

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

**\$6,790,000**

**FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside cover**

The Florida Municipal Loan Council's \$6,790,000 Refunding and Improvement Revenue Bonds, Series 2017B (the "Bonds") are being issued by the Florida Municipal Loan Council (the "Issuer"). The Issuer is a separate legal entity created pursuant to an Interlocal Agreement entered into initially by and among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality.

The Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein for further information.

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2018. The principal of, premium, if any, and interest on the Bonds will be paid through The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as described herein. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

The Bonds are subject to optional redemption and may be subject to mandatory redemption prior to maturity. See "THE BONDS - Redemption Provisions" herein for further information.

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to three State of Florida public entities: the Downtown Cocoa Beach Community Redevelopment Agency, the Town of Melbourne Beach and the City of Valparaiso (jointly referred to as the "Borrowers"), pursuant to loan agreements between the Issuer and each of the Borrowers (collectively, the "Loan Agreements") for the purposes of (i) providing funds to finance or refinance various governmental undertakings of the Borrowers, and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for a municipal bond insurance policy and a municipal bond debt service reserve insurance policy.

Payments made by the Borrowers to the Issuer in repayment of the Loans (the "Loan Repayments") are included in the trust estate granted by the Issuer to the Trustee pursuant to a Trust Indenture, dated as of September 1, 2017, between the Issuer and the Trustee (the "Indenture").

The scheduled payment of principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.



**THE BONDS ARE NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE ISSUER, BUT ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM (I) THE PAYMENTS TO BE MADE BY THE BORROWERS PURSUANT TO THE LOAN AGREEMENTS (II) ALL AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS CREATED PURSUANT TO THE INDENTURE, AND (III) ALL REVENUES, ANY AND ALL OTHER PROPERTY, RIGHTS AND INTEREST OF EVERY KIND AND NATURE FROM TIME TO TIME HEREAFTER BY DELIVERY OR BY WRITING OF ANY KIND SUBJECTED TO THE INDENTURE, AS AND FOR ADDITIONAL SECURITY FOR THE BONDS, BY THE ISSUER OR BY ANY OTHER PERSON ON ITS BEHALF OR WITH ITS WRITTEN CONSENT (COLLECTIVELY, THE "TRUST ESTATE"), AS MORE FULLY DESCRIBED HEREIN. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

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

SEE THE INSIDE COVER FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIP NUMBERS.

*The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esq., counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the Issuer. The Underwriter is represented by Holland & Knight LLP, Lakeland, Florida. Public Resources Advisory Group, St. Petersburg, Florida, has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September 28, 2017.*

**WELLS FARGO SECURITIES**

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

**\$6,790,000**

**FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B**

**\$6,215,000 Serial Bonds**

<u>Maturity</u> (October 1)	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP</u> <u>No.*</u>
2018	\$340,000	4.000%	1.270%	102.726	34282CMQ1
2019	350,000	4.000	1.450	105.029	34282CMR9
2020	365,000	5.000	1.640	109.823	34282CMS7
2021	385,000	5.000	1.800	112.321	34282CMT5
2022	405,000	5.000	1.990	114.280	34282CMU2
2023	425,000	5.000	2.170	115.861	34282CMV0
2024	445,000	5.000	2.350	117.031	34282CMW8
2025	460,000	5.000	2.510	117.962	34282CMX6
2026	480,000	5.000	2.630	118.898	34282CMY4
2027	515,000	5.000	2.740	119.665	34282CMZ1
2028	535,000	5.000	2.840	118.702†	34282CNA5
2029	560,000	3.000	3.120	98.805	34282CNB3
2030	470,000	3.000	3.180	98.094	34282CNC1
2031	480,000	3.000	3.250	97.204	34282CND9

**\$180,000 2033 Term Bonds**

\$180,000 3.250% Term Bonds due October 1, 2033 -- Yield: 3.390% Price: 98.281 Initial CUSIP No.\* 34282CNE7

**\$190,000 2035 Term Bonds**

\$190,000 3.375% Term Bonds due October 1, 2035 -- Yield: 3.510% Price: 98.208 Initial CUSIP No.\* 34282CNF4

**\$205,000 2037 Term Bonds**

\$205,000 3.500% Term Bonds due October 1, 2037 -- Yield: 3.600% Price: 98.582 Initial CUSIP No.\* 34282CNG2

†Price and yield calculated to first optional redemption date of October 1, 2027.

\*Neither the Issuer nor any Borrower nor the Underwriter shall be responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

## **Florida Municipal Loan Council**

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THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan", "expect", "estimate", "project", "forecast", "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

**THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER, ANY OF THE BORROWERS OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE BONDS.**

**THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE: [WWW.MUNIOS.COM](http://WWW.MUNIOS.COM). THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.**

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS

TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

AGM MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE "BOND INSURANCE", "APPENDIX I -- SPECIMEN BOND INSURANCE POLICY" AND "APPENDIX J -- FORM OF SURETY BOND."

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## **OFFICIAL STATEMENT**

Relating to

**\$6,790,000**

### **FLORIDA MUNICIPAL LOAN COUNCIL REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B**

#### **INTRODUCTION**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of \$6,790,000 Refunding and Improvement Revenue Bonds, Series 2017B (the "Bonds") to be issued by the Florida Municipal Loan Council (the "Issuer").

This Introduction is only a brief description of the matters described in this Official Statement, and a full review of this Official Statement should be undertaken by potential investors in the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer is a separate legal entity under the laws of the State of Florida. The Issuer was created by an Interlocal Agreement (the "Interlocal Agreement"), dated December 1, 1998, initially among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality. Subsequent to that date, other Florida municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

The Bonds are being issued pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), an amended and restated authorizing resolution adopted by the Issuer on August 17, 2017, and a Trust Indenture (the "Indenture"), dated as of September 1, 2017, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to three public entities of the State of Florida further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the Downtown Cocoa Beach Community Redevelopment Agency, the Town of Melbourne Beach and the City of Valparaiso (jointly, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, each dated as of September 1, 2017, between the Issuer and each Borrower (collectively, the "Loan Agreements"). Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to finance, refinance or reimburse itself for the cost of a governmental undertaking approved by the governing body of that Borrower for a public purpose, and to pay a proportionate share of the costs of issuance of the Bonds, including the premiums for a municipal bond insurance policy and municipal bond debt service reserve insurance policy.

Pursuant to each Loan Agreement, each Borrower agrees to make payments (the "Basic Payments") in such amounts and at such times as shall be sufficient to pay the principal of,

premium, if any, and interest on the Loan of that Borrower when due. The Basic Payments correlate to the debt service on a principal amount of Bonds equal to the principal amount of the Loan. The aggregate scheduled Basic Payments under all Loan Agreements equals the scheduled payments of principal and interest on the Bonds. Not all Loans mature on the same date. **No Borrower is obligated to pay the principal of, premium, if any, or interest on, or any other amount payable with respect to, a Loan made to a different Borrower.** The Basic Payments for each Borrower are set forth herein under the caption "DEBT SERVICE REQUIREMENTS."

Pursuant to each Loan Agreement, each Borrower also agrees to make certain other payments (the "Additional Payments"), including, but not limited to, the fees and expenses of the Issuer, the Administrator (as described under the heading "THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT," below) and the Trustee, and the Borrower's proportionate share of any fees, including any rebate obligation with respect to the Bonds, related to a particular Borrower's Loan.

The Basic Payments and the Additional Payments are jointly referred to as the "Loan Repayments."

The Town of Melbourne Beach and City of Valparaiso has each agreed in their respective Loan Agreements to appropriate in their annual budget, by amendment, if required, and to pay when due under their respective Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular Borrower derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Downtown Cocoa Beach Community Redevelopment Agency, in its Loan Agreement dated as of September 1, 2017 (the "Downtown Cocoa Beach CRA Loan Agreement"), has pledged the revenues (the "Pledged Revenues") generated from the tax increment as described in Section 163.387, Florida Statutes, received annually by the Downtown Cocoa Beach Community Redevelopment Agency and deposited to the fund established by the City of Cocoa Beach pursuant to Ordinance No. 1547, enacted May 7, 2012 (the "Trust Fund"). See "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement" herein. The City of Cocoa Beach, by means of an Interlocal Agreement dated the date of closing of the Bonds (the "Cocoa Beach Interlocal Agreement") has covenanted to budget and appropriate Non-Ad Valorem Revenues of the City of Cocoa Beach sufficient to make Loan Repayments under the Downtown Cocoa Beach CRA Loan Agreement, to the extent Pledged Revenues pledged thereunder are insufficient therefor. The City of Cocoa Beach's obligations under the Cocoa Beach Interlocal Agreement have been assigned to the Issuer as security for the Downtown Cocoa Beach CRA Loan Agreement.

