	-	-	-
Net income from securities lending	412,078	-	-	-
Total additions	17,253,672	199,776	231,269	1,422,327
DEDUCTIONS				
Benefits and withdrawal payments:				
Benefits	39,276,003	442,775	1,516,743	912,875
Withdrawal payments	1,000,827	-	-	-
Total benefits and withdrawal payments	40,276,830	442,775	1,516,743	912,875
Income (loss) before administrative expenses	(23,023,158)	(242,999)	(1,285,474)	509,452
Administrative expenses	(297,942)	(2,005)	(13,478)	(30,491)
Net increase (decrease)	(23,321,100)	(245,004)	(1,298,952)	478,961
Fiduciary net position restricted for pensions				
Fiduciary net position - beginning (as previously reported)	863,589,949	4,860,303	19,086,875	17,676,345
Correction of an error (See Note IV.K.)	-	-	-	(1,231,279)
Fiduciary net position - beginning (as restated)	863,589,949	4,860,303	19,086,875	16,445,066
Fiduciary net position - ending	$ 840,268,849	$ 4,615,299	$ 17,787,923	$ 16,924,027

IV.D.5. 401(a) defined contribution plan

For all management employees not covered under either of the defined benefit pension plans, the City provides pension benefits through a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are participants from the date of employment and are fully vested upon enrollment. The plan is totally contributory on the part of the City in an amount equal to 15% of compensation on behalf of the City Manager and the City Attorney and 8% of compensation on behalf of all other management contract employees and Assistant City Attorneys. The City makes bi-weekly contributions to the Trust throughout the plan year to meet its funding obligations under the plan. Plan provisions and contribution requirements are established and may be amended by the City Council.

The International City Management Association Retirement Corporation (ICMA-RC), the trustee for the defined annuity, offers participants a variety of investment options.

The City's total payroll for the fiscal year ended September 30, 2015 was $86,804,948. The Plan members' payroll for the same period totaled $4,233,550. The City's contribution, per the above contribution rates, totaled $363,538. The assets, reported at fair value based on quoted market prices, totaled $6,982,489 at September 30, 2015.

IV.D.6. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, Federal legislation converted the Section 457 deferred compensation assets from City assets to employee assets. As a result of these changes, plan assets are no longer subject to the claims of the City's general creditors.

Consequently, these assets are no longer reported in the accompanying financial statements, in compliance with GASB Statement No. 32.

IV.E. Post-employment Benefits Other Than Pension

Plan Description - The City of Clearwater administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance benefits to its employees and their eligible dependents. Because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required by Section 112.0801 of the Florida Statutes to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Council and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. Additionally the City provides and pays for $1,000 of term life insurance for retirees who retired before October 1, 2008. The term life insurance benefit provision was also established, and may be amended, by action of the City Council. The City does not issue stand-alone financial statements for these programs.

Funding Policy – Contribution rates for the Plan are established on an annual basis by the City Council. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for health insurance and 0% of the cost for the $1,000 term life insurance. For the year ended September 30, 2015, the estimated retiree contributions for health insurance premiums totaled $1,358,083. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees, constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered an "other post-employment benefit" (OPEB) obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended September 30, 2015, the City estimated it subsidized $1,611,464 of health care costs for retirees and their covered dependents, and $18,361 of life insurance benefits for retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan, including both the implicit rate subsidy for health insurance and the term life insurance benefit:

Annual required contribution	$ 3,446,429
Interest on net OPEB obligation	472,653
Adjustment to annual required contribution	(513,753)
Annual OPEB cost (expense)	3,405,329
Contributions made	(1,629,825)
Increase in net OPEB obligation	1,775,504
Net OPEB obligation - beginning of year	11,816,331
Net OPEB obligation - end of year	$ 13,591,835

The actuarially determined contribution requirements for the City's fiscal year ended September 30, 2015, are based on an actuarial valuation as of January 1, 2014, supplemented by an actuarial roll-forward to adjust the results to be applicable to the fiscal year ending September 30, 2015.

