

City of Tampa, Florida

NOTES TO FINANCIAL STATEMENTS Year ended September 30, 2001

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Tampa conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are summarized below.

A. The Financial Reporting Entity: The City of Tampa was incorporated in 1887 and has operated with a Mayor-Council form of government since 1945. The City of Tampa was created and is governed under the laws of Florida numbers 745 of the year 1885 and 3779 of the year 1887. The City provides traditional governmental services such as public safety, culture and recreation, and public works, as well as water and sewer services, solid waste disposal, and various parking facilities. As required by GAAP, these financial statements present the City of Tampa and its component units, entities for which the City is considered to be financially accountable, in accordance with GASB Statement 14, **The Financial Reporting Entity**. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit Disclosures: The following are treated as Blended Component Units, i.e., entities whose operations are, in substance, part of the City's and so data from these units are combined with data of the primary government.

Community Redevelopment Agency (CRA): The CRA was created in 1982 under part 3 of chapter 163 of the Florida Statutes and City of Tampa ordinance numbers 2119-H and 2871-H. Although legally separate, its sole purpose is to administer funds distributed via State law for blighted areas within the City. The CRA is composed of the members of City Council, therefore, the City appoints a voting majority of the CRA's Governing Body and is able to impose its will on the CRA. It is reported as a special revenue fund. Complete financial statements can be obtained at CRA's administrative offices at 315 E. Kennedy Blvd., Tampa, Florida.

Discretely Presented Component Unit Disclosures: The following are discretely presented component units, i.e. entities whose operations are separate from the City's but over whom the City has significant financial and managerial control.

The Florida Aquarium Operations (Aquarium): In 1996 The City entered into an Asset Purchase and Sale Agreement with The Aquarium to acquire the facility and issued bonds for the purpose of refinancing the obligations assumed in connection with the acquisition. The Aquarium operations, which mainly consist of operations of the facility and community fund raising, are governed by a management agreement between the City and the Aquarium which stipulates that the Chief Executive Officer and the Board of Directors of the Aquarium are responsible to and serve at the discretion of the City. The Florida Aquarium, Inc. was created as a Florida non-profit corporation as defined in IRS regulation section 501(c)(3). The City purchased the Aquarium assets and enacted a management agreement in 1996 as authorized by City of Tampa ordinance numbers 96-1653, 96-1880, 96-1902, and 96-1922. The operations of the Aquarium are presented in a manner similar to an enterprise fund. Complete financial statements can be obtained at the City of Tampa accounting office at 315 E. Kennedy Blvd., Tampa, Florida.

B. Fund Accounting: The financial transactions of the City are recorded in individual funds and account groups. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds and account groups are reported by type in the financial statements.

The following fund types and account groups are used by the City in accounting for its financial activities.

Governmental Funds

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those recorded in Proprietary Funds.

Proprietary Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds account for the financing of goods or services provided by one department or agency to other governmental units on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds account for assets received and held by the City as trustee or agent for individuals, private organizations, and other funds within the City or other governmental units.

Account Groups

The General Fixed Assets Account Group is used to account for fixed assets constructed or acquired for general purposes, excluding fixed assets recorded in the Proprietary and Fiduciary Funds.

The General Long-Term Liabilities Account Group is used to account for the principal balances of outstanding long-term liabilities other than liabilities recorded in the Proprietary and Fiduciary Funds.

C. Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 30 day availability period is used for revenue recognition for all governmental fund revenues. Those revenues susceptible to accrual include certain intergovernmental revenues, utility taxes, franchise taxes, interest revenue and charges for services. Generally, expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTE 1 — Continued on next page

City of Tampa, Florida

NOTE 1 — Continued

The City reports deferred revenue on its combined balance sheet. For governmental fund types, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budget and Budgetary Accounting: The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the City Council a proposed operating budget, in a separate budget document, for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the function or department level, with amendments approved by City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds except Debt Service and Trust and Agency Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions.
6. The annual budgetary data reported for the General Fund and all annually-budgeted Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles and represent the original appropriation ordinance, a budget amendment for encumbrances outstanding at the end of the previous year and other budget amendments as adopted by the City Council. Appropriations lapse at the end of each fiscal year for these funds.
7. Project budgets are adopted for Capital Projects funds and the Community Development Block Grant, the Job Training Partnership Act, and Other Grants Special Revenue Funds. Appropriations in these funds remain open and carry over to succeeding years until the related expenditures are made or until they are modified or cancelled. Because of the project nature of these funds, budgetary comparison statements on an annual basis do not provide meaningful information and, accordingly, are not presented. A reconciliation of expenditures between annually-budgeted and unbudgeted special revenue funds follows (in thousands of dollars):

Annually-budgeted special revenue funds	\$ 9,058
Unbudgeted special revenue funds	22,017
	<hr/>
Total special revenue funds	\$ 31,075
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Changes in the budget that exceed revenues and reserves estimates provided by the City's Finance Director must be authorized by an affirmative vote of a majority of the City Council, and requires notification to all taxpayers.

Departments are permitted to transfer appropriations within a function. City Council must approve transfer between functions. Expenditures may not legally exceed budgeted appropriations at the function level. During the year, supplementary appropriations of \$3,112,000 were necessary for the General Fund and annually-budgeted Special Revenue Funds.

E. Property Taxes: Property tax collections are governed by Chapter 197, Florida Statutes. The Hillsborough County Tax Collector bills and collects all property taxes levied within the County. Discounts of 4,3,2 and 1% are allowed for early payment in November, December, January, and February, respectively.

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenue as it is received from the Tax Collector since virtually all taxes levied will be collected through the tax collection process.

Calendar of events is as follows:

January 1	Property taxes are based on assessed value at this date as determined by the Hillsborough County Property Appraiser.
July 1	Assessment roll approved by the state.
September 30	Millage resolution approved by the City Council.
October 1	Beginning of fiscal year for which taxes have been levied.
November 1	Property taxes due and payable.
November 30	Last day for 4% maximum discount.
April 1	Unpaid property taxes become delinquent.
May 15	Tax certificates are sold by the Hillsborough County Tax Collector. This is the first lien date on the properties.

F. Cash Equivalents: For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Inventories: Inventories consist primarily of parts and supplies and are reported at first-in, first-out cost. As inventory items are used, expenditures are reported in governmental funds and expenses are reported in proprietary funds.

H. Deferred Bond Issue Costs: In proprietary funds, bond issue costs are deferred and amortized, using the bonds outstanding method, over the lives of the related issues. Accumulated amortization at September 30, 2001 is: \$354,000, \$966,000, \$604,000 and \$241,000 in the Water Utility, Sewer Utility, Solid Waste System, and Parking Facilities enterprise funds respectively. Bond issuance costs are recognized in the period incurred in governmental fund types.

I. Bond Discounts and Bond Refunding Losses: In proprietary funds, bond discounts and gains or losses on bond refundings are deferred and amortized, using the bonds outstanding method, over the lives of the related issues. Bond discounts and losses on bond refundings are presented as a reduction of the face amount of bonds payable. Both are recognized in the period incurred in governmental fund types.

J. Financial Agreements: From time to time the City will enter SWAP agreements to hedge against interest rate risk associated with certain fixed and variable rate securities. The agreements into which the City is currently entered are discussed fully in Notes 14 and 5.

K. Compensated Absences: Vacation pay is accrued when earned. The portion of sick leave that is payable at retirement is accrued when vested. City employees generally earn vacation leave and sick leave at the rate of 1.9 hours of each, per week. Vacation leave is fully vested when earned. Sick leave is vested after an employee has 10 years of service with the City. Accumulated vacation leave cannot exceed thirty days at the end of any year and any leave in excess of this amount is transferred to sick leave on which there is no limitation as to accumulated amounts. Fifty percent of unused sick leave plus any accumulated vacation leave is paid at retirement or death. Employees electing early retirement have the option of receiving 50% of the unused sick leave at retirement and pension benefits when reaching the age of 55 or receiving the pension benefits immediately and surrendering any unused sick leave. Upon other termination only accumulated vacation leave is paid.

For Governmental Funds the City records compensated absences that will be paid with expendable available financial resources as a current liability in each fund and the balance in the General Long-Term Liabilities Account Group as a liability for those which will not. The liabilities related to Proprietary and Fiduciary Funds are reflected in each fund. At September 30, 2001, \$1,177,000, \$30,646,000, and \$6,248,000 have been recorded in Governmental Funds, General Long-Term Liabilities Account Group and Proprietary and Fiduciary Funds, respectively.

L. Connection Fees and Impact Fees: Water and sewer connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities. These fees are recorded as operating revenue at the time of service. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as additions to contributed capital in the appropriate Enterprise Fund.

M. Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reappropriated in the subsequent year by City Council and do not constitute expenditures or liabilities in the current year.

NOTE 1 — Continued on next page

City of Tampa, Florida

NOTE 1 — Continued

Encumbrances are reported as a reservation of fund balance for the General Fund, annually-budgeted Special Revenue Funds and Capital Projects Funds. Purchase order commitments for other funds are reported in Note 14.

N. Allocation of Indirect Costs: The City allocates central service indirect costs incurred by the General Fund to the various departments receiving the service. The allocations, which are made to more accurately reflect each department's actual cost of providing services, are computed in accordance with an indirect cost allocation plan that, in the City's opinion, conforms with Federal requirements.

O. Total Columns: Total columns for the Primary Government and Reporting Entity of the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Furthermore, such data are not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Application of FASB Pronouncements to Proprietary Funds: The City has elected to implement the provisions of GASB Statement 20 with regard to the application of FASB Pronouncements to its proprietary funds. In accordance with the provisions of GASB Statement 20, the City has elected to not apply those FASB Statements and Interpretations issued after November 30, 1989.

Q. Aquarium Operations Pledges Receivable and Contributions: Unrestricted contributions are recognized at fair value when received. Contributions, which are restricted by the donor for capital additions or endowment purposes, are deemed to be earned and reported as capital additions when the Aquarium has incurred expenditures in compliance with the restrictions or the Aquarium has met conditions for endowment. Other restricted contributions are deemed to be earned and reported as contributions when amounts received have been expended according to the donor's restrictions. Such amounts, received but not earned, are reported as deferred revenue.

Legally enforceable pledges are recorded as receivables in the year made. The Aquarium defers the recognition of revenue until the cash is received. Pledges for support of current operations are recorded as operating fund support. Pledges for support of future operations are recorded as deferred amounts in the respective funds to which they apply.

During 2001, in-kind contributions of professional services and advertising were received from several sources, including entities affiliated with members of the Board of Directors. Contributions of professional services and advertising have been valued based on information provided by the donors. These amounts have been recognized in the accompanying financial statements as in-kind contributions and operating expenses as appropriate.

R. Use of Estimates: The preparation of general purpose financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the general purpose financial statements. Actual results could differ from estimates.

NOTE 2 — EQUITY IN POOLED CASH AND INVESTMENTS, CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for certain cash and investments of the pension trust funds and of any funds in which agreements require separate cash and investments accounts. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investments."

Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average equity balance, except that, as required by the City Charter, interest earned on investments related to the Utility Tax Special Revenue Fund and the Utility Tax Capital Projects Fund is deposited directly to the General Fund. As required by bond indenture provisions, interest earned on investments related to the Transportation Capital Improvement

Revenue Bonds Debt Service Fund is allocated to the Local Option Gas Tax Special Revenue Fund. Funds that incur negative equity in the pooled cash and investment balances during the year incur a charge for interest. Funds used to account for Federal and State grants have negative equity in pooled cash and investments throughout the year due to the reimbursement basis of the grant programs. Interest charges to these funds for the deficits are absorbed by the General Fund.

Deposits: At year-end, the carrying amount of the City's deposits was \$9,512,000 and the bank balance was \$17,784,000. The difference is the result of cash management policies which dictate that overnight repurchase agreements are purchased from collected balances made available by checks which had not been presented for payment at September 30, 2001. Of the bank balance, \$1,835,000 was covered by Federal Deposit Insurance Corporation (FDIC) insurance and \$15,949,000 was covered by the State of Florida Collateral Pool. Florida Statutes authorize and the State administers a collateral pool which ensures no loss of public funds. Of the FDIC insured balances the City is directly insured for \$530,000. Of the \$1,305,000 that is insured on a pass-through basis, \$908,000 is insured to pension beneficiaries. The remaining \$397,000 is held under multiple federally-funded escrow accounts, the balances of which are insured on a pass-through basis to U.S. Department of Housing and Urban Development grant loan recipients.

Investments: Statutes authorize the City to invest in obligations of the U.S. Government and time deposits for the cash and investment pool. State Statutes authorize the pension trust funds to invest in governmental and corporate securities and real estate. These investments are reported at fair value plus accrued interest in accordance with G.A.S.B. statement number 31, which the City adopted in 1998, except for the City's investment in the State Board of Administration Local Government Surplus Funds Investment Pool Trust fund (the SBA pool), a 2a7-like pool which is carried at amortized cost, which approximates market as well as the value of the pool shares. A 2a7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as money market fund. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the State Board of Administration. Purchases and sales of investments are reflected on the settlement dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results. The current year net investment income for the pension funds was as follows (in thousands of dollars):

	Firefighters and Police Officers Pension Fund	General Employees Retirement Fund	Total
Interest and dividend income	\$ 26,747	\$ 9,369	\$ 36,116
Net decrease in the fair value of investments	(265,920)	(73,595)	(339,515)
	(239,173)	(64,226)	(303,399)
Less: Investment expenses	(3,449)	(1,426)	(4,875)
Net investment loss	\$ (242,622)	\$ (65,652)	\$ (308,274)

The City's investments are categorized below (in thousands of dollars) to give an indication of the level of risk at year-end. Category 1 includes investments that are insured or registered or held by the City or for which the investments are held by the City's custodial bank in the City's name or held in safekeeping by the City's agent. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a financial institution's trust department for the City but not primarily in the City's name.

NOTE 2 — Continued on next page

City of Tampa, Florida

NOTE 2 — Continued

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ —	\$ —	\$ 91,598	\$ 91,598	\$ 91,598
U.S. Government securities	466,993	5,043	—	472,036	472,036
State of Florida Board of Administration	108,347	—	—	108,347	108,347
Equity securities	988,769	—	—	988,769	988,769
Commercial paper	73,649	—	—	73,649	73,649
Corporate/Municipal bonds	155,731	—	—	155,731	155,731
	<u>\$ 1,793,489</u>	<u>\$ 5,043</u>	<u>\$ 91,598</u>	<u>\$1,890,130</u>	<u>\$ 1,890,130</u>

The following investments are not categorized above because they are not evidenced by securities that exist in physical or book entry form. The General Employees Retirement Fund and the Firefighters and Police Officers Pension Fund have invested in shares of an uninsured Mutual Fund which serves as a Cash Management Reserve Account with a principal basis of \$42,944,000. The Firefighters and Police Officers Pension Fund has invested in real estate which is carried at a market value of \$11,890,000. The General Employees Retirement Fund has invested in real estate which is carried at a market value of \$16,500,000.

The City requires collateralization for investments maintained in pooled cash. The City invests only with banking institutions who are members of the State of Florida collateral pool. The City (except for pension funds) requires brokers and dealers to deliver the security purchased to the City's depository prior to receiving payment.

NOTE 3 — RECEIVABLES AND DUE TO/FROM OTHER FUNDS

Current Receivables: Receivables in the Enterprise Funds at September 30, 2001 consisted of the following (in thousands of dollars):

	Water Utility	Sewer Utility	Solid Waste System	Parking Facilities	Total
Unbilled	\$ 2,382	\$ 4,060	\$ 2,406	\$ —	\$ 8,848
Other	7,463	6,317	3,844	373	17,997
Allowance	(42)	(46)	(40)	—	(128)
	<u>\$ 9,803</u>	<u>\$ 10,331</u>	<u>\$ 6,210</u>	<u>\$ 373</u>	<u>\$ 26,717</u>

Long-Term Receivables: During 2000 and 2001 the City loaned Tampa Sports Authority \$2,936,000 to finance construction of a golf course club house. The City has recorded a receivable for this loan in the Utility Tax Capital Projects Fund with a balance of \$2,936,000 at September 30, 2001.

The City received a U.S. Department of Housing and Urban Development Section 108 Loan in 1997 for \$1,500,000 and a second loan in 1998 for \$9,070,000. The proceeds were loaned to private entities for the construction of a grocery store in an economically disadvantaged area of the City and an entertainment complex in central Ybor City. The City has recorded a receivable for these loans in the Community Development Block Grant Special Revenue Fund with a balance of \$10,495,000 at year end.