Pursuant to the Indenture, the Issuer has granted to the Trustee as part of the trust estate established thereby all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the Loan Agreements, including the Issuer's right to receive Loan Repayments and payments under the Cocoa Beach Interlocal Agreement.

**THE BONDS ARE NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE ISSUER, BUT ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM (I) THE PAYMENTS TO BE MADE BY THE BORROWERS PURSUANT TO THE LOAN AGREEMENTS AND THE CITY OF COCOA BEACH UNDER THE COCOA BEACH INTERLOCAL AGREEMENT, (II) ALL AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS CREATED PURSUANT TO THE INDENTURE, AND (III) ALL REVENUES, ANY AND ALL OTHER PROPERTY, RIGHTS AND INTEREST OF EVERY KIND AND NATURE FROM TIME TO TIME HEREAFTER BY DELIVERY OR BY WRITING OF ANY KIND SUBJECTED TO THE INDENTURE, AS AND FOR ADDITIONAL SECURITY FOR THE BONDS, BY THE ISSUER OR BY ANY OTHER PERSON ON ITS BEHALF OR WITH ITS WRITTEN CONSENT (COLLECTIVELY, THE "TRUST ESTATE"), AS MORE FULLY DESCRIBED HEREIN. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The obligation of the City of Cocoa Beach under the Cocoa Beach Interlocal Agreement is not a general debt, liability or obligation of the City of Cocoa Beach, but is a limited obligation of the City of Cocoa Beach payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

There follows in this Official Statement descriptions of the Bonds, the Issuer, the Borrowers and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter at 2363 Gulf-to-Bay Boulevard, Suite 200, Clearwater, Florida 33765 prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture or the Loan Agreements. See Appendices C and D for definitions of certain terms used in this Official Statement.

## **THE BONDS**

### **General Description**

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date,"), commencing April 1, 2018.

The principal and premium, if any, of the Bonds shall be payable when due by check, upon presentation and surrender of the Bonds at the Designated Office of the Trustee, and interest will be payable by check mailed by the Trustee on each Interest Payment Date to the holders of the Bonds registered as such as of the Record Date; provided, however, that at the expense of and upon the written request of a holder of \$1,000,000 or more, interest will be paid by wire transfer to an account in the United States. The Record Date with respect to any Interest Payment Date is the fifteenth day of the calendar month preceding such Interest Payment Date. For so long as the book-entry only system of ownership of the Bonds is in effect, payments of principal, premium, if any, and interest on the Bonds will be made as described below under the caption "Book-Entry Only System" below.

All payments of principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

### **Redemption Provisions**

Optional Redemption. The Bonds maturing on or before October 1, 2027 are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 2027 are subject to redemption at the option of the Issuer on or after October 1, 2027 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the Redemption Price (as defined in the Indenture) equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on October 1, 2033 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2032 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2032	\$90,000
2033*	90,000

\*Maturity, not a redemption.

The Bonds maturing on October 1, 2035 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2034 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2034	\$95,000
2035*	95,000

\*Maturity, not a redemption.

The Bonds maturing on October 1, 2037 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2036 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$100,000
2037*	105,000

\*Maturity, not a redemption.

Selection of Bonds to be Redeemed. The Bonds may be redeemed only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise described above or as specified in the Indenture, be selected by the Registrar by lot or in such other manner as the Trustee in its discretion may deem appropriate.

Notice of Redemption. In the case of every redemption, notice of the call for redemption shall be given by the Trustee as Registrar (the "Registrar") by mailing a copy of the redemption notice, identifying the Bonds or portions thereof to be redeemed, (1) by first class mail at least thirty (30) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register, and (2) in addition to the mailing of the notice described above, the Registrar shall give additional notice of the redemption of Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or governmental agency or body from time to time applicable to such Bonds. No defect in any notice delivered pursuant to clause (2) above nor any failure to give all or any portion of such notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in clause (1) above. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner or any other recipient receives the notice.

Each notice of redemption given under the Indenture shall contain (i) information identifying the Bonds or portions thereof to be redeemed; (ii) the CUSIP numbers of all Bonds being redeemed; (iii) the date of issue of the Bonds as originally issued; (iv) the rate of interest borne by each Bond being redeemed; (v) the maturity date of each Bond being redeemed; (vi) a brief description, if applicable, of any conditions that must be satisfied prior to the redemption of the Bonds being redeemed; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed; provided, however, that no notice shall be deemed defective if the information required in clause (i) above is provided in such notice.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall

be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Issuer delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Issuer to make such funds available shall constitute an Event of Default under the Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

Effect of Calling for Redemption. On the redemption date, the principal amount of the Bonds to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available for such redemption being on deposit with the Trustee in accordance with the provisions of the Indenture, then notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding under the Indenture and the Issuer shall be under no further liability in respect thereof.

### **Book-Entry Only System**

*The information provided immediately below concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the Issuer, the Trustee or the Borrowers.*

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Bonds will be made in increments of \$5,000 or integral multiples thereof.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized

book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's Rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The contents of such website do not constitute a part of this Official Statement.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may

wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE BORROWERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. NEITHER THE ISSUER NOR THE BORROWERS CAN PROVIDE ANY ASSURANCE THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated Bonds are required to be printed and delivered to the holders of record.



The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Bonds. Under current industry practices, however, DTC would notify its Direct or Indirect Participants of the Issuer's decision but will only withdraw beneficial interests from a Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Bonds will be printed and delivered.

### **No Assurance Regarding DTC Practices**

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Borrowers, the Underwriter, and the Trustee take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the Issuer, the Trustee, the Borrowers or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Bonds.

### **THE ISSUER**

The Issuer was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended, through the Interlocal Agreement described above.

The Issuer is a separate legal entity created for the purpose of enabling participating municipalities and counties or other participating governmental entities to finance or refinance (including reimbursement of prior expenditures) undertakings on a cooperative and cost effective basis and to benefit from the economies of scale associated with larger scale financings which might otherwise be unrealized if separate financings were undertaken. The Bonds are being issued in furtherance of the Issuer's program (the "Program") of making loans to participating governmental units. Pursuant to the Interlocal Agreement, the Issuer has the power to issue, from time to time, in various series, bonds, notes or other obligations to finance and refinance loans to participating governmental entities.

Membership in the Issuer consists of those governmental entities which from time to time have been admitted to membership by the affirmative vote of two-thirds of the board of directors of the Issuer and which have joined in the Interlocal Agreement. While membership in the Issuer is open to other governmental entities, membership in the Issuer is not a pre-condition to becoming a borrower under the Program.

The Issuer is governed by a board of directors which consists of not less than one or more than seven elected public officials, each of which shall be appointed by the President of the Florida League of Cities, Inc. There is no limitation upon the term of office of a director, and directors serve until the expiration of their term in elected office, their resignation or their removal. A director may be removed upon the affirmative vote of at least two-thirds of the members of the Issuer.

The duration of the Issuer shall continue so long as any obligation of the Issuer or any obligation of any participating governmental entity issued under the Program remains outstanding.

The Bonds constitute the twenty-sixth series of bonds to be issued by the Issuer, twelve of which are currently outstanding.

The current Board of Directors of the Issuer consists of the following elected officials:

Chairman Isaac Salver, Councilman, Town of Bay Harbor Islands  
Anne Gerwig, Mayor, Village of Wellington  
Frank C. Ortis, Mayor, City of Pembroke Pines  
Kevin Ruane, Mayor, City of Sanibel  
Susan Starkey, Councilwoman, Town of Davie  
Heyward Strong, Jr., Mayor, City of Valparaiso  
George Vallejo, Mayor, City of North Miami Beach

## **THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT**

### **The Administrator**

The Administrator of the Issuer's Program is the Florida League of Cities, Inc., a Florida non-profit corporation established in 1922. The mission of the Administrator, as outlined in its charter, is primarily to provide assistance to Florida municipalities on matters of common interest. The Administrator will provide loan origination and administration services under the Indenture pursuant to the Administration Agreement (hereinafter described).

The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties. The Administrator is governed by a Board of Directors consisting of 54 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's twelve outstanding bond issues, the Administrator has also provided loan origination and administration services in connection with other prior loan pools established by entities other than the Issuer and, in that capacity, has participated in the origination of numerous loans to Florida municipalities and counties.

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and advice on current and

emerging constitutional, legislative, and regulatory issues. The Administrator has 189 full-time employees and an annual operating budget of approximately \$33.2 million.