No trust or agency fund has been established for the plan and there were no adjustments to the annual required contribution or interest earnings.

The City's annual required contribution, the employer contributions made to the plan, and the percentage of the annual required contribution that was contributed for the fiscal year ending September 30, 2015, are presented below:

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

As of September 30, 2015, the accrued liability for benefits was $34,091,536, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $72.7 million and the ratio of the unfunded actuarial liability (UAL) to covered payroll was 46.9%.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations for other post-employment benefits involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and consequently actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

For the September 30, 2015 report, the entry age normal actuarial cost method was used, with an increasing normal cost pattern consistent with the salary increase assumptions. The Unfunded Actuarial Accrued Liability (UAAL) reflects a 23-year, closed level percent of expected payroll amortization method. The actuarial assumptions included a 4.0% investment rate of return and projected salary increases of 6.0%, which reflects the general wage inflation assumption of 2.5% in addition to merit and seniority increases of 3.5%. The rates for salary increases, rates of disability, rates of termination and rates of retirement are the same as used by the Pension Plan Actuary.

The actuarial valuation of the Plan as of January 1, 2014, reflected changes in actuarial assumptions and methods from the previous valuation as of January 1, 2012 as follows: the Health Care Cost Trend Rate decreased from 8.5% in 2012 to 8.0% in 2014, with planned decreases of ½% each subsequent year so that it is projected to reach the ultimate goal of 5% in 2021 rather than 2019. There were no changes to the Investment Discount Rate, Mortality Tables or Medicare Benefits.

IV.F. Securities lending transactions

The City of Clearwater Employees' Pension Plan participates in securities lending transactions, as authorized by the Pension Trustees on April 14, 2003, via a Securities Lending Authorization Agreement with Northern Trust Company, who is also the pension plan's custodian. Securities are loaned versus collateral that may include cash, U.S government securities, and irrevocable letters of credit. U.S. government securities are loaned versus collateral at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral at 105% of the fair value plus any accrued interest. The Plan's investment policy places no restrictions on the amount of securities that can be loaned.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower. The average term for the pension plans loans at September 30, 2015 was 38 days. If a borrower fails to return the loaned security because of bankruptcy, insolvency, reorganization, liquidations, receivership, conservatorship, or a similar event, Northern Trust Company shall, at its expense, credit the City with the difference between the fair value of such loaned security and the fair value of the related collateral. At September 30, 2015, there was no failure by a borrower to return a loaned security.

Cash "open" collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 38 days as of September 30, 2015. Cash collateral may also be invested separately in "term loans" in which investments match the loan term. These term loans may be terminated on demand by either the lender or the borrower.

There were no significant violations of legal or contractual provisions, nor any borrower or lending agent defaults known to the securities lending agent. The Plan did not impose any restrictions on the amount of loans made by Northern Trust during fiscal year 2015.

Northern Trust has indemnified the Plan for losses attributable to violations by the entity of the Standard of Care set out in the Agreement. Northern Trust has also indemnified the Plan for all losses as a result of borrower default and for any losses resulting from related collateral insufficiency. At year-end the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers equal or exceed the amounts the borrowers owe the Plan and the lending agent indemnifies the Plan if the collateral is inadequate to repay the borrowers.

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

	Securities Collateralized by Cash		Securities Collateralized by Non- Cash	
Security Type	Loaned Securities	Cash Collateral	Loaned Securities	Cash Collateral
U.S. Equity	$ 144,184,644	$ 145,834,197	$ -	$ -
U.S. Corporate Fixed	7,924,418	8,032,464	-	-
U.S. Government Fixed	40,936,631	41,673,939	-	-
Global Equities	573,348	598,808	-	-
Total	$ 193,619,041	$ 196,139,408	$ -	$ -

On the statement of fiduciary net position, a securities lending asset of $196,139,408 was reported that represents the fair value of the investments made with cash collateral at September 30, 2015. In addition, a securities lending obligation of $196,139,408 was reported that represents the collateral that the City is required to maintain to cover the fair value of the loaned securities.