Due To/From Other Funds: At September 30, 2001 amounts due to and due from other funds (in thousands of dollars) consisted of:

	Due To	Due From
General Fund	\$ —	\$ 163
Special Revenue Funds:		
Cable Communications	1	—
Community Development Block Grant	3	—
Other Grants	—	—
	<u>4</u>	<u>—</u>
Capital Projects Funds:		
Utility Tax Construction	—	—

Enterprise Funds:		
Water Utility	32	—
Sewer Utility	51	—
Solid Waste System (nonrestricted)	26	—
Solid Waste System (restricted)	—	—
Parking Facilities	13	—
	<u>122</u>	<u>—</u>
Internal Service Funds:		
Fleet Maintenance	11	—
Administrative Services	—	—
Utility Accounting	11	—
	<u>22</u>	<u>—</u>
Fire and Police Officers Pension Fund	15	—
	<u>\$ 163</u>	<u>\$ 163</u>

Advances To/From Other Funds: At September 30, 2001 advances between funds (in thousands of dollars) consisted of:

	Advances To	Advances From
Enterprise Funds:		
Sewer Utility (restricted)	\$ 8,859	—
Water Utility	—	\$ 8,859
	<u>\$ 8,859</u>	<u>\$ 8,859</u>

These amounts are the result of the early partial defeasance of Water and Sewer Systems Revenue Bonds, Series 1988A. The advance will be repaid in the years 2009-2016, in accordance with the original debt service schedule of the defeased bonds.

NOTE 4 — FIXED ASSETS

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund which finances the asset acquisition and capitalized at cost in the General Fixed Assets Account Group. Donated fixed assets are reported at estimated fair value at the time received. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, traffic control equipment, landscaping, irrigation, lighting systems, easements and right-of-ways are not reported in these financial statements. Depreciation is not reported on general fixed assets.

Fixed assets in the proprietary funds are reported at cost when acquired or constructed. Donated fixed assets are reported at estimated fair value at the time received. Depreciation expense on contributed fixed assets in proprietary funds is closed to contributed capital.

Construction costs of water and sewer lines that are borne by users, the Federal government, or by developers and property owners are capitalized and reported as contributed capital in the Water Utility and Sewer Utility Funds.

When property is disposed, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations, for Proprietary Funds.

Depreciation (including amortization of assets capitalized under lease purchase contracts) on fixed assets in proprietary funds is provided using the straight-line method over the estimated useful lives of the assets, in the following classes:

Buildings and improvements	10-40 years
Improvements other than buildings	5-40 years
Furniture and equipment	4-15 years

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with tax-exempt debt. Interest cost is not capitalized on projects financed by government grants or third party donations. Interest cost is not capitalized on assets in the General Fixed Assets Account Group.

Interest capitalized during fiscal year 2001 was as follows (in thousands of dollars):

NOTE 4 — Continued on next page

City of Tampa, Florida

NOTE 4 — Continued

	Interest Expense Before Capitalization	Interest Capitalized	Interest Earned	Net Interest Expense
Water Utility Fund	\$ 6,411	\$ 1,648	\$ —	\$ 4,763
Sewer Utility Fund	11,076	1,805	—	9,271
Solid Waste Systems Fund	10,614	1,979	—	8,635
Parking Facilities Fund	(807)	—	—	(807)

The City has entered into various lease agreements as lessee for financing the acquisition of various equipment. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and therefore, have been recorded at the present value of the future minimum lease payments as of their inception. Equipment leased under capital leases as of September 30, 2001 in the General Fixed Assets Account Group totals \$2,535,000.

The City has provided for the construction of the Tampa Bay Performing Arts Center (TBPAC) facility and retains title to the land and building, recorded in the General Fixed Assets Account Group for \$68,433,000, which TBPAC leases at a nominal annual amount.

Lowry Park Zoological Gardens is operated by the Lowry Park Zoological Society of Tampa, Inc. under a ninety-nine year lease and operating agreement with the City of Tampa, which provides for nominal rent payments. The City retains title to all zoo premises and improvements thereon, recorded in the General Fixed Assets Account Group for \$17,194,000.

Under the management agreement between the City and The Florida Aquarium, Inc. the City acquired ownership of land, buildings, and other tangible assets, which are reported in the General Fixed Assets Account Group at a value of \$79,492,000 as of September 30, 2001.

Following is a summary of the changes in the General Fixed Assets Account Group (in thousands of dollars):

	Balance October 1, 2000	Additions	Transfers to other Funds	Disposals	Balance September 30, 2001
Land and land rights	\$ 136,695	\$ 4,294	\$ —	\$ 74	\$ 140,915
Buildings and improvements	285,285	1,538	—	—	286,823
Improvements other than buildings	71,814	8,639	—	—	80,453
Furniture and equipment	100,062	15,851	24	12,270	103,619
Construction in progress	51,471	20,018	—	—	71,489
Total general fixed assets	\$ 645,327	\$ 50,340	\$ 24	\$ 12,344	\$ 683,299

NOTE 5 — LONG-TERM DEBT

Debt obligations consisted of the following at September 30, 2001 (in thousands of dollars):

	Interest Rates	Amount
General Long-Term Liabilities:		
1990 Utilities Tax Refunding Bonds (net of \$5,318 capital appreciation bond discount) due between 2001 and 2007	6.85% - 7.05%	3,018
1991 Utilities Tax and Special Revenue Refunding Bonds due between 2001 and 2016	6.40% - 6.90%	40,655
1995 Tampa Sports Authority Special Purpose Bonds due between 2001 and 2027	4.60% - 6.10%	9,560
1995 Tampa Sports Authority Taxable Special Purpose Bonds due between 2001 and 2027	7.14% - 8.02%	2,680
1996 Utilities Tax Improvement Bonds (net of \$62,653 capital appreciation bond discount) due between 2016 and 2023	6.15% - 6.22%	32,547
1996 Occupational License Tax Bonds due between 2001 and 2028	3.50% - 6.25%	101,130
1997 Utilities Tax Improvement Bonds (net of \$12,473 capital appreciation bond discount) due between 2001 and 2019	3.95% - 5.20%	30,797
1998 Utilities Tax Improvement Bonds due between 2001 and 2019	3.90% - 5.09%	18,815

1999A Utilities Tax Improvement Bonds due between 2001 and 2015	3.75% - 5.00%	39,700
1999 Transportation Revenue Bonds due between 2001 and 2007	3.35% - 4.00%	19,255
2000A Utilities Tax Improvement Bonds due between 2003 and 2019	4.50% - 6.125%	21,995
2001 Utilities Tax and Special Revenue Refunding Bonds due between 2003 and 2009	6.00%	51,970
2001B Utilities Tax and Special Revenue Refunding Bonds due between 2012 and 2015	5.00% - 5.75%	36,865
2001 Guaranteed Entitlement Refunding Revenue Bonds due between 2001 and 2018	6.00%	28,910
HUD Section 108 Loan Guarantee	4.95% - 6.66%	1,425
HUD Section 108 Loan Guarantee Obligations related to lease purchase contracts due between 2001 and 2022	4.95% - 6.72%	9,070
	3.46% - 7.264%	2,535
		450,927
Less current portion of long-term debt		(9,505)
		<u>\$ 441,422</u>

	Interest Rates	Amount
Water Utility Fund:		
State Revolving Loan Program due between 2001 and 2017	3.05% - 3.34%	16,601
1992A Water and Sewer Systems Revenue Bonds (net of \$149 discount) due between 2001 and 2018	6.00% - 6.60%	8,068
1993A Water and Sewer Systems Revenue Bonds (net of \$57 discount) due between 2001 and 2015	4.875% - 5.63%	2,761
1993B Water and Sewer Systems Revenue Bonds (net of \$65 discount) due between 2001 and 2015	4.875% - 5.63%	3,150
1995 Water and Sewer Systems Revenue Bonds (net of \$974 discount and unamortized loss) due between 2001 and 2018	4.30% - 5.25%	13,065
1998A Water and Sewer Systems Revenue Bonds due 2001	5.85%	18
1998B Water and Sewer Systems Revenue Bonds (including \$172 unamortized premium and loss) due between 2001 and 2008	4.20% - 5.00%	12,630
1999 Water and Sewer Systems Revenue Bonds (net of \$1,989 unamortized discount) due between 2009 and 2029	4.90% - 5.78%	60,771
2001B Water and Sewer Systems Revenue Bonds (net of \$193 unamortized discount) due between 2003 and 2021	3.35% - 5.00%	13,307
Sewer Utility Fund:		
State Revolving Loan Program due between 2001 and 2017	2.44% - 4.56%	96,929
1992A Water and Sewer Systems Revenue Bonds (net of \$560 discount) due between 2001 and 2018	6.00% - 6.60%	30,148
1993A Water and Sewer Systems Revenue Bonds (net of \$485 discount) due between 2001 and 2015	4.875% - 5.63%	23,537
1995 Water and Sewer Systems Revenue Bonds (net of \$3,857 discount and unamortized loss) due between 2001 and 2018	4.30% - 5.25%	48,612

NOTE 5 — Continued on next page

City of Tampa, Florida

NOTE 5 — Continued

1998A Water and Sewer Systems Revenue Bonds due 2002		27
1998B Water and Sewer Systems Revenue Bonds (net of \$594 premium and unamortized loss) due between 2001 and 2008	4.20% - 5.00%	18,273
Solid Waste System Fund:		
1999A Solid Waste System Taxable - Exchangeable Refunding Revenue Bonds (net of \$1,082 unamortized loss) due between 2001 and 2010	5.61% - 6.48%	61,278
1999B Solid Waste System Refunding Revenue Bonds (including \$585 unamortized premium) due between 2010 and 2017	4.50% - 5.25%	124,790
Parking Facilities Fund:		
1993 Refunding Parking Revenue and Utilities Tax Bonds (including \$3,763 discount and unamortized gain) due between 2001 and 2011	5.00% - 5.50%	15,773
		<u>549,738</u>
Less current portion of long-term debt		<u>(24,478)</u>
		<u>\$ 525,260</u>

None of the following are general obligations of the City.