**The Bonds are not obligations of the Administrator. The Administrator is neither obligated nor expected to advance its own funds to pay principal of or interest on the Bonds or to perform the other obligations of the Issuer under the Indenture.**

### **The Administration Agreement**

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loans comply with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a semi-annual fee based upon the principal balance of all Loans outstanding. For bonds issued on or after April 1, 2016 under the Issuer's fixed rate bond program, the fee shall be computed annually for each borrower at the rate of 10/100 of 1% (.001) of the principal balance outstanding, with a minimum annual fee of \$1,500 and a maximum annual fee of \$10,000.

### **THE BORROWERS**

CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWERS IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE RESPECTIVE BORROWERS THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

The Borrowers consist of three public entities of the State of Florida. A brief description of each Borrower is set forth below. Financial information with respect to the City of Cocoa Beach, the Town of Melbourne Beach and the City of Valparaiso is contained in Appendices F through H hereof. (The Downtown Cocoa Beach Community Redevelopment Agency is included as a component unit within the City of Cocoa Beach's financial statements). See also "SECURITY AND SOURCES OF PAYMENT – Outstanding Borrower Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Pro Forma Debt Service Coverage," and "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement," herein.

**Downtown Cocoa Beach Community Redevelopment Agency** – The City of Cocoa Beach is located in Brevard County, Florida, and has an estimated population of approximately 11,276 people. The Downtown Cocoa Beach Community Redevelopment Agency is a separate public body created by adoption of Resolution No. 2009-28 of the City of Cocoa Beach on November 19, 2009, and has been in existence since 2009. It operates pursuant to Chapter 163, Florida Statutes, with respect to a community redevelopment area within the City of Cocoa Beach, and its stated expiration date is May 29, 2033. See "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement" herein.

**Town of Melbourne Beach** – The Town of Melbourne Beach is located in Brevard County, Florida. The Town of Melbourne Beach has an estimated population of approximately 3,076 people.

**City of Valparaiso** – The City of Valparaiso is located in Okaloosa County, Florida. The City of Valparaiso has an estimated population of approximately 5,266 people.

## **PURPOSE OF THE BONDS**

### **General**

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make Loans to the Borrowers for the purpose of providing funds to (i) finance or refinance the costs of the Projects, and (ii) pay costs and expenses related to the issuance of the Bonds, including the purchase of a municipal bond insurance policy and a municipal bond debt service reserve insurance policy.

Under the terms of the Indenture, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into the Costs of Issuance Fund and the balance of the proceeds of the Bonds will be deposited (a) with respect to the Town of Melbourne Beach Loan, pursuant to the Escrow Deposit Agreement, dated as of September 1, 2017, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agreement"), and (b) with respect to the Downtown Cocoa Beach Community Redevelopment Agency Loan and the City of Valparaiso Loan, into separate accounts in the Project Loan Fund, to be disbursed upon requisition therefor. Although not actually disbursed to each Borrower, each Borrower is responsible for repayment of that portion of the Bonds corresponding to its pro-rata share of costs of issuance. The borrowing amount set forth below for each Borrower is the principal amount of the Bonds corresponding to the Loan to such Borrower.

**Downtown Cocoa Beach Community Redevelopment Agency** – The Downtown Cocoa Beach Community Redevelopment Agency is borrowing the proceeds of \$4,245,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$4,674,291.30) for the purposes of financing the cost of the Cocoa Beach Project, as described herein under the heading "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement – the Cocoa Beach Project." The Downtown Cocoa Beach Community Redevelopment Agency Loan is expected to be repaid over a period of 14 years.

**Town of Melbourne Beach** – The Town of Melbourne Beach is borrowing the proceeds of \$1,050,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$1,184,761.90) for the purposes of refunding prior indebtedness. The Town of Melbourne Beach Loan is expected to be repaid over a period of 12 years.

**City of Valparaiso** – The City of Valparaiso is borrowing the proceeds of \$1,495,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$1,578,326.85) for the purposes of financing the cost of certain municipal improvements, including capital costs relating to utility meter reading equipment, moving utility lines, park upgrades and street improvements. The City of Valparaiso Loan is expected to be repaid over a period of 20 years.

**ESTIMATED SOURCES AND USES**

The following table sets forth the estimated sources and uses of funds in connection with the Bonds:

**SOURCES OF FUNDS:**

Par Amount .....	\$6,790,000.00
Net Bond Premium .....	647,380.05
Other Sources of Funds.....	<u>99,750.00</u>
<b>TOTAL SOURCES .....</b>	<b>\$7,537,130.05</b>

**USES OF FUNDS:**

Deposit to Project Loan Fund .....	\$6,000,000.00
Deposit to Escrow Fund.....	1,219,750.00
Costs of Issuance <sup>(1)</sup> .....	<u>317,380.05</u>
<b>TOTAL USES:.....</b>	<b>\$7,537,130.05</b>

<sup>(1)</sup> This includes legal fees, Underwriter's discount, bond insurance premium, debt service reserve fund surety bond premium, costs of printing and other incidental expenses.

**SECURITY AND SOURCES OF PAYMENT**

**Limited Obligations; Trust Estate**

**THE BONDS ARE NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE ISSUER, BUT ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM (I) THE PAYMENTS TO BE MADE BY THE BORROWERS PURSUANT TO THE RESPECTIVE LOAN AGREEMENTS, AND THE CITY OF COCOA BEACH UNDER THE COCOA BEACH INTERLOCAL AGREEMENT, (II) ALL AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS CREATED PURSUANT TO THE INDENTURE, AND (III) ALL REVENUES, ANY AND ALL OTHER PROPERTY,**

**RIGHTS AND INTEREST OF EVERY KIND AND NATURE FROM TIME TO TIME HEREAFTER BY DELIVERY OR BY WRITING OF ANY KIND SUBJECTED TO THE INDENTURE, AS AND FOR ADDITIONAL SECURITY FOR THE BONDS, BY THE ISSUER OR BY ANY OTHER PERSON ON ITS BEHALF OR WITH ITS WRITTEN CONSENT (COLLECTIVELY, THE "TRUST ESTATE"), AS MORE FULLY DESCRIBED HEREIN. THE OBLIGATIONS OF THE RESPECTIVE BORROWERS PURSUANT TO THE LOAN AGREEMENTS ARE NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE RESPECTIVE BORROWERS, BUT ARE LIMITED OBLIGATIONS OF THE BORROWERS PAYABLE FROM THE SOURCES DESCRIBED HEREIN. The obligation of the City of Cocoa Beach under the Cocoa Beach Interlocal Agreement is not a general debt, liability or obligation of the City of Cocoa Beach, but is a limited obligation of the City of Cocoa Beach payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

A portion of the proceeds to be received by the Issuer from the sale of the Bonds will be loaned by the Issuer to the Borrowers pursuant to the Loan Agreements. Each Loan Agreement provides that the particular Borrower will make Basic Payments to the Trustee in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the Loan to the Borrower. **Each Loan Agreement represents the several obligation of the relevant Borrower and no Borrower is obligated under the Loan Agreement of any other Borrower. Therefore, each Borrower is only responsible for making Basic Payments that constitute the security for its proportionate share of the debt service on the Bonds.** The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrowers equal the scheduled debt service on the Bonds.

Pursuant to the Indenture, the Issuer has granted to the Trustee as part of the trust estate all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the respective Loan Agreements, including the Issuer's right to receive Loan Repayments, as the source of payment of and security for the Bonds.

### **The Covenants to Budget and Appropriate**

The Town of Melbourne Beach and the City of Valparaiso, in their separate Loan Agreements, covenant and agree to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in their annual budgets, by amendment if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues to satisfy their respective Loan Repayment obligations (each such loan referred to herein as a "Covenant to Budget Loan", and the Loan Agreements related thereto "Covenant to Budget Loan Agreements"). The City of Cocoa Beach, in the Cocoa Beach Interlocal Agreement, has covenanted and agreed, on a similar basis, to appropriate in its annual budget, by amendment if required, and to pay when due under the Cocoa Beach Interlocal Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues to satisfy the Loan Repayment obligations of the Downtown Cocoa Beach Community Redevelopment Agency under the Downtown Cocoa Beach CRA Loan Agreement in the event Pledged Revenues are insufficient therefor. See "-- Downtown Cocoa Beach CRA Loan

Agreement," below. Such covenants are subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Town of Melbourne Beach, the City of Valparaiso and the City of Cocoa Beach do not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues or to maintain the charges they collect as of the date of this Official Statement for any such services or programs.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower, or the City of Cocoa Beach, as applicable, derived from any source whatsoever, other than ad valorem taxation on real and personal property, and which are legally available for Loan Repayments, or payments under the Cocoa Beach Interlocal Agreement, as applicable.