IV.G. Contingencies and commitments

Loan Guarantee - PACT, Inc.
PACT, Inc. is a nonprofit corporation formed in 1978, for the purpose of financing, constructing, and operating a performing arts center. Per a Guaranty Agreement dated May 18, 2001, the City guaranteed $1,000,0000 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 Rodriquez 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 Rodriquez 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 Rodriquez Youth Foundation Project), Series 1998, on August 1, 1998. In the event of default, the City is obligated to contribute $1,000,000 out of legally available non-ad valorem revenues. In addition, the City has the option to retire the entire unpaid balance and assume ownership and operation of the golf course facility.

Pollution Remediation Claims Liabilities
Pursuant to GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the City is required to analyze known polluted sites to determine future component cost outlays, including estimation where required, for pollution remediation. At September 30, 2014, accruals totaled $478,503 consisting of $7,859 for removal of hydraulic lifts at various parcels which comprise the Prospect Lake Park site, $6,250 in the Airpark Fund (a non-major proprietary fund) for contamination cleanup from a fuel spill, $238,493 for the Harbor Drive Fill Area site which was a former landfill area, and $225,901 for assessment and remediation at the Gas Plant site (see the Soil and groundwater contamination site note below).

During fiscal year 2015 net additions to estimates and contractual commitments totaled $44,989 with payments totaling $74,374. At September 30, 2015, accruals totaled $449,118 consisting of $232,574 for the Harbor Drive Fill Area site which was a former landfill area, $11,551 for removal of hydraulic lifts at a recently acquired property on McMullen Booth Road, and $204,993 for assessment and remediation at the Gas Plant site.

In addition to the above sites for which accruals exist, the City has 17 other sites that have known contamination from petroleum products, metals, arsenic, chlorine or coal tar. Ten of these sites are on the State of Florida Petroleum Clean-up Program. When any of these ten sites will be scheduled for cleanup cannot be determined at this time. The remaining seven sites are under monitoring plans or are awaiting responses from the FDEP on data submitted by the City. Any additional cleanup costs for these sites cannot be estimated at this time.

On November 19, 2013, the FDEP approved the certification of closure construction completion of the former fill area at Philip Jones Field. However, this site remains on the list as it includes the Harbor Drive Fill Area for which assessment and remedial planning remain.

On October 30, 2014, the Prospect Lake Park site was sold to Prospect Park Development, LLC. Construction began on 257 market-rate apartments in early 2015. The 6.85 acre site, adjacent to Prospect Lake Park, is located at the eastern end of the Cleveland Street business district. Since the City no longer owns this property, this site has been removed from the list.

On April 27, 2015, the FEDP issued a Site Rehabilitation Completion Order for the Clearwater Airpark site at 1000 North Hercules Avenue, which releases the City from any further obligation to conduct site rehabilitation at the facility for petroleum product contamination associated with discharge events that occurred in 2001 and 2002. Therefore, this site has been removed from the list.

<u>Soil and groundwater contamination site</u>
The City is the owner of property located at 400 Myrtle Street, Clearwater, Pinellas County, Florida ("Property"). The Property occupies approximately six acres and is currently used by the City Gas Division as its administrative offices and operating facility. The City operated a manufactured gas plant at the Property from approximately 1929 to 1960. Following the discovery in June 1990 of soil and groundwater impacts at the Property allegedly resulting from the prior operation of the manufactured gas plant, the Florida Department of Environmental Protection ("FDEP") directed the City to implement measures to delineate the area and vertical extent of the impacts at the Property and, if necessary, implement appropriate remedial actions.

Contamination assessment activities were initiated at the Property in 1995. On April 17, 1996, the City executed an Intergovernmental Agreement with FDEP, governing the scope of assessment and remediation work performed at the Property. The material terms and conditions of the Intergovernmental Agreement require the City to perform contamination assessment activities to delineate the area and vertical extent of soil and groundwater impacts and, if necessary, to remediate such impacts to the extent required by Florida law.