On May 30, 2001 the City issued \$13,500,000 of Water and Sewer Systems Revenue Bonds, 2001B. The proceeds from the bonds will be used to finance Phase I of the City's program to provide highly treated wastewater (reclaimed water) for irrigation purposes and includes the cost of transmission, piping, pumping and storing the treated water.

On July 10, 2001, the City issued \$51,970,000 in Utilities Tax and Special Revenue Refunding Bonds, 2001 to advance refund \$51,545,000 of outstanding 1991 Series bonds. The net proceeds of \$52,565,000 (after payment of \$3,149,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,744,000 of premium and 1991 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. The City advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 15 years by almost \$626,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$596,000.

On July 10, 2001, the City issued \$36,865,000 in Utilities Tax and Special Revenue Refunding Bonds, 2001B to advance \$36,145,000 of outstanding 1991 Series bonds. The net proceeds of \$36,890,000 (after payment of \$3,862,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,887,000 of premium and 1991 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. The City advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 15 years by almost \$200,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$185,000.

On July 10, 2001, the City issued \$28,910,000 in Guaranteed Entitlement Refunding Revenue Bonds, 2001B to advance \$29,910,000 of outstanding 1991 Series bonds. The net proceeds of \$31,107,000 (after payment of \$1,725,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,922,000 of premium and 1991 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those

bonds has been removed from the general long-term debt account group. The City advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 15 years by almost \$264,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$228,000.

The City has entered and will continue to enter into agreements with the State of Florida to participate in the State Revolving Loan Program to take advantage of low interest rates. Prior to fiscal year 2001 the City had entered into loans of \$135,768,000 from this program. During 2001 the City entered into an additional loan in the amount of \$854,000. The loan program operates on a reimbursement basis. When proceeds are remitted the loans accrue interest which is based on the rate approved by the State at the date of closing. The liability due to the State is the original loan plus accrued interest to the time the City begins paying the loan, which is approximately three years. At September 30, 2001 the City had a liability of \$143,161,000 payable to the State including accrued interest. The proceeds from the loan program will be used to finance various sewer projects. The debt service is payable from the net revenues of the Sewer & Water Utility Funds.

The 1991 Utilities Tax and Special Revenue Refunding Bonds are collateralized by and payable from the collection of utility service taxes and tax increment revenues, which are initially deposited in the Utility Tax Special Revenue Fund and Community Redevelopment Agency Fund respectively, and by the interest earned on required debt service and reserve deposits.

The 1990 Utilities Tax Refunding Bonds and the 1996, 1997, 1998, 1999A, and 2000 Utilities Tax Improvement Bonds are collateralized by and payable from the collection of utility service taxes, which are initially deposited in the Utility Tax Special Revenue Fund, and by the interest earned on required debt service and reserve deposits.

The 1992A, 1993A, 1993B, 1995, 1998A, 1998B, and 1999 Water and Sewer Systems Revenue Bonds are collateralized by and payable from the individual and combined net revenues of the Water Utility and Sewer Utility Funds and by the interest earned on required deposits. The Sewer State Revolving Loan Program is subordinate to the 1992A, 1993A, 1993B, 1995, 1998, and 1999 Water and Sewer Systems Revenue Bonds, and additional bonds issued pursuant to these issues.

The 1993 Refunding Parking Revenue and Utilities Tax Bonds are collateralized by and payable from net parking revenues and the collection of utility service taxes, which are initially deposited in the Parking Facilities Fund and Utility Tax Special Revenue Fund respectively, and by the interest earned on required debt service and reserve deposits.

The 1995 Tampa Sports Authority Special Purpose Bonds are collateralized by the City's non-ad valorem tax revenues which are deposited in various funds.

The 1996A Occupational License Tax Bonds are subject to redemption at the option of the City on or after October 1, 2006 through September 30, 2007 at a premium of 2%; on or after October 1, 2007 through September 30, 2008 at a premium of 1%; and after September 30, 2008 at no premium. The 1996B Occupational License Tax Bonds are subject to redemption at the option of the City on the purchase date or interest payment date depending on the floating rate mode being used at the time with no premium.

The 1999A Solid Waste System Taxable-Exchangeable Refunding Revenue Bonds and the 1999B Solid Waste System Revenue Bonds are collateralized and payable from the net revenues of the Solid Waste System Fund.

The 1990 Utilities Tax Refunding Bonds are subject to redemption, at the option of the City, on or after April 1, 1999, at specified redemption premiums not to exceed 5% of par value. The 1991 Guaranteed Entitlement Refunding Revenue Bonds are subject to redemption, at the option of the City, on or after October 1, 2001, at specified redemption premiums not to exceed 2% of par value. The 1991 Utilities Tax and Special Revenue Refunding Bonds are subject to redemption, at the option of the City, on or after October 1, 2001 at specified redemption premiums not to exceed 2% of par value. The 1992A Water and Sewer Systems Revenue Bonds are subject to redemption, at the option of the City, on or after October 1, 2002, at premiums not to exceed 1% of par value. The 1993A Water and Sewer Systems Revenue Bonds are subject to redemption, at the option of the City, on or after October 1, 2003, at premiums not to exceed 2% of par value. The 1993 Solid Waste System Refunding Revenue Bonds are subject to redemption, at the option of the City, on or after October 1, 2003, at premiums not to exceed 2% of par value. The 1993 Refunding Parking Revenue and Utilities Tax Bonds are subject to redemption, at the option of the City, on or after October 1, 2003 at premiums not to exceed 2% of par value. The 1995 Tampa Sports Authority Special Purpose Bonds are not subject to optional redemption. The 1995 Water and Sewer

NOTE 5 — Continued on next page

City of Tampa, Florida

NOTE 5 - Continued

Systems Revenue Bonds are subject to redemption, at the option of the City, on or after October 1, 2005, at specified redemption premiums not to exceed 2% of par value. The 1996A and B Occupational License Tax Bonds are collateralized by and payable from the collection of Occupational License Taxes and non-advallorem revenues, which are deposited in the Occupational License Tax Fund and General Fund, respectively. The 1996 and 1997 Utilities Tax Improvement Bonds are not subject to optional redemption. The 1998 Utilities Tax Bonds are subject to redemption at the option of the City on or after October 1, 2008 at premiums not to exceed 1% of par value. The 1998 Water and Sewer Systems Revenue Bonds are not subject to optional redemption. The 1999A Utilities Tax Bonds are subject to redemption at the option of the City on or after October 1, 2009 to September 30, 2010 at premiums not to exceed 1% of par value and on October 1, 2010 and after at par value. The 1999 Transportation Revenue Bonds are not subject to optional redemption. The 1999A Solid Waste System Taxable-Exchangeable Refunding Revenue Bonds are subject to exchange at the option of the City on or after July 3, 2003 as a whole or in part or on any interest payment date for a 1999A Tax-Exempt Bond of equal denomination and maturity. The 1999A Tax-Exempt Bonds are not subject to redemption at the option of the City on or after October 1, 2009 to September 30, 2010 at premiums not to exceed 1% of par value and on or after October 1, 2010 at par value. The 1999 Water and Sewer Bonds and the 2000A Utilities tax bonds are subject to optional redemption from October 1, 2009 through September 30, 2010 at premiums not to exceed 1% of par value and at par on or after October 1, 2010.

The official statements and council resolutions authorizing the issuance of the revenue bonds described above contain certain restrictive covenants. The City has covenanted that, on a monthly basis, it will deposit specified amounts derived from specific revenue sources into accounts and funds established by the resolutions. The deposits into these accounts and funds are used to repay principal and interest coming due on the bonds and to provide sinking funds established for the purpose of retiring term bonds due in future years. The City is in compliance with bond covenants except as noted below.

The City's Solid Waste Bonds have a debt service rate covenant requirement (i.e. net revenues divided by debt service) of 110%. For fiscal year 2001 the coverage percentage was 87%. In order to cure this deficiency, on October 1, 2001 the City increased the rate charged to its customers by 11.8% and once the retrofitted facility is completed, expenses will be reduced because extra costs during construction for processing and hauling will go down or away. Therefore management is confident that the rate covenant of 110% will be met or exceeded in fiscal 2002.