In Florida, the revenues received by municipalities may be classified based upon whether such revenues are derived from ad valorem taxation. Ad valorem taxes are taxes levied by municipalities upon taxable real and tangible personal property located within the geographic jurisdiction of the municipality. Ad valorem taxes are levied based upon the assessed value of taxable property, and are imposed at a uniform rate per thousand dollars of assessed value. This rate is referred to as the "millage rate," with one mill representing one dollar of ad valorem taxes per thousand dollars of assessed valuation. Exclusive of millage levied pursuant to the approval of the qualified electors of a municipality, municipalities may not levy ad valorem taxes at a rate in excess of ten mills annually.

Revenues received by a municipality other than from ad valorem taxation are referred to as "non-ad valorem revenues." Florida municipalities collect non-ad valorem revenues from a variety of sources. Certain non-ad valorem revenues are not lawfully available to be used by municipalities to satisfy the Loan Repayments. The primary sources of non-ad valorem revenues generally consist of half-cent sales tax revenues distributed to the municipality from the State, state revenue sharing monies, utility and communication tax revenues, franchise fees, license and permit fees.

Brief descriptions of certain of such non-ad valorem revenue sources are set forth below. These sources do not purport to constitute all of the non-ad valorem revenues, but are included to provide additional information regarding some non-ad valorem revenue sources.

"Half-Cent Sales Tax Revenues" constitute proceeds of the state sales tax that are distributed annually to a municipality pursuant to Chapter 218, Part VI, Florida Statutes. Currently, 8.9744% of the entire State sales tax (less an amount equal to 1% of such amount) is deposited into the Local Government Half-Cent Sales Tax Clearing Trust Fund and earmarked for distribution to Florida counties and cities. The Sales Tax Trust Fund also receives a portion of certain taxes imposed by the State on communications services. Half-cent sales tax revenues may be pledged by Florida local governments to secure indebtedness issued for capital projects.

"State Revenue Sharing" consists of amounts collected by the State from portions of two revenue sources: 1.3653% of net state sales tax collections and the one cent municipal fuel tax collections, which are paid into the Revenue Sharing Trust Fund for Municipalities and made

available to Florida cities. Certain portions of state revenue sharing may by law be pledged to secure indebtedness.

"Public Service Tax Revenues" are derived from a local option tax on utilities that Florida municipalities may levy in the incorporated area. The tax may be levied at a rate of up to 10% on purchases of electricity, metered natural gas, liquefied petroleum gas, manufactured gas and water. Fuel oil may also be taxed at a rate up to four cents per gallon.

"Franchise Fees" are impositions imposed, primarily on private utility companies, for use of municipal right-of-way in providing services within the municipality. Terms and amount of the fees are subject to negotiation with the private provider.

Under the terms of the Covenant to Budget Loan Agreements and the City of Cocoa Beach Interlocal Agreement, the Town of Melbourne Beach, the City of Valparaiso and the City of Cocoa Beach, respectively, may pledge the Non-Ad Valorem Revenues to obligations that they issue in the future, and may have already pledged certain of their Non-Ad Valorem Revenues to existing indebtedness. In the event of any such pledge, such Non-Ad Valorem Revenues would be required to be applied to said obligations prior to being used to repay a Loan.

The amount and availability of Non-Ad Valorem Revenues to make Loan Repayments are subject to change, including reduction or elimination by change of state law or changes in the facts and circumstances according to which certain of the Non-Ad Valorem Revenues are collected. The amount of Non-Ad Valorem Revenues collected by the Town of Melbourne Beach, the City of Valparaiso and the City of Cocoa Beach is, in certain circumstances, beyond the control of the public entity collecting the Non-Ad Valorem Revenues.

## **Reserve Fund**

General. The Indenture establishes a Reserve Fund, which is required to be funded at closing in an amount equal to the "Reserve Requirement" (as defined below), and which the Issuer intends to fund initially by means of a municipal bond debt service reserve insurance policy (the "Surety Bond") issued by Assured Guaranty Municipal Corp. (the "Surety Bond Provider" or "AGM"), as described below. The Reserve Requirement is defined to be five percent (5%) of the original par amount of the Bonds. The Reserve Fund shall be on a parity with any reserve fund established by the Issuer under the trust indenture for any other of the Issuer's bonds approved by AGM and for which AGM has delivered to the Trustee at the time of issuance of such other series of the Issuer's bonds an endorsement to the Surety Bond listing such bonds and the respective reserve requirement therefor; provided, however, prior to any other approved series of the Issuer's bonds being listed in an endorsement to the Surety Bond, such bonds shall have a reserve requirement at least equal to five percent (5%) of the original par amount of such bonds, and the aggregate limit of the Surety Bond shall be increased by an amount equal to such reserve requirement. The aggregate limit of the Surety Bond shall be automatically reduced from time to time by the reserve requirement attributable to a series of the Issuer's bonds listed in the endorsement to the Surety Bond upon the earlier of (i) the final maturity date of such series of bonds and (ii) the date on which such series of bonds are no longer outstanding under the applicable trust indenture. To the extent that the Surety Bond has



been endorsed to include any other series of the Issuer's bonds, the aggregate limit of the Surety Bond will be available to satisfy any shortfalls in the payment of the principal of and interest on each series of bonds listed in the endorsement to the Surety Bond, including the Bonds, or account of a payment default by any borrower under its respective loan agreement or agreements related to the respective series of bonds secured by the Surety Bond.

Moneys on deposit in the Reserve Fund shall be applied on any Interest Payment Date or redemption date on which a deficiency exists in the Principal Fund or Revenue Fund which cannot be cured by funds in any other Fund or Account held pursuant to the Indenture and available for such purpose. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Principal Fund or Revenue Fund resulting from the failure of a Borrower to timely pay debt service on its Loan.

The Indenture provides that the Issuer may issue additional bonds and, in lieu of establishing separate reserve funds therefor, the Reserve Fund may serve as the reserve fund for such additional bonds, but only with the written consent of the Bond Insurer; provided, however, that such combined reserve fund shall only be permitted if the Surety Bond is then in effect and has been endorsed by the Surety Bond Provider to include such reserve funds. If a demand for payment relates to one or more reserve funds from more than one series of bonds, and such demand for payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower. The Issuer may also substitute an Alternate Surety Bond for the Surety Bond, again only with the written consent of the Bond Insurer.

If a disbursement is made from the Surety Bond, the Issuer shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement from amounts received from the Borrower then in default pursuant to the respective Loan Agreement. The Trustee is required to reimburse the Surety Bond Provider with interest from Loan Repayments or Liquidation Proceeds until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund. In the event the Surety Bond Provider becomes insolvent, defaults in its payment obligations under its Surety Bond or suffers a ratings downgrade, neither the Issuer, the Trustee, nor the Borrowers are required to deposit cash into the Reserve Fund or otherwise replace the Surety Bond.

Moneys on deposit in the Reserve Fund shall be applied as follows (unless otherwise provided in the Indenture):

- (i) On the date of each required payment of principal of or interest in respect to the Bonds, moneys in the Reserve Fund or received from a draw on the Surety Bond shall be applied to cure any deficiency in the Principal Fund and the Revenue Fund. The Issuer agrees that any transfer from the Reserve Fund to the Principal Fund and the Revenue Fund or any proceeds from the Surety Bond deposited into such Funds pursuant to this paragraph shall not be construed as preventing, waiving, or curing any nonpayment of any Loan Repayments required under each Loan Agreement until the amount of such deficiency has been restored; and

(ii) In each month during the twelve-month period preceding the final maturity date of the Bonds, so long as no Event of Default has occurred and is continuing, if moneys are then held in the Reserve Fund, such moneys shall be credited against the payment of principal of and interest on the Bonds and shall be transferred to the Principal Fund and the Revenue Fund for the payment of such principal and interest.

The Surety Bond. As described above, AGM will issue the Surety Bond in connection with the Bonds, which is intended to also be applicable to other future obligations of the Issuer. The Surety Bond secures all series of the Issuer's revenue bonds included via endorsement by the Surety Bond Provider (currently only the Bonds), subject to the maximum limit of the Surety Bond (currently, \$339,500.00, 5% of the principal amount of the Bonds) (the "Policy Limit"), through the termination date of the Surety Bond, as provided therein. The Surety Bond has not been previously drawn upon.

Under the terms of the Surety Bond, the Surety Bond Provider will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Bonds secured under the Surety Bond that becomes due for payment but shall be unpaid by reason of nonpayment by the Issuer (the "Insured Payments"). The Surety Bond Provider will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Issuer to the Trustee or Paying Agent, as beneficiary of the Surety Bond on behalf of the owners of the Bonds secured by the Surety Bond on the later to occur of (i) the business day on which such scheduled principal or interest becomes due for payment or (ii) the business day next following the business day on which the Surety Bond Provider receives a notice of nonpayment therefor, all in accordance with the terms of the Surety Bond.