Field activities to delineate the extent of impacts were performed from 1995 to 2003. The results of the final field work are presented in a Supplemental Assessment Report dated May 2003, in which the City's consultant concluded that field activities to delineate the extent of soil and groundwater impacts were complete and that a risk assessment should be undertaken to evaluate an appropriate remedy for the reported impacts.

By letter dated April 19, 2004, FDEP directed the City to install two additional monitoring wells within the source area on site to delineate the vertical extent of groundwater impacts. The City and FDEP previously discussed the potential harm to the underlying aquifer that may result from the installation of monitoring wells through a source area and the underlying clay confining unit during a meeting with FDEP held on November 29, 2003. Based on the advice of its environmental consultant and other specialists consulted concerning this issue, the City has consistently maintained that the installation of the additional monitoring wells requested by FDEP will likely provide a pathway for the migration of impacts into the aquifer underlying the clay confining unit that is otherwise not presently impacted by the former operations of the MGP

based on existing perimeter monitoring well data. The City responded to the FDEP by letter dated April 29, 2004, requesting that FDEP advise the City whether the directive to install the additional vertical extent wells was deemed by FDEP to be final agency action that would otherwise be subject to review in an administrative proceeding. The City's April 29, 2004 response included a request for an extension of time to file an administrative proceeding in the event that FDEP deemed the April 19, 2004 FDEP communication to be final agency action.
During fiscal 2005, the Myrtle Avenue Utility and Roadway Widening project began, requiring extensive dewatering during construction. Consulting, equipment, laboratory, permitting, and labor costs for dewatering in areas where there was suspected or known contamination from the former MGP plant were charged to the City of Clearwater Gas Division. All activities related to the Myrtle Avenue dewatering project were documented in the “Supplemental Site Assessment Report – North Myrtle Ave Roadway Corridor” dated March 2007.

On January 17, 2008, FDEP issued a letter to the City stating FDEP was willing to replace the need for additional vertical delineation wells with periodic sampling of existing deep wells, as long as they remain unaffected by the contaminants of concern on the site. In May 2009, FDEP issued a status report on all Manufactured Gas Plant sites in Florida. In the report it referenced the January 17, 2008 letter and reaffirmed FDEP’s agreement to forego additional on-site vertical delineation if the City continues to monitor the perimeter wells on the facility. On June 22, 2009, the perimeter monitoring wells were tested and the results were reported to FDEP. On February 3, 2010, FDEP issued a letter that formally accepted Clearwater Gas System’s Contamination Assessment Report (CAR) and required no further site assessment activities. Furthermore, the DEP required CGS to re-sample all monitoring wells on the site within 60 days of the February 3, 2010 letter.

In May 2010, CGS issued a Request for Proposal (RFP) to prepare a Feasibility Study, for DEP approval, that would offer a long-term corrective action plan for the gas plant site. Arcadis, Inc. was selected to conduct the Feasibility Study; however, two months into the project the City’s Environmental Attorney recommended an alternate method of site remediation. He proposed that the City work with the University of Waterloo (Canada) to treat the contaminated soils with sodium persulfate, a chemical oxidant, which would stop the off-site groundwater impacts that are currently experienced on the Pinellas County Health Department site. Chemical oxidation is accepted as a very effective method of dealing with Manufactured Gas Plant residuals. This project was approved by the City Council in January 2011. The project is scheduled to last approximately 6 years at an estimated cost of $600,000.

In addition, the City has pursued insurance claims under certain insurance policies covering the Property for the period of time from June 1961 through July 1986. On September 17, 2001, the City agreed to reduce its claim against Southern American Insurance Company ("SAIC"), the sole remaining excess carrier with the City, at an undiscounted value of $300,000. In December 2007, the liquidator managing the SAIC liquidation made an initial payment to the City in the amount of $96,000. In September 2008, a second distribution payment of $174,000 was issued to the City. Finally, in December 2009, the City received a payment of $30,000 for a total collection amount of $300,000. In summary, the City has recovered $787,500 on all of its outstanding insurance claims.