	Bonded Debt Service			
	General Long-Term Liabilities	Water and Sewer Utilities	Solid Waste System	Parking Facilities
2002	\$ 28,239	\$ 23,747	\$ 14,567	\$ 2,408
2003	39,086	23,779	14,559	2,404
2004	35,173	19,099	14,045	2,398
2005	35,312	19,311	14,570	2,400
2006	35,469	19,288	14,563	2,393
2007-2011	153,856	94,609	72,651	1,988
2012-2016	159,789	89,269	72,238	—
2017-2021	152,456	60,170	71,961	—
2022-2026	64,948	33,921	14,345	—
2027-2029	14,779	25,999	—	—
	<u>719,107</u>	<u>409,192</u>	<u>303,499</u>	<u>13,991</u>
Less interest and net invested sinking fund deposits	(200,766)	(166,074)	(116,934)	(1,981)
Less unamortized discount and loss (gain)	(80,444)	(8,751)	(497)	3,763
Plus non-bond debt	13,030	113,530	—	—
	<u>\$ 450,927</u>	<u>\$ 347,897</u>	<u>\$ 186,068</u>	<u>\$ 15,773</u>

Debt Service for Other Long-Term Liabilities Including Future Minimum Lease Payments

	General Long-Term Liabilities	Water Utility Fund	Sewer Utility Fund
2002	\$ 413	\$ 1,143	\$ 9,664
2003	241	1,143	9,665
2004	221	1,143	9,664
2005	192	1,143	9,665
2006	192	1,143	9,664
2007-2011	959	5,715	48,322
2012-2016	960	5,715	23,005
2017-2021	959	5,143	1,224
2022-2023	192	—	—
	<u>4,329</u>	<u>22,288</u>	<u>120,873</u>
Less interest	(1,794)	(5,687)	(23,944)
	<u>\$ 2,535</u>	<u>\$ 16,601</u>	<u>\$ 96,929</u>

Following is a summary of the changes in the components of the General Long-Term Liabilities Account Group (in thousands of dollars):

	Balance October 1, 2000	Additions	Deductions	Balance September 30, 2001
1990 Utilities Tax Refunding Bonds	\$ 4,764	\$ —	\$ 2,491	\$ 2,273
1991 Guaranteed Entitlement Refunding Revenue Bonds	29,910	—	29,910	—
1991 Utilities Tax and Special Revenue Refunding Bonds	127,345	—	91,890	35,455
1995 Tampa Sports Authority Special Purpose Bonds	9,735	—	175	9,560
1995 Tampa Sports Authority Taxable Special Purpose Bonds	2,710	—	30	2,680
1996 Utilities Tax Improvement Bonds	30,626	1,921	—	32,547
1996 Occupational License Tax Bonds	101,130	—	1,700	99,430
1997 Utilities Tax Improvement Bonds	30,250	547	110	30,687
1998 Utilities Tax Improvement Bonds	18,815	—	315	18,500
1999A Utilities Tax Improvement Bonds	39,700	—	815	38,885
1999 Transportation Revenue Bonds	22,080	—	2,825	19,255
2000A Utilities Tax Improvement Bonds	21,995	—	—	21,995
2001 Utilities Tax and Special Revenue Refunding Bonds	—	51,970	—	51,970
2001B Utilities Tax and Special Revenue Refunding Bonds	—	36,865	—	36,865
2001 Guaranteed Entitlement Refunding Revenue Bonds	—	28,315	—	28,315
HUD Section 108 Loan Guarantee	1,425	—	25	1,400
HUD Section 108 Loan Guarantee	9,070	—	—	9,070
Obligations related claims	23,463	6,653	6,216	23,900
Obligations related to lease purchase contracts	2,637	—	102	2,535
Obligations related to vacation and sick leave accrued to City employees	28,863	12,638	10,855	30,646
	<u>\$ 504,518</u>	<u>\$ 138,909</u>	<u>\$ 147,459</u>	<u>\$ 495,968</u>

NOTE 6 — ADVANCE REFUNDING OF BONDS

The City has entered into various advance refunding transactions related to certain of its bonded debt. A portion of the proceeds of the refunding bond issues was placed in trust and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt, of which \$490,591,000 was outstanding at September 30, 2001, \$321,216,000 related to enterprise funds and \$169,375,000 related to general long-term debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the City defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions.

Bond issues which have been refunded and are payable from escrow accounts are:

Enterprise Funds:

- Water—Series 1978, 1982, 1987, 1988A, and 1992A (partial)
- Sewer—Series 1962, 1978, 1982, 1987, 1988A, and 1992A (partial)
- Parking Facilities—Series C and 1989
- Solid Waste—Series 1993
- State of Florida Pollution Control Bonds—Series B

General Long—Term Debt:

- Excise Tax Bonds—Series 1978
- Guaranteed Entitlement Revenue Bonds—Series 1984, and 1991
- Utilities Tax and Special Revenue Bonds—Series 1985, and 1991 (partial)

City of Tampa, Florida

NOTE 7 — INSURANCE

The Department of Administration charges premiums to each City department for insurance and claims. These charges are recognized as a reduction of expenditures within the general fund and as expenditures or expenses in the other individual funds.

The City is self-insured for unemployment compensation and vehicular damage claims.

The City is insured with commercial insurance for:

- third party liability claims including general and automobile liability after a self-insured retention of \$750,000 per incident;
- employee benefits for City employees and retirees including medical, life, accidental death and dismemberment, and long term disability;
- workers' compensation for City employees after a \$500,000 deductible per incident;
- property damage to City owned facilities and furnishings after self-insured retentions that vary with the cause of the loss.

For fiscal years 2001, 2000, and 1999 the amount of settlements did not exceed insurance coverage.

The methods used to charge the various funds are as follows:

- A. General and automobile liability and all risk property damage insurance:** The individual funds are charged amounts based on insurance premiums as well as actual claims experience for payments made by the City within the self-insured retention.
- B. Workers' compensation:** The City has purchased insurance to protect against catastrophic workers' compensation claims. The policy carries a \$500,000 deductible per claim. Individual funds are charged amounts based on insurance premiums and actual claims experience for payments made within the deductible.
- C. Unemployment compensation:** The City is self-insured and individual funds are charged quarterly as the State assesses the City based on actual claims.
- D. Group medical:** Approximately 96% of the City insured personnel are covered by a fully-insured health maintenance organization, while the remaining 4% are covered under a fully-insured point-of-service program. Both plans are funded by employee/retiree contributions and charges to City funds. Charges to individual funds under both plans are based on projected claims and premium expenses. Actual premiums and claims paid by the City for fiscal year 2001 for all group medical were \$17,764,000.
- E. Life insurance, accidental death and dismemberment insurance (AD&D) and long-term disability insurance (LTD):** The City is insured for these coverages and the individual departments are charged amounts based on premiums due. The life and AD&D plan premiums are funded by the City, and the LTD premiums are funded by both the City and employees. Retirees pay the full cost of their life insurance and are not eligible for AD&D or LTD insurance.

The liabilities shown below are based upon the City's estimate of payments for general liability, automobile liability, and workers' compensation claims that are expected to be paid within the City's self-insured retentions and deductibles after considering the available facts. The City's estimate includes claim expenses based upon claims reported as well as its estimate of claims incurred but not reported. The claims estimation process involves substantial uncertainties, including the ultimate outcome of certain legal actions that may affect the adequacy of amounts provided; however, management feels the amounts provided are appropriate.

A reconciliation of the claims liability for the current year and that of the preceding year follows:

Obligations related to claims, beginning of year 2001	\$ 23,463
Claims incurred in 2001	6,653
Payments made in current year on claims	
originated in fiscal year: 2001	\$ 1,180
2000	1,077
1999	710
1998	645
1997	340
Prior	2,264
	<u>6,216</u>
	<u>(6,216)</u>

Obligations related to claims, end of year 2001 \$ 23,900

Obligations related to claims, beginning of year 2000	\$ 24,447
Claims incurred in 2000	5,206
Payments made in current year on claims	
originated in fiscal year: 2000	\$ 1,106
1999	1,101
1998	635
1997	477
1996	575
Prior	2,296
	<u>6,190</u>
	<u>(6,190)</u>

Obligations related to claims, end of year 2000 \$ 23,463

NOTE 8 — PENSION PLANS

A. Description of the Plans: The City contributes to two single employer pension plans covering substantially all full-time City employees. The Firefighters and Police Officers Pension Plan and the General Employees Retirement Plan are defined benefit plans. Virtually all full-time City firefighters and police officers participate in the first plan. Virtually all remaining full-time City employees, as well as former employees of the City of Tampa, whose current governmental employers make contributions for these employees, participate in the latter. Each pension plan is administered by an independent Board of Trustees and accounted for by the City of Tampa as a separate fund. The laws of Florida authorize each pension plan.