No payment shall be made under the Surety Bond in excess of the Policy Limit. Pursuant to the terms of the Surety Bond, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by the Surety Bond Provider under the Surety Bond; provided, that, to the extent of the reimbursement of such payment to the Surety Bond Provider the amount available under the Surety Bond shall be reinstated in full or in part, in an amount not to exceed the Policy Limit.

The Surety Bond is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The form of the Surety Bond is attached hereto as "APPENDIX J -- FORM OF SURETY BOND". For additional information regarding the Surety Bond Provider, see "BOND INSURANCE – Assured Guaranty Municipal Corp." herein.

### **Anti-Dilution Covenant**

Each of the Town of Melbourne Beach and the City of Valparaiso has covenanted (such covenant being referred to as the "Anti-Dilution Covenant") in its Loan Agreement and the City of Cocoa Beach has covenanted in the Cocoa Beach Interlocal Agreement to the effect that each of such entities may incur additional debt secured by the Non-Ad Valorem Revenues, or a covenant to budget and appropriate the Non-Ad Valorem Revenues, only if:

(1) They shall certify to the Issuer and AGM that (i) the Non-Ad Valorem Revenues less the Adjusted Essential Expenditures shall cover projected Maximum Annual Non-Ad Valorem Debt Service on the Non-Ad Valorem Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) by at least 1.75x; and (ii) the Maximum Annual Governmental Debt Service on the Governmental Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) shall not exceed 20% of the Governmental Funds Revenues.

(2) The calculations required above shall be determined using the average of actual Non-Ad Valorem Revenues and Governmental Funds Revenues, respectively, for the prior two Fiscal Years based on the audited financial statements of the Town of Melbourne Beach, City of Valparaiso or City of Cocoa Beach, respectively.

(3) For purposes of the calculations in paragraph (1) above, the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service shall be done on an aggregate basis whereby the annual debt service for each is combined and the overall maximum is determined.

(4) For purposes of calculating the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service the following shall apply: (i) with respect to Debt (including Balloon Indebtedness) that bears interest at a fixed interest rate, the maximum annual debt service on such Debt shall be the actual maximum annual debt service; and (ii) with respect to Debt (including Balloon Indebtedness) that bears interest at a variable rate, maximum annual debt service on such Debt shall be determined assuming that interest accrues on such Debt at the average annual interest rate paid over the last three years plus 150 basis points, or, if such Debt has not been outstanding for at least three years, the average annual interest rate paid for the period such Debt has been outstanding plus 150 basis points.

(5) For the purposes of the calculation described in paragraph (1) above, if the Non-Ad Valorem revenue Debt also includes a pledge of additional revenues, the Maximum Annual Non-Ad Valorem Debt Service shall be discounted by the amount that will be covered by such additional revenues. **Notwithstanding anything in the Loan Agreements or the Cocoa Beach Interlocal Agreement to the contrary, the Anti-Dilution Covenant may be amended, supplemented or waived with the written consent of the Issuer, the respective Borrower (or the City of Cocoa Beach, as applicable) and AGM.**

Notwithstanding the foregoing, the City of Cocoa Beach shall not have to comply with the requirements of paragraph (1) above, if, at the time of issuing any additional Non-Ad Valorem Revenue Debt, the City certifies to the Issuer and AGM that either (i) the Pledged Revenues for each of the prior four Fiscal Years (based on the audited financial statements of the Downtown Cocoa Beach Community Redevelopment Agency) cover the maximum annual debt service on the Downtown Cocoa Beach CRA Loan and any other Debt (as defined in the Downtown Cocoa Beach CRA Loan Agreement) by at least 2.0x, or (ii) the Pledged Revenues for each of the prior three Fiscal Years (based on the audited financial statements of the Downtown Cocoa Beach Community Redevelopment Agency) cover the maximum annual debt service on the Downtown Cocoa Beach CRA Loan and any other Debt (as defined in the Downtown Cocoa Beach CRA Loan Agreement) by at least 2.5x.

For purposes of the Anti-Dilution Covenant only, the following words and terms as used under this subheading shall have the following meanings:

"Adjusted Essential Expenditures" means Essential Expenditures less any revenues derived from ad valorem taxation on real and personal property that are legally available to pay for such expenditures.

"Balloon Indebtedness" means Debt, 25% or more of the original principal of which matures during any one Fiscal Year.

"Debt" means, collectively, the Non-Ad Valorem Revenue Debt and Government Revenue Debt.

"Essential Expenditures" means essential expenditures for general government and public safety as shown in the applicable entity's audited financial statements.

"Governmental Funds Revenues" shall mean total revenues of the City of Valparaiso, Town of Melbourne Beach or City of Cocoa Beach, respectively, derived from any source whatsoever and that are allocated to and accounted for in such entity's general fund, special funds, debt service funds, capital projects funds, or any other funds described and identified in the audited financial statements of such entity as a government fund; provided, however, (a) grants and other onetime items, including, but not limited to, insurance proceeds, and (b) the proceeds of any Governmental Revenue Debt, do not constitute Governmental Funds Revenues.

"Governmental Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Governmental Funds Revenues: (a) all obligations of the applicable entity for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the applicable entity to pay the deferred purchase price of property of services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the applicable entity as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Governmental Funds Revenues.

"Maximum Annual Debt Service" means the maximum annual debt service on all existing and additional Debt.

"Maximum Annual Governmental Debt Service" means the maximum annual debt service on all existing and additional Government Revenue Debt.

"Maximum Annual Non-Ad Valorem Debt Service" means the maximum annual debt service on all existing and additional Non-Ad Valorem Revenue Debt.

"Non-Ad Valorem Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Non-Ad Valorem Revenues: (a) all obligations of the applicable entity for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the applicable

entity to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the applicable entity as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Non-Ad Valorem Revenues. Unless the applicable entity has actually used the Non-Ad Valorem Revenues to satisfy such obligation during the immediately preceding Fiscal Year or reasonably expects to use the Non-Ad Valorem Revenues to satisfy such obligation in the current or immediately succeeding Fiscal Year, the following shall not be considered "Non-Ad Valorem Revenue Debt" for purposes of the Loan Agreements: (i) any obligation contemplated in (a), (b), or (c) above, if the Borrower has covenanted to budget and appropriate sufficient Non-Ad Valorem Revenues to satisfy such obligation, but has not secured such obligation with a lien on or pledge of any Non-Ad Valorem Revenues; or (ii) any obligation contemplated in (d) above. After an obligation is considered "Non-Ad Valorem Revenue Debt" as a result of (a), (b), (c) and (d) set forth above, it shall continue to be considered "Non-Ad Valorem Revenue Debt" until the applicable entity has not used any Non-Ad Valorem Revenues to satisfy such obligation for two consecutive fiscal years.

### **Additional Bonds: Permitted Parity Indebtedness**

No additional bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to borrowers), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds. There is no limitation on the issuance of additional debt by the Town of Melbourne Beach, the City of Valparaiso or the City of Cocoa Beach except as may result from compliance with the obligations described above under the caption "Anti-Dilution Covenant."

The Downtown Cocoa Beach Community Redevelopment Agency has covenanted (such covenant being referred to as the "Additional Bonds Test") in the Downtown Cocoa Beach CRA Loan Agreement to the effect such entity may incur additional debt secured by the Pledged Revenues, only if:

(1) The Downtown Cocoa Beach Community Redevelopment Agency shall certify to the Issuer and AGM that: the Pledged Revenues shall cover projected Maximum Annual Debt Service on the Debt (including the proposed Debt) by at least 1.5x.

(2) The calculation required above shall be determined using the average of actual Pledged Revenues for the prior two Fiscal Years based on the audited financial statements of the Downtown Cocoa Beach Community Redevelopment Agency.

(3) For purposes of the calculation required above, if the Debt of the Downtown Cocoa Beach Community Redevelopment Agency also includes a pledge of additional revenues, the Maximum Annual Debt Service shall be discounted by the amount that will be covered by such additional revenues.

(4) For purposes of calculating the Maximum Annual Debt Service the following shall apply: (i) with respect to the Debt (including Balloon Indebtedness) that bears interest at a

fixed interest rate, the maximum annual debt service on such Debt shall be the actual maximum annual debt service; and (ii) with respect to the Debt (including Balloon Indebtedness) that bears interest at a variable rate, maximum annual debt service on such Debt shall be determined assuming that interest accrues on such Debt at the average annual interest rate paid over the last three years plus 150 basis points, or, if such Debt has not been outstanding for at least three years, the average annual interest rate paid for the period such Debt has been outstanding plus 150 basis points.