Expenses related to MGP assessment activities, which include both environmental consultant and outside attorney fees, were $53,507 for fiscal 2015. From 1993 through September 30, 2015, the City spent a total of $1,289,998.

<u>Contractual Commitment – Water and Sewer Utility</u>
Under the terms of a 30-year contract between the City and Pinellas County, which is effective through September 30, 2035, the maximum amount of water available to the City is 15 million gallons per day on an annual average basis with no minimum quantity purchase requirement. Effective October 1, 2014, the rate, which is set by the Pinellas County Board of County Commissioners (BOCC), was $3.8557 per 1,000 gallons. The rate effective October 1, 2015 is $3.9232 per 1,000 gallons. The cost of water purchased from the County during fiscal years 2014 and 2015 was $10,009,342 and $7,176,114 respectively.

Contractual Commitment – Parking System

Under the terms of a put agreement dated October 29, 2010, related to a development agreement between the City and L.O.M., Inc. (developer) for development of a condominium retail/commercial project including a parking garage, the City is obligated to purchase the parking garage component of the project for $9,300,000 from the lender if the developer defaults under the terms of the financing agreement within five years of the project's completion on July 1, 2011. The City has segregated and restricted $9.3 million of Parking System enterprise funds per the terms of this put agreement, which expires on June 30, 2016.

Contractual Commitment – Clearwater Marine Aquarium

In a special election held on November 5, 2013, Clearwater voters approved a referendum to amend the Clearwater City Charter to allow the City to negotiate and enter into a lease with the Clearwater Marine Aquarium, Inc. (CMA) for the construction, operation and maintenance of an aquarium for an initial term of 60 years on City owned property which includes the current Clearwater City Hall. Because the City and the CMA did to enter into a lease on or before June 15, 2015, the exemptions created by the charter amendment expired and have no further force or effect.

Grant Revenues

During the current fiscal year and prior fiscal years, the City received revenues and contributions related to grants from the State of Florida, the federal government, and other grantors. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Encumbrances

Encumbrance accounting is used in governmental funds to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At September 30, 2015, the amount of encumbrances expected to be honored upon performance by the vendor in the coming year were:

General fund	$ 446,809
Capital Improvement fund	10,207,621
Nonmajor governmental funds	443,943
	$ 11,098,373

IV.H. Pending litigation

In the normal course of operations the City is a defendant in various legal actions, the ultimate resolution of which is not expected to have a material effect on the financial statements, other than for amounts that have been reserved and recorded as liabilities in the Central Insurance Fund.

IV.I. Conduit debt

The City has one issue of conduit debt outstanding as follows:

Description / Purpose	Original Issue Amount	Amount Outstanding at 9/30/14	Amount Outstanding at 9/30/15
Drew Gardens Refunding Bonds / residential rental facility	$ 3,425,000	$ 2,060,000	$ 1,940,000

The bonds do not constitute a debt, liability, or obligation of the City of Clearwater, the State of Florida, or any political subdivision thereof and accordingly have not been reported in the accompanying financial statements.

IV.J. Restatement of Prior Year Net Position

During the fiscal year ended September 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, for the Employees' Pension Plan and the Firefighters' Relief and Pension Plan. The objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. It requires the liability of employers to employees for defined benefit pension plans (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition to establishing deferred inflows of resources and deferred outflows of resources as described in Note I.D.8., implementation of these statements resulted in the restatement of net position as of October 1, 2014, which increased the net position of governmental and business-type activities in the amounts of $76,806,809 and $23,268,912, respectively.

During the current year it was determined that an allowance for uncollectible accounts would be recorded for mortgage loans receivable to reflect the likelihood of payment, deferral or loan forgiveness associated with each type of loan. This resulted in a prior period adjustment to net position as of October 1, 2014, which decreased the net position of governmental activities in the amount of $12,383,909.