During fiscal year 1981, the General Employees Retirement Plan was amended to provide Social Security coverage for all future employees of the City. The Plan was divided into partial City Pension with Social Security and full City Pension with no Social Security. All employees hired on or after October 1, 1981 are automatically covered by Social Security and partial City Pension.

Benefit eligibility requirements and benefit provisions are as follows: a) For employees hired before October 1, 1981 who contribute to the General Employees Retirement Plan vesting occurs at age 55 with 10 or more years of service. Benefit amounts are calculated based on the highest three years salary within the last ten years employment. The member will receive a benefit amount equal to 2.0% of that average salary for each of the first 15 years of service and 2.5% for each remaining year. A maximum of 30 years of service is recognized. b) For employees hired on or after October 1, 1981 who contribute to Social Security vesting occurs at age 62 with 10 or more years of service, 8 or more for elected officials. The monthly pension is equal to 1.1% of the employees average monthly compensation times years of service. Early retirement is permitted for those hired after October 1, 1981 who have at least 10 years of service and have reached age 55. The accrued normal benefit is reduced 5/12 percent for each month by which the early retirement precedes normal retirement. Pre and post retirement death benefits are also provided. Members with 10 or more years of credited service who have reached age 55 are eligible to participate in the Deferred Retirement Option Program (DROP) for up to five years. During the DROP period the member makes no further contribution to the pension fund and accrues a benefit equal to what would have been the members retirement benefit had the member retired as of the date of entry into the DROP program plus net returns on plan assets. Net returns are calculated from the date benefits would have been paid until departure from service. This accumulated amount is paid in a lump sum when the member leaves active service at the end of the DROP period. c) Vesting for participants in the Firefighters and Police Officers Pension Plan occurs at the earlier of attaining age 46 with 10 or more years' service or 20 years of service. The annual pension is 2.5% of the employees average earnings

NOTE 8 — Continued on next page

City of Tampa, Florida

NOTE 8 — Continued

for highest three of the last ten years of service, but not less than \$100 per month. The plan also provides both service and non-service related disability and pre-retirement death benefits. Members with at least 20 years of credited service are eligible to participate in the Deferred Retirement Option Program (DROP) for up to five years. Members entering DROP after 25 years of service are eligible to participate in the DROP for a combined total of 30 years of credited service. During the DROP period the member accrues a benefit amount equal to what would have been the members retirement benefit had the member retired as of the date of entry into the DROP program plus net returns on plan assets. Net returns are calculated from the date payment would have been made until departure from service. This accumulated amount less the portion attributable to the employee's after-tax pension contributions may be either rolled over to a tax-qualified vehicle, paid in a lump sum, or some combination of the two based upon the member's request when the member leaves active service at the end of the DROP period. All eligible retired members and surviving spouses may receive a 13th Check Program benefit payment on June 30th if sufficient investment returns are available to fund the 13th Check Program. Effective October 1, 2001, the 13th Check Program is funded by investment earnings in excess of 10% (limited to 3%) on the base plan liabilities. The 13th Check Program benefit, if any, is actuarially determined and is an equal dollar amount for all eligible retirees, and one half of that amount to eligible surviving spouses. Members terminating employment who are not eligible to retire are entitled to a refund of contributions they made to the plan without interest.

Post retirement benefit increases are based on the change in the Consumer Price Index up to a maximum of 2% for the General Employees Retirement Plan. They are based on the net change in the average cost of living index with a maximum determined by the actuary and a minimum not below the original benefit for the Firefighters and Police Officers Pension Fund; these benefits are paid from post-retirement adjustment account which had assets of \$632,623,000 at October 1, 1999.

Membership data of the Retirement Systems are summarized as follows:

General Employees Retirement Fund

Participant data as of October 1, 2000, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	1,693
Terminated employees entitled to benefits but not receiving them	213
Vested current employees	1,524
Nonvested current employees	1,221

Firefighters And Police Officers Pension Fund

Participant data as of October 1, 1999, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	1,347
Terminated employees entitled to benefits but not receiving them	16
Vested current employees	724
Nonvested current employees	560

B. Significant Accounting Policies: Basis of Accounting: City of Tampa financial statements for the two pension funds are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due.

Method used to value investments: Investments in the two plan funds are reported at fair value according to the independent custodian for each plan and the independent money managers of the assets in each plan using various third party pricing sources. Short-term investments are reported at cost, which approximates fair value. Those investments that do not have an established market are reported at estimated fair value. Real estate holdings in the Firefighters and Police Officers Pension Plan are reported at the most recent appraisal value.

C. Contribution Requirements and Contributions Made: State statutes govern the City and employee contribution requirements for both plans. The City's contribution to the General Employees Retirement Fund is an actuarially determined periodic amount that increases gradually over time so that sufficient assets will be available to pay benefits when due. The employees' contribution rate for this plan is currently 7% of gross pay for employees hired before October 1, 1981 and no contribution for employees hired after October 1, 1981. The City's contribution to the Firefighters and Police Officers Pension Fund is an actuarially determined periodic amount that has a minimum of 133% of the employees' contribution. The employees' contribution for this plan uses a scale that ranges from

4% to 25% of earnings, which may be discounted by the actuary. Members who have elected the DROP program do not make contributions during their DROP service. Contributions provided by the State of Florida are in accordance with State statutes.

In 2001 the annual pension cost and contribution for the Firefighters and Police Officers Pension Fund and the General Employees Retirement Fund were \$1,702,000 and \$1,869,000 respectively.

Annual pension cost and contribution information for the last three fiscal years follows:

Firefighters and Police Officers Pension Fund

Year Ended Sept. 30	Annual Pension Cost	Percentage Contributed
2001	1,702	100%
2000	2,814	100%
1999	3,352	100%

General Employees Retirement Fund

Year Ended Sept. 30	Annual Pension Cost	Percentage Contributed
2001	1,869	100%
2000	1,746	100%
1999	1,282	100%

GASB statement number 27 requires the disclosure of the amortization method for any unfunded or over funded actuarial accrued liability with the exception of plans using the aggregate actuarial cost method which is used by the Firefighters and Police Officers Pension Fund. The General Employees Retirement Fund has assets in excess of the actuarial accrued liability; this negative unfunded actuarial accrued liability is being amortized as a level percentage of payroll over the remaining future service of plan participants. Detailed information regarding the funding of both funds is contained in the Required Supplementary information to the accompanying financial statements. During fiscal year 2001 the Firefighters and Police Officers Pension Board approved a change in the plan's actuarial cost method from the aggregate method to the entry age normal method. This change will effect the plan in future years.

D. Actuarial Methods and Significant Assumptions

	General Employees Retirement Fund	Firefighters and Police Officers Pension Fund
Valuation date	10/01/00	10/01/99
Actuarial cost method	entry age	aggregate
Amortization method	level percent of payroll	N/A
Remaining amortization period	remaining future service, open period	N/A
Asset valuation method	weighted 5-year asset smoothing	market
Actuarial assumptions:		
Investment rate of Return	8%	10%
Projected salary increases*	6%	7.2%
*Includes inflation at	3%	3.5%
Cost of living adjustments	2%	0

NOTE 9 — OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides certain health care and life insurance benefits for retired employees. Florida Statutes state that the City must offer its retirees the option of continuing to participate in insurance plans that are offered its employees at a premium cost of no more than that applicable to active employees. To determine health and hospitalization plan costs, the City is required to commingle claims experience of the retiree group with that of the active employees. Substantially all of the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. As of September 30, 2001, 771 participants were eligible to receive benefits.

Life insurance is provided through self insurance. Health care is fully-insured and provided through an outside supplier. Expenses for the health coverage provided by outside carrier are recognized in the Insurance Department as premiums are paid by the City to the insurance providers. Expenses for life insurance that are self-insured are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported. Premium costs are borne by the retirees.

Expenses associated with the above are commingled with those relating to active employees and cannot be reasonably estimated.

City of Tampa, Florida

NOTE 10 — DEFERRED COMPENSATION PLAN

The City has, in the past, reported the assets and associated liability with the deferred compensation plan offered to City employees in an agency fund. Due to a change in Internal Revenue Code 457 and the adoption of a related resolution by City Council in April 1997, these assets are no longer property of the City and the fiduciary responsibility was transferred to the plan third party administrator. As a result these assets are not reported in the accompanying financial statements.