**Notwithstanding anything in the Downtown Cocoa Beach CRA Loan Agreement to the contrary, the test set forth above may be amended, supplemented or waived with the written consent of the Issuer, the Downtown Cocoa Beach Redevelopment Agency and AGM.**

For purposes of the Additional Bonds Test only, the following words and terms as used under this subheading shall have the following meanings:

"Balloon Indebtedness" means Debt, 25% or more of the original principal of which matures during any one Fiscal Year.

"Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from the Pledged Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Pledged Revenues.

"Maximum Annual Debt Service" means the maximum annual debt service on all existing and additional Debt.

### **Outstanding Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Pro Forma Debt Service Coverage**

Set forth below for the City of Cocoa Beach, the Town of Melbourne Beach and the City of Valparaiso are brief descriptions of other covenant to budget-secured indebtedness or indebtedness secured by Non-Ad Valorem Revenues, a calculation of each entity's compliance with the anti-dilution test described above as of September 30, 2016, and a breakdown of historical Non-Ad Valorem Revenues for fiscal years 2012-2016.

**City of Cocoa Beach.** After issuance of the Bonds, the City of Cocoa Beach will, in addition to its obligations under the Cocoa Beach Interlocal Agreement related to the Bonds, also have outstanding its Capital Improvement Revenue Note, Series 2014A and Capital Improvement Refunding Revenue Note, Series 2014B, and certain capital leases, which are each secured by a pledge of utility franchise fees, with a backup covenant to budget and appropriate Non-Ad Valorem Revenues similar to the covenant being provided as a backup in connection

with the Downtown Cocoa Beach CRA Loan Agreement. Set forth below is the combined debt service schedule:

**City of Cocoa Beach Combined Debt Service**

Fiscal Year	Series 2014A Note and Series 2014B Note	Capital Leases	FMLC 2017	Total
2018	\$594,320.00	\$276,692.05	\$406,289.58	\$1,277,301.63
2019	593,608.00	217,876.91	405,950.00	1,217,434.91
2020	592,638.00	100,075.04	406,750.00	1,099,463.04
2021	591,410.00	75,056.28	404,750.00	1,071,216.28
2022	589,924.00	-	407,250.00	997,174.00
2023	588,180.00	-	409,000.00	997,180.00
2024	261,178.00	-	405,000.00	666,178.00
2025	260,028.00	-	405,500.00	665,528.00
2026	263,632.00	-	405,250.00	668,882.00
2027	261,990.00	-	409,250.00	671,240.00
2028	260,184.00	-	407,250.00	667,434.00
2029	263,132.00	-	404,500.00	667,632.00
2030	260,834.00	-	408,400.00	669,234.00
2031	263,290.00	-	406,850.00	670,140.00
2032	260,500.00	-	-	260,500.00
2033	262,464.00	-	-	262,464.00
2034	259,182.00	-	-	259,182.00
<b>TOTAL</b>	<b>\$6,426,494.00</b>	<b>\$669,700.28</b>	<b>\$5,691,989.58</b>	<b>\$12,788,183.86</b>

<sup>(1)</sup> Pursuant to the Cocoa Beach Interlocal Agreement, the City of Cocoa Beach's covenant to budget and appropriate Non-Ad Valorem Revenues is applicable only to the extent that the Pledged Revenues of the Downtown Cocoa Beach Community Redevelopment Agency are insufficient to make Loan Repayments under the Downtown Cocoa Beach CRA Loan Agreement. See " -- Downtown Cocoa Beach CRA Loan Agreement," below.

The City of Cocoa Beach maintains three defined benefit pension plans for its full time general employees, police officers and firefighters, which at the conclusion of fiscal year 2016 showed a fiduciary net position as a percentage of total pension liability of 97.39%, 69.28% and 82.14%, respectively. In addition, allowing retired employees to continue to participate in the City's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX F -- Financial Information Regarding City of Cocoa Beach."

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Set forth below is the calculation of anti-dilution test compliance with respect to the City of Cocoa Beach as of September 30, 2016:

**City of Cocoa Beach Non-Ad Valorem Revenue Anti-Dilution Test**

<b>Revenues</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Prior Two-Year Average</b>
Governmental Funds Revenues	\$20,450,586	\$22,555,626	\$21,503,106
Less: Ad Valorem Revenues	(7,102,087)	(7,657,945)	(7,380,016)
Less: Restricted Funds	(808,799)	(633,475)	(721,137)
Total Non-Ad Valorem Revenues	12,539,700	14,264,206	13,401,953
Transfers from Enterprise Funds	810,270	1,643,333	1,226,802
 Adjusted Non-Ad Valorem Revenues	 13,349,970	 15,907,539	 14,628,755
 <b>Expenditures</b>			
Essential Expenditures			
General Government	4,032,592	3,975,646	4,004,119
Public Safety	9,252,083	8,593,542	8,922,813
Physical Environment	1,441,963	1,468,270	1,455,117
Total Essential Expenditures	14,726,638	14,037,458	14,382,048
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(7,102,087)	(7,657,945)	(7,380,016)
Adjusted Essential Expenditures	7,624,551	6,379,513	7,002,032
 Net Non-Ad Valorem Revenues available for Debt Service	 5,725,419	 9,528,026	 7,626,723
 Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
 Adjusted Net Non-Ad Valorem Revenues available for Debt Service			 7,626,723
 <b>Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 1.75x</b>			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			7,626,723
Proforma Maximum Annual Non-Ad Valorem Debt Service <sup>(1)</sup>			1,277,302
Coverage			5.97x
 <b>Test 2 - Proforma MADS does not exceed 20% of Total Governmental Funds Revenues</b>			
Net Total Governmental Fund Revenues			21,503,106
Proforma Maximum Annual Governmental Debt Service <sup>(1)</sup>			1,277,302
Percentage			5.94%

Source: City of Cocoa Beach Finance Department.

<sup>(1)</sup> Includes the City's portion of debt service on the Bonds, the City of Cocoa Beach Capital Improvement Revenue Note, Series 2014A and Capital Improvement Refunding Revenue Note, Series 2014B, and certain capital leases incurred in 2013 and 2016.



Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of Cocoa Beach:

**City of Cocoa Beach Historical Non-Ad Valorem Revenues  
FY 2012 through 2016**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Non-Ad Valorem Revenues:</b>					
Franchise Fees	\$1,358,787	\$1,231,315	\$1,290,918	\$1,294,985	\$1,272,155
Utility Taxes	1,170,452	1,258,051	1,349,951	1,371,747	1,414,079
Communications Services Tax	720,897	706,777	641,188	604,646	575,603
Occupational Licenses	157,605	164,588	149,977	142,938	173,032
Building Permits and Fees	255,615	265,876	294,459	295,798	304,969
Other Licenses and Registrations	3,215	3,265	5,555	2,870	4,641
Fines and Forfeitures	670,643	688,159	1,185,860	881,646	70,572
Sales Tax	520,125	542,967	565,097	598,783	616,011
Beverage License	34,431	32,813	41,365	33,436	36,240
Mobile Home Licenses	1,273	1,219	1,040	676	899
Investment Earnings	96,921	(1,692)	58,705	79,118	42,569
Charges for Services	4,318,809	4,307,314	6,531,072	6,586,420	7,289,539
Facilities Rentals	34,991	36,945	40,406	35,657	29,328
Revenue Sharing	865,643	813,641	804,667	733,136	809,738
Sales of Assets	10,019	4,569	1,520	15,990	12,896
Miscellaneous	85,785	63,622	111,536	85,403	132,187
<b>Total Non-Ad Valorem Revenues</b>	<b>\$10,305,211</b>	<b>\$10,119,429</b>	<b>\$13,073,316</b>	<b>\$12,763,249</b>	<b>\$12,784,458</b>

Source: City of Cocoa Beach, Florida.

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**Town of Melbourne Beach.** Set forth below is the debt service schedule related to the Town of Melbourne Beach's Loan Agreement, which, after the refunding of its existing indebtedness with proceeds of the Bonds, represents its only indebtedness other than a capital lease obligation secured by a pledge of or a covenant to budget and appropriate Non-Ad Valorem Revenues:

**Town of Melbourne Beach Debt Service**

Fiscal Year	Capital Lease	FMLC 2017	Total
2018	\$82,949.00	\$119,307.50	\$202,256.50
2019	72,166.00	116,100.00	188,266.00
2020	60,849.00	118,300.00	179,149.00
2021	48,476.00	119,550.00	168,026.00
2022	33,000.00	120,550.00	153,550.00
2023	-	116,300.00	116,300.00
2024	-	117,050.00	117,050.00
2025	-	112,550.00	112,550.00
2026	-	108,050.00	108,050.00
2027	-	113,550.00	113,550.00
2028	-	113,550.00	113,550.00
2029	-	113,300.00	113,300.00
TOTAL	\$297,440.00	\$1,388,157.50	\$1,685,597.50

The Town of Melbourne Beach is a participant in the Florida Retirement System, a cost-sharing multiple employer defined contribution plan controlled by the Florida Legislature and administered by the Florida Department of Management Services, Division of Retirement, which covers all of the Town's employees. In addition, allowing retired employees to continue to participate in the Town's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX G -- Financial Information Regarding Town of Melbourne Beach."