	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported	$ 406,841,428	$ 404,312,255
Net pension asset - Firefighters' Relief and Pension Plan	1,062,523	-
Net pension asset - Employees' Pension Plan	29,582,138	9,018,101
Deferred Outflows - Employees' Pension Plan	48,861,725	15,084,203
Deferred Inflows - Employees' Pension Plan	(2,699,577)	(833,392)
Restatements related to Pensions	76,806,809	23,268,912
Prior period adjustment related to mortgage receivables (See Note IV.L.)	(12,383,909)	-
Total restatements	64,422,900	23,268,912
Beginning net position, as restated	$ 471,264,328	$ 427,581,167

IV.K. Restatement - Correction of an Error

During the current year it was noted that an investment asset was incorrectly recorded twice due to a change in reporting by the custodian of the Firefighters Supplemental Defined Contribution Pension Trust Fund. As a result, the September 30, 2014 financial statements have been restated to properly reflect the correction of an error. The effects of this adjustment to the previously issued financial statements are as follows:

	Total Managed Investment Accounts	Net Appreciation (Depreciation) in Fair Value of Investments	Net Increase (Decrease) in Fiduciary Net Position	Fiduciary Net Position
Balances, as previously reported	$ 17,616,341	$ 1,862,588	$ 2,626,098	$ 17,676,345
Correction of error	(1,231,279)	(1,231,279)	(1,231,279)	(1,231,279)
Balances, as restated	$ 16,385,062	$ 631,309	$ 1,394,819	$ 16,445,066

IV.L. Prior Period Adjustment

During the current year it was determined that an allowance for uncollectible accounts would be recorded for mortgage loans receivable reported in the Special Programs Fund, the SHIP Local Housing Assistance Trust Fund and the Pinellas County Local Housing Assistance Trust Funds (nonmajor governmental funds) to reflect the likelihood of payment, deferral or loan forgiveness associated with each type of loan. This methodology was applied to mortgage loans receivable as of October 1, 2014, and recorded as a prior period adjustment as follows:

	Allowance for Uncollectable Accounts	Fund Balance
Balances, as previously reported:		
Special Programs Fund	$ 202,321	$ 22,764,449
SHIP Local Housing Assistance Trust Fund	209,062	7,068,127
Pinellas County Local Housing Assistance Trust Fund	-	896,506
	411,383	30,729,082
Prior period adjustments:		
Special Programs Fund	7,130,743	(7,130,743)
SHIP Local Housing Assistance Trust Fund	5,031,689	(5,031,689)
Pinellas County Local Housing Assistance Trust Fund	221,477	(221,477)
	12,383,909	(12,383,909)
Balances, as restated:		
Special Programs Fund	7,333,064	15,633,706
SHIP Local Housing Assistance Trust Fund	5,240,751	2,036,438
Pinellas County Local Housing Assistance Trust Fund	221,477	675,029
	$ 12,795,292	$ 18,345,173

IV.M. Extraordinary Item – Deepwater Horizon Oil Spill

In the time period following the Deepwater Horizon Oil Spill of April 2010, the City incurred reduced revenues that were determined to be directly or indirectly attributed to the oil spill. On July 13, 2015, the City adopted Resolution 15-18 and accepted a full and final settlement of all claims against BP Exploration and Production, Inc. and others in the amount of $6,480,352, net of $1,658,687 attorney's fees. Because this event was infrequent in occurrence and would not be reasonably expected to recur in the foreseeable future, the proceeds are categorized as an Extraordinary Item on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance as well as the Government-wide Statement of Activities.

IV.N. Subsequent Event

On November 18, 2015, City Council approved a Third Amendment to the lease between the City of Clearwater and Marina Cantina, LLC for the lease of 9,285 square feet of interior space and 11,237 square feet of exterior patio space for development of a destination restaurant at the Clearwater Marina. The amendment modifies the terms of the lease dated September 17, 2012, to provide reimbursement to the lessee for numerous unanticipated emergency repairs and upgrades to the marina building in the amount of $409,606 that were not contemplated in the original lease and were incurred prior to September 30, 2015.