NOTE 11 — CONTRIBUTED CAPITAL

Contributions to the City, in the form of cash or other assets, are reported as contributed capital in the proprietary funds. Disposition and depreciation of those assets are deducted from contributed capital. Changes during the year, in contributed capital in the proprietary funds are as follows (in thousands of dollars):

	Enterprise Funds	Internal Service Funds
Balance, October 1	\$ 193,532	\$ 791
Disposition of contributed assets	(125)	(26)
Depreciation on contributed assets	(4,864)	(81)
	<u>\$ 188,543</u>	<u>\$ 684</u>

Effective October 1, 2000, the City adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33). The adoption of GASB 33 resulted in previously reported additions to contributed capital being reported as revenues in the current period.

NOTE 12 — RETAINED EARNINGS OR FUND BALANCE DEFICIT/RESERVES

The Administrative Services Fund and the Utility Accounting Fund have accumulated deficits in unreserved retained earnings of \$13,000 and \$293,000 respectively, which are caused by expenses exceeding revenues. The deficits in the Administrative Services Fund and the Utility Accounting Fund will be reduced through future rate increases. The HUD - Section 108 Loan Proceeds debt service fund has a deficit fund balance of \$60,000. This deficit will be reduced through future loan repayments.

In accordance with the modified accrual method of accounting for grants in governmental fund types, the City accrues revenues when the expenditures are incurred. This method of accounting results in a zero fund balance.

Fund balances are reserved at September 30, as follows (in thousands of dollars):

	General	Special Revenue	Debt Service	Capital Projects	Trust & Agency	Total
Encumbrances	\$ 7,157	\$ 2,607	\$ —	\$ 36,129	\$ —	\$ 45,893
Debt service	—	—	16,439	—	—	16,439
Imprest cash	134	—	—	—	—	134
Inventories	378	—	—	—	—	378
Prepaid Expenditures	232	—	—	—	—	232
Noncurrent loans receivable	—	—	—	2,936	43,233	45,795
	<u>\$ 7,901</u>	<u>\$ 2,607</u>	<u>\$ 16,439</u>	<u>\$ 39,065</u>	<u>\$ 43,233</u>	<u>\$ 108,871</u>

Designations of unreserved fund equities indicate City management's tentative plans for financial resource utilization in a future period.

NOTE 13 — OPERATING LEASES

The government leases building and office facilities under noncancelable operating leases. Total costs for such leases were \$947,000 in the General Fund for the year ended September 30, 2001. The future minimum lease payments (in thousands of dollars) for these leases are as follows:

	General Fund
2002	\$ 1,681
2003	1,716
2004	1,742
2005	1,787
2006	1,837
Thereafter	25,375
	<u>\$ 34,138</u>

NOTE 14 — CONTINGENT LIABILITIES, CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The City has agreed to pay one-third of any operating and maintenance shortfall of the Tampa Sports Authority as defined in certain Inter-Local Agreements subject to approval of the Authorities annual budgets by both the City and Hillsborough County. In 2001 \$2,189,000 was paid under this agreement, for a total of \$2,189,000 through 2001.

During the 2001 fiscal year and in prior fiscal years, the City received revenues and contributions related to grants from Federal agencies and the State of Florida. 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.

During 1992 the City entered into an agreement with the Florida Aquarium, Inc. to finance the acquisition, construction and equipping of the Florida Aquarium. The City's role was to act as a conduit to enable the Aquarium to obtain tax exempt financing. Such tax exempt financing did not constitute a debt or obligation of the City and neither the full faith and credit nor any of the taxing power of the City was pledged to pay the principal of or interest on such bonds. The City agreed to pay certain amounts if certain contingencies occurred in connection with revenue bonds issued by the City as a conduit issuer. Due to attendance shortfalls at the Aquarium, it became apparent that certain contingencies would occur and that the City would have to start paying monies to assist in funding the debt service requirements. Accordingly, on October 24, 1996, the City issued \$104,230,000 of Occupational License Tax Bonds, Series 1996A and B, to purchase the aquarium and related facilities and to pay off the Revenue Bonds, Series 1992 (The Florida Aquarium Project). The Series A portion are floating rate bonds for which the City has entered a SWAP agreement to cap the floating rate at 6.25% through October 1, 2003. The City is still contingently liable for any operating losses of the Aquarium. More information on this debt issue is contained in Note 5.

In 1989 the City entered into a small power production agreement with Tampa Electric Company whereby certain payments for electricity to be sold by the City to the electric company are received in advance. Prior to 2001, the City recorded \$3,285,000 of such payments as deferred revenues in the Solid Waste System Fund. During 2001, \$96,000 of such deferred revenues were amortized into revenue, leaving total deferred revenues related to the agreement of \$3,189,000. Should the City fail to meet levels of power production specified in the agreement the City would be committed to pay a penalty to TECO. The maximum potential amount of this obligation at September 30, 2001 is \$16,393,000. No such payments have been required through 2001.

During 1998 the City entered into an agreement with Tampa Bay Water, a Regional Water Supply Authority, to finance the acquisition and construction of a regional water supply system for the area. Other parties to the agreement are the Cities of St. Petersburg and New Port Richey and Hillsborough, Pasco, and Pinellas Counties. The system provides storage and will supply water to reduce adverse effects of excessive withdrawals. In accordance with this agreement, the City sold its Morris Bridge Wellfield

NOTE 14 — Continued on next page

City of Tampa, Florida

NOTE 14 — Continued

to Tampa Bay Water for \$35,430,625 of which \$32,000,000 was in cash, the remainder is in the form of Annual Credits to be amortized against future water purchases from Tampa Bay Water by the City. Tampa Bay Water has issued debt obligations for which each party to the agreement would be liable in the event Tampa Bay Water has insufficient assets to pay the debt obligations. The amount of any potential future liability to the City under this agreement cannot be reasonably estimated.

During 1995 the City entered into agreements with the Tampa Sports Authority to issue bonds to finance construction of the Ice Palace as more fully described in Note 5. The City has agreed to pay from non-ad valorem revenues \$750,000 at a minimum and \$1,500,000 at a maximum to the Sports Authority through 2026 for the \$10,300,000 Tampa Sports Authority Special Purpose Bonds and \$250,000 for the \$2,815,000 Tampa Sports Authority Taxable Special Purpose Bonds. The payment to the Sports Authority on the first bond issue varies because it is contingent on parking revenues at the garage near the facility.

In 1993 State regulations required the City to place a final cover on its Old Manhattan landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a liability of approximately \$68,000 for the next twenty-six years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City is required by State regulations to maintain a trust to finance closure and post-closure care. The City is in compliance with these requirements, and at September 30, 2001, \$68,000 was set aside in a separate pooled cash account. This amount is reported as restricted assets on the Water Utility Fund balance sheet.

In conjunction with the refurbishment of the McKay Bay Refuse to Energy Facility currently under way, the City was required by section 62-701.630 Florida Administrative Code to establish an escrow account for the sole purpose of closure of the facility. On 3/01/98 \$182,000 was placed into this account. Subsequent inflation adjustment deposits were made into this account on 9/01/98, 8/18/99, 8/01/00 and 8/08/01 in the amounts of \$3,000, \$2,000, \$3,000 and \$4,000 respectively. The fund amount of \$194,000 is shown as restricted cash and reserved fund balance in the Solid Waste Utility Fund.

During 1984, the City issued Utilities Tax Bonds that are collateralized by a pledge of utility tax revenue. A portion of the proceeds from the bond issue were used to refund certain bonds whose proceeds were used for parking-related capital projects. While the City is not contractually obligated to service the debt from the Parking Facilities Fund revenue, it has elected to make operating transfers from the Parking Facilities Fund to the City's General Fund to reimburse the General Fund for a portion of the foregone utility tax revenue used to pay the debt service on the refunding issue.

The 1997, 1998, 1999, and 2000 Utilities Tax Bonds are collateralized by a pledge of utility tax revenue. A portion of the proceeds from the bond issue was used for parking-related capital projects. While the City is not contractually obligated to service the debt from Parking Facilities Fund revenue, it has elected to make operating transfers from the Parking Facilities Fund to the appropriate Debt Service Fund for a portion of the debt service on the bond issue.

In connection with its efforts to redevelop and rehabilitate the existing housing stock through various housing activities, the City has established a Challenge Fund Guarantee Program. Under the program the City has agreed to establish an account entitled the Community Reinvestment Challenge Fund Loan Guarantee Account. This account is funded by Federal Community Block Grant Funds and other public and private sources. The City has agreed to use this account to purchase certain loans made by participating financial institutions in the event of default during a period of five years from the date of the origination of the loan. Pursuant to Council Resolution the aggregate amount of the loans subject to this agreement may not exceed \$75 million. The City expended approximately \$491,000 from the Community Reinvestment Challenge Fund Loans Guarantee Account in fiscal year 2001.