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Set forth below is the calculation of anti-dilution test compliance with respect to the Town of Melbourne Beach as of September 30, 2016 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

**Town of Melbourne Beach Non-Ad Valorem Revenue Anti-Dilution Test**

<b>Revenues</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Prior Two-Year Average</b>
Governmental Funds Revenues	\$2,820,243	\$3,054,042	\$2,937,143
Less: Ad Valorem Revenues	(1,538,077)	(1,647,536)	(1,592,807)
Less: Restricted Funds	-	-	-
Available Non-Ad Valorem Revenues	1,282,166	1,406,506	1,344,336
Transfers from Enterprise Funds	-	-	-
 Adjusted Non-Ad Valorem Revenues	 1,282,166	 1,406,506	 1,344,336
 <b>Expenditures</b>			
Essential Expenditures			
General Government	613,091	661,083	637,087
Public Safety	1,040,502	1,017,301	1,028,902
Total Essential Expenditures	1,653,593	1,678,384	1,665,989
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(1,538,077)	(1,647,536)	(1,592,807)
Adjusted Essential Expenditures	115,516	30,848	73,182
 Net Non-Ad Valorem Revenues available for Debt Service	 1,166,650	 1,375,658	 1,271,154
 Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
 Adjusted Net Non-Ad Valorem Revenues available for Debt Service			 1,271,154
 <b>Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 1.75x</b>			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,271,154
Proforma Maximum Annual Non-Ad Valorem Debt Service <sup>(1)</sup>			202,257
Coverage			6.28x
 <b>Test 2 – Proforma MADS does not exceed 20% of Total Governmental Funds Revenues</b>			
Net Total Governmental Fund Revenues			2,937,143
Proforma Maximum Annual Governmental Debt Service			120,550
Percentage			4.10%

Source: Town of Melbourne Beach Finance Department.

<sup>(1)</sup> Includes the Town's portion of the debt service on the Bonds and a capital lease in the amount of \$82,949.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the Town of Melbourne Beach:

**Town of Melbourne Beach Historical Non-Ad Valorem Revenues  
FY 2012 through 2016**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Non-Ad Valorem Revenues:</b>					
Franchise Fees	\$216,463	\$222,679	\$243,487	\$236,573	\$239,020
Utility Taxes	519,916	530,675	526,549	502,979	554,731
Occupational Licenses	15,936	13,589	11,669	16,219	17,584
Building Permits and Fees	64,896	97,018	95,757	114,416	102,139
Other Licenses and Registrations	200	2,520	2,530	4,765	4,725
Fines and Forfeitures	17,951	10,663	15,389	13,150	10,930
Sales Tax	143,625	150,051	155,854	166,304	184,713
Grants	127,697	543,516	1,560,456	-	57,750
Beverage License	3,860	4,442	4,477	6,363	4,242
Mobile Home Licenses	-	-	-	-	-
Interest	3,199	1,705	903	1,119	2,399
Charges for Services	55,252	58,076	55,978	54,881	49,900
Facilities Rentals	20,475	22,422	17,734	17,490	15,505
Revenue Sharing	96,175	72,908	74,676	77,607	78,033
Sales of Assets	-	3,350	630	250	-
Miscellaneous	14,000	99,986	38,113	15,804	30,640
<b>Total Non-Ad Valorem Revenues</b>	<b>\$1,299,645</b>	<b>\$1,833,600</b>	<b>\$2,804,202</b>	<b>\$1,227,920</b>	<b>\$1,352,311</b>

Source: Town of Melbourne Beach Finance Department.

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**City of Valparaiso.** After issuance of the Bonds, the City of Valparaiso will, in addition to its Loan Agreement relating to the Bonds, also have outstanding separate loans relating to the Issuer's Series 2010C Bonds and Series 2016 Bonds secured by a covenant to budget and appropriate Non-Ad Valorem Revenues. Set forth below is the combined debt service schedule:

**City of Valparaiso Combined Debt Service**

Fiscal Year	FMLC 2010C	FMLC 2016	FMLC 2017	Total
2018	\$88,263.00	\$361,250.00	\$109,932.81	\$559,445.81
2019	87,388.00	357,250.00	107,437.50	552,075.50
2020	86,338.00	355,050.00	105,437.50	546,825.50
2021	85,288.00	215,600.00	107,937.50	408,825.50
2022	89,150.00	215,050.00	105,187.50	409,387.50
2023	87,750.00	217,450.00	107,437.50	412,637.50
2024	86,350.00	213,450.00	109,437.50	409,237.50
2025	89,550.00	214,450.00	106,187.50	410,187.50
2026	87,525.00	219,838.00	107,937.50	415,300.50
2027	85,500.00	-	109,437.50	194,937.50
2028	88,475.00	-	105,687.50	194,162.50
2029	86,225.00	-	106,937.50	193,162.50
2030	88,975.00	-	109,537.50	198,512.50
2031	86,500.00	-	106,987.50	193,487.50
2032	89,025.00	-	109,437.50	198,462.50
2033	86,325.00	-	106,512.50	192,837.50
2034	88,625.00	-	108,587.50	197,212.50
2035	90,700.00	-	105,381.26	196,081.26
2036	87,550.00	-	107,175.00	194,725.00
2037	89,400.00	-	108,675.00	198,075.00
2038	91,025.00	-	-	91,025.00
2039	87,425.00	-	-	87,425.00
2040	88,825.00	-	-	88,825.00
<b>TOTAL</b>	<b>\$2,022,177.00</b>	<b>\$2,369,388.00</b>	<b>\$2,151,289.07</b>	<b>\$6,542,854.07</b>

The City of Valparaiso previously participated in the Florida Retirement System, a cost-sharing multiple employer defined contribution plan controlled by the Florida Legislature and administered by the Florida Department of Management Services, Division of Retirement, but transitioned to a defined benefit pension plan for public safety employees and a defined contribution pension plan in 1997 (only three employees are still under the FRS system). As of the conclusion of fiscal year 2015, the City showed a fiduciary net position as a percentage of total pension liability of 141% for the public safety pension plan. In addition, by virtue of allowing retired employees to continue to participate in the City's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX H -- Financial Information Regarding City of Valparaiso."

Set forth below is the calculation of anti-dilution test compliance with respect to the City of Valparaiso as of September 30, 2016 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

### City of Valparaiso Non-Ad Valorem Revenue Anti-Dilution Test

<b>Revenues</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Prior Two-Year Average</b>
Governmental Funds Revenues	\$3,666,569	3,505,347	3,585,958
Less: Ad Valorem Revenues	(832,092)	(959,745)	(895,919)
Less: Restricted Funds <sup>(1)</sup>	(684,958)	(453,458)	(569,208)
Available Non-Ad Valorem Revenues	2,149,519	2,092,144	2,120,832
Transfers from Enterprise Funds	-	-	-
<b>Adjusted Non-Ad Valorem Revenues</b>	<b>2,149,519</b>	<b>2,092,144</b>	<b>2,120,832</b>
 <b>Expenditures</b>			
Essential Expenditures			
General Government	719,144	976,558	847,851
Public Safety	1,254,636	1,260,694	1,257,665
Total Essential Expenditures	1,973,780	2,237,252	2,105,516
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(832,092)	(959,745)	(895,919)
<b>Adjusted Essential Expenditures</b>	<b>1,141,688</b>	<b>1,277,507</b>	<b>1,209,598</b>
 Net Non-Ad Valorem Revenues available for Debt Service	 1,007,831	 814,637	 911,234
 Ad Valorem Revenues Restricted for Debt Service	 -	 -	 -
Non-Ad Valorem Debt Service paid by Dedicated Revenues <sup>(2)</sup>	341,041	341,041	341,041
Debt Proceeds	-	-	-
 Adjusted Net Non-Ad Valorem Revenues available for Debt Service	 1,348,872	 1,155,678	 1,252,275
 <b>Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 1.75x</b>			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,252,275
Proforma Maximum Annual Non-Ad Valorem Debt Service <sup>(3)</sup>			559,446
Coverage			2.24x
 <b>Test 2 - Proforma MADS does not exceed 20% of Total Governmental Funds Revenues</b>			
Net Total Governmental Fund Revenues			3,585,958
Proforma Maximum Annual Governmental Debt Service <sup>(3)</sup>			559,446
Percentage			15.60%

Source: City of Valparaiso Finance Department.