The City is defendant in various legal actions which in the opinion of management will not have a significant effect on the financial position of the City.

Outstanding purchase order commitments, including construction commitments, at September 30, 2001, for all funds in which such commitments are not disclosed as a reservation of fund balance or retained earnings, are summarized as follows (in thousands of dollars):

Special Revenue Funds (nonannually budgeted):	
Community Redevelopment Agency	\$ —
Community Development Block Grant	2,200
Other Grants	2,511
	<u>\$ 4,711</u>
Enterprise Funds:	
Water Utility	\$ 23,056
Sewer Utility	10,879
Solid Waste System	14,628
Parking Facilities	10,334
Marina	178
	<u>\$ 59,075</u>
Internal Service Funds:	
Fleet Maintenance	\$ 302
Administrative Services	1
Utility Accounting	116
	<u>\$ 419</u>

In accordance with the modified accrual method of accounting for grants the City accrues revenues when the expenditures are incurred. This method of accounting results in a zero fund balance, therefore the City does not make a reservation of fund balance for encumbrances in the nonannually budgeted Special Revenue Funds.

NOTE 15 — SEGMENT INFORMATION

The City operates five enterprise operations which provide water, sewer, solid waste disposal, parking, and marina services. Segment information for the year ended September 30, 2001 is as follows (in thousands of dollars):

	Water Utility	Sewer Utility	Solid Waste System	Parking Facilities	Marina	Total
Operating revenues	\$ 45,848	\$ 65,320	\$ 46,387	\$ 16,409	\$ 143	\$ 174,107
Grant revenues	585	—	—	3,719	—	4,304
Depreciation and amortization expense	6,891	17,460	5,022	2,546	11	31,930
Operating income (loss)	12,805	11,312	108	3,591	(9)	27,807
Operating transfers in	—	—	—	—	—	—
Operating transfers out	—	—	—	5,615	—	5,615
Net income (loss)	20,272	14,427	(3,214)	5,585	271	37,341
Capital contributions	1,926	4,619	—	—	—	6,545
Property, plant and equipment:						
Additions	59,945	15,936	37,615	8,290	241	122,027
Deductions	1,111	1,459	1,805	273	—	4,648
Net working capital	45,757	24,479	3,199	3,788	649	77,872
Total assets	457,530	579,009	214,122	133,023	5,622	1,389,306
Bonds and other long-term liabilities	134,627	204,039	184,757	13,953	—	537,376
Total equity	311,419	353,024	11,485	114,788	5,616	796,332

City of Tampa, Florida

NOTE 16 — RELATED ORGANIZATIONS

City officials are also responsible for appointing various members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. In addition, City officials serve on the boards of several organizations in which the City does not have a voting majority. Organizations related to the City in one or both of these manners include the Tampa Bay Performing Arts Center, the Tampa Sports Authority, the Hillsborough County Aviation Authority, the Tampa-Hillsborough County Expressway Authority, the Tampa Economic Development Council, Hillsborough Area Regional Transit, the Tampa Housing Authority, and the Tampa Port Authority.

NOTE 17 — CONDUIT DEBT OBLIGATIONS

From time to time the City will issue conduit debt obligations to fulfill a public need or purpose. These obligations are not reported as liabilities in the accompanying financial statements and the City is not obligated in any manner for repayment of the bonds. As of September 30, 2001 there was an aggregate principal amount outstanding of \$700,949,000 for four issues. A description of the issues outstanding at year-end follows:

\$2,524,000 City of Tampa, Florida Home Mortgage Revenue Bonds 1983 Series A -

This obligation was issued to acquire mortgage loans on single family residences in the City and owned by eligible borrowers. The revenues received from the mortgage payments repay the bonds.

\$546,435,000 City of Tampa, Catholic Health East Health System Revenue Bonds, Series 1998A and Series 1998B -

The proceeds from this issue were loaned to Catholic Health East for the construction of medical facilities in the City, for the purchase of medical equipment, and for the payment of other specific costs. The terms of the loan agreement call for payments equal to the debt service requirements of the bonds to be made directly to the bond trustees. The gross revenues of the health care entities secure the loans.

\$10,400,000 City of Tampa, Florida Health Care Facilities Revenue Bonds, Series 1997 -

The proceeds from this issue were loaned to LifeLink Foundation, Inc. for construction of a headquarters and medical facility in the City. The payment terms of the loan agreement match the debt service requirement of the bonds. The loan is repaid directly to the bond trustee and is secured by gross the revenues of LifeLink Foundation, Inc.

\$42,345,000 City of Tampa, Florida Capital Improvement Hospital Revenue Bonds (H. Lee Moffitt Cancer Center Project) Series 1999A -

The proceeds from the issue were loaned to H. Lee Moffitt Cancer Center and Research Institute, Inc. and H. Lee Moffitt Cancer Center and Research Institute Hospital, Inc. (Obligated Group) for various capital improvement projects. The payment terms of the loan agreement match the debt service requirement of the bonds. The loan is repaid directly to the bond trustee and is secured by the gross revenues of the Obligated Group.

\$69,345,000 City of Tampa, Florida Cigarette Tax Allocation Bonds (H. Lee Moffitt Cancer Research Project) Series 1999 -

The proceeds from the issue were loaned to H. Lee Moffitt Cancer Center and Research Institute, Inc. for the purpose of acquisition and construction of capital improvements at the Institute. The payment terms of the loan agreement match the debt service requirements of the bonds. The loan is repaid directly to the bond trustee and is secured by the gross revenues of the Institute.

\$20,000,000 City of Tampa, Florida Variable Rate Demand Revenue Bonds (Tampa Preparatory School, Inc. Project), Series 2000

On October 22, 2000 the City issued \$20,000,000 of City of Tampa, Florida Variable Rate Demand Revenue Bonds (Tampa Preparatory School, Inc.

Project) Series 2000. The proceeds from the bonds will be used to finance the construction of a new facility. The terms of the loan agreement call for payments of principal and interest to be made directly to the bond trustee. The gross revenues of the entity secure the loan.

\$4,500,000 City of Tampa, Florida Variable Rate Demand Revenue Bonds (Lowry Park Zoological Society of Tampa, Inc. Project), Series A

On November 29, 2000 the City issued \$4,500,000 of City of Tampa, Florida Variable Rate Demand Revenue Bonds (Lowry Park Zoological Society of Tampa, Inc. Project) Series. The proceeds from the bonds will be used to finance the construction of new exhibits at the facility. The terms of the loan agreement call for payments of principal and interest to be made directly to the bond trustee. The gross revenues of the entity secure the loan.

\$5,400,000 City of Tampa, Florida Variable Rate Demand Revenue Bonds (ACTS/DACCO Project), Series 2001

On July 18, 2001 the City issued \$5,400,000 of City of Tampa, Florida Variable Rate Demand Revenue Bonds (ACTS/DACCO Project) Series 2001. The proceeds from the bonds will be used to finance improvements to the facility. The terms of the loan agreement call for payments of principal and interest to be made directly to the bond trustee. The gross revenues of the entity secure the loan.

NOTE 18 — ARBITRAGE REBATE

Certain City long-term debt obligations are subject to Section 148 of the Internal Revenue Code which requires that interest earned on proceeds from tax-exempt debt be rebated to the federal government to the extent that those earnings exceed the interest cost on the related tax-exempt debt. The City has calculated the arbitrage rebate liability to be the following at September 30, 2001:

\$28,913,961.55 Utilities Tax Improvement Bonds, Series 1997, interest expense at 4.91%	\$114
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NOTE 19 — SUBSEQUENT EVENTS

On October 5, 2001, the City issued \$66,060,000 in Water and Sewer Systems Refunding Revenue Bonds, 2001A to advance \$62,060,000 of outstanding 1999 Series bonds. The net proceeds of \$65,292,000 (after payment of \$768,000 in underwriting fees, insurance, and other issuance costs) and 1999 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. The City advance refunded the 1999 Series bonds to reduce its total debt service payments over the next 28 years by almost \$2,202,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,219,000.

On October 25, 2001 the City issued \$55,585,000 of Sales Tax Revenue Bonds, 2001A. The proceeds from the bonds will be used to pay for various projects (i.e. museum, zoo improvements, roads, and neighborhood projects). The debt service is payable from the gross revenues of the Community Investment Tax Fund which receives the Sales Tax monies.

On October 25, 2001 the City authorized \$12,000,000 of City of Tampa, Florida Education Facilities Revenue Bond (Academy of Holy Names Projects) Series 2001. The proceeds from the bonds will be used to finance improvement to the facility. The terms of the loan agreement call for payments of principal and interest to be made directly to the bond trustee. The gross revenues of the entity secure the loan.