<sup>(1)</sup> Restricted Funds include Streets Fund and Stormwater Fund.

<sup>(2)</sup> The Dedicated Revenues are comprised of stormwater revenues, revenue sharing funds and local option gas tax revenues which are legally available to pay debt service on a portion of the Issuer's Series 2010C Bonds and Series 2016 Bonds.

<sup>(3)</sup> Includes the City's portion of debt service on the Bonds and the Issuer's Series 2010C Bonds and Series 2016 Bonds.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of Valparaiso:

**City of Valparaiso Historical Non-Ad Valorem Revenues  
FY 2012 through 2016**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Non-Ad Valorem Revenues:</b>					
Franchise Fees	\$328,217	\$316,166	\$354,983	\$367,275	\$328,228
Utility Taxes	249,095	258,608	271,647	278,799	277,947
Communication Services Tax	120,203	150,006	127,014	116,475	101,395
Excise Taxes	64,589	66,307	70,606	68,130	80,993
Licenses and Registrations	36,520	37,162	29,765	25,831	35,882
Building Permits	21,024	39,539	37,260	38,766	53,889
Impact Fees	590	8,055	6,629	5,370	17,355
Intergovernmental	637,109	658,586	671,147	689,309	719,994
Charges for Services	361,043	383,637	380,945	400,225	383,128
Fines and Forfeits	20,667	26,663	20,332	8,751	13,295
Miscellaneous	69,573	35,362	104,263	150,588	80,038
<b>Total Non-Ad Valorem Revenues</b>	<b>\$1,908,630</b>	<b>\$1,980,091</b>	<b>\$2,074,591</b>	<b>\$2,149,519</b>	<b>\$2,092,144</b>

Source: City of Valparaiso, Florida.

**Downtown Cocoa Beach CRA Loan Agreement**

General. The Downtown Cocoa Beach Redevelopment Agency was created by Resolution No. 2009-28 of the City of Cocoa Beach on November 19, 2009 following a referendum held of the electors within the City. Pursuant to Florida law, the Downtown Cocoa Beach Redevelopment Agency has adopted a redevelopment plan (the "CRA Redevelopment Plan") setting forth its strategies, goals and objectives for property located within the Downtown Cocoa Beach Community Redevelopment Area (the "CRA"), and the Cocoa Beach Project being financed with proceeds of the Bonds is in furtherance of that mission. The City has not to date established any community redevelopment area other than the CRA. The CRA encompasses approximately 237 acres within the City of Cocoa Beach, and its boundaries have not changed since its inception. The property located within the CRA is a mixture of commercial, residential and governmental uses, with approximately 28% residential, 25% commercial or mixed use, and the remainder governmental or religious uses. The Downtown Cocoa Beach Redevelopment Agency began collecting tax increment revenues in Fiscal Year 2014, following the adoption of its redevelopment plan. Pursuant to the Downtown Cocoa Beach CRA Loan Agreement, the Downtown Cocoa Beach Community Redevelopment Agency has pledged the Pledged Revenues described in the paragraph below to secure the Loan made thereunder.

Possible CRA Interlocal Agreement. The Downtown Cocoa Beach Community Redevelopment Agency was created under authority granted by Brevard County Resolution No. 08-128, adopted by the Brevard County Board of County Commissioners (the "Board") on June 2, 2008 (the "County Implementing Resolution"), which delegated authority to the City of Cocoa Beach to establish the Downtown Cocoa Beach Community Redevelopment Agency. The County Implementing Resolution provides that such delegation can neither be revoked nor the Board substituted in place of the existing Downtown Cocoa Beach Community Redevelopment

Agency board except in situations in which the Board deems such necessary for the protection of the health, safety, welfare or fiscal interest of the public or the CRA, and that even if such determination is made, no such action can affect any debt obligation of the Downtown Cocoa Beach Community Redevelopment Agency (such as the Downtown Cocoa Beach CRA Loan Agreement). The City of Cocoa Beach and Brevard County have been in discussions about supplementing the County Implementing Resolution by means of an interlocal agreement between the two entities, which would provide that the City of Cocoa Beach will not establish any community redevelopment agencies in addition to the Downtown Cocoa Beach Community Redevelopment Agency and specifying that the portion of the Pledged Revenues derived from Brevard County millage will be applied solely to pay Loan Repayments associated with the Downtown Cocoa Beach CRA Loan Agreement. Neither the Downtown Cocoa Beach Community Redevelopment Agency nor the City of Cocoa Beach expect any such interlocal agreement to have any adverse impact on the amount of Pledged Revenues received by the Downtown Cocoa Beach Community Redevelopment Agency or the repayment of the Downtown Cocoa Beach CRA Loan Agreement.

Historical Pledged Revenues. The Pledged Revenues consist of the revenues generated from the tax increment as described in Section 163.387, Florida Statutes, and deposited to the Trust Fund. (See "-- Ad Valorem Taxation" and "-- Ad Valorem Tax Increment/Pledged Revenues," below.) The City of Cocoa Beach and Brevard County are the only taxing authorities that are required to make payments into the Trust Fund. Set forth below is a table that shows the Pledged Revenues for the past three (3) tax years and Fiscal Years. For more detailed information relating to the City and the Downtown Cocoa Beach Community Redevelopment Agency, which is reported as a component unit of the City, see "APPENDIX F -- General Information Regarding the City of Cocoa Beach, Florida."

### Historical Pledged Revenues

Tax Roll Year as of	Fiscal year Ended	City of <u>Cocoa Beach</u>	Brevard <u>County</u>	<u>Total</u>	Percentage Increase Over <u>Prior Year</u>	Dollar Increase Over <u>Prior Year</u>
<u>January 1</u> 2013	<u>September 30</u> 2014	\$14,287	\$13,839	\$28,126	-	\$28,216
2014	2015	48,730	45,810	94,540	336.0%	66,414
2015	2016	94,370	86,219	180,589	91.0	86,049

Source: City of Cocoa Beach Finance Department.

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Set forth below is a table that shows the assessed value of the taxable real property in the CRA that provided the basis for the amount of Pledged Revenues collected for the past four (4) tax years and Fiscal Years.

**Historical Community Redevelopment Area  
Real Property Taxable Values**

Tax Roll Year as of	Fiscal Year Ended	Final Gross Taxable Value	Percentage Increase Over Prior Year	Base Year Taxable Value	Incremental Value <sup>(1)</sup>	Percentage Increase Over Prior Year Incremental Value
<u>January 1</u>	<u>September 30</u>	<u>Value</u>	<u>Prior Year</u>	<u>Value</u>	<u>Value<sup>(1)</sup></u>	<u>Value</u>
2013	2014	\$122,106,850	2.54%	\$119,086,930	\$3,019,920	2.29%
2014	2015	129,727,660	6.24	119,086,930	10,640,730	71.62
2015	2016	138,505,110	6.76	119,086,930	19,418,180	45.20
2016	2017	151,355,140	9.27	119,086,930	32,268,210	39.82

Source: City of Cocoa Beach Finance Department.

<sup>(1)</sup> Incremental Value equals the Final Gross Taxable Value minus the Base Year Taxable Value.

Set forth below is a table that shows the taxable value of all new construction in the CRA for the past three (3) tax years and Fiscal Years. New construction values were included in the final gross taxable value used in each year to determine the amount of tax increment revenues collected from the City and the County for deposit into the Trust Fund.

**Historical Community Redevelopment Area  
New Construction Taxable Values**

Tax Roll year as of	Fiscal Year Ended	New Construction Taxable Value
<u>January 1</u>	<u>September 30</u>	<u>Value</u>
2013	2014	\$62,540
2014	2015	431,165
2015	2016	215,851

Source: City of Cocoa Beach Finance Department.

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Set forth below is a table that shows the top ten (10) principal ad valorem taxpayers in the CRA for Fiscal Year 2016, the taxable value attributable to such taxpayers, the percentage of such value to the gross taxable value of all taxable property in the CRA and the type of property use attributed to each taxpayer.

**Community Redevelopment Area Principal Taxpayers**

<u>Taxpayer</u>	<u>Use of Property</u>	<u>Taxable Value</u>	<u>Percentage of Fiscal Year 2016 Gross Taxable Value</u>
ESO Galleria, LLC	Mixed Use Commercial	\$50,600,000	33.4%
Leon Bankier Family Limited	Retail Store	10,880,000	7.1
Baliwick Mall Inc.	Retail Store	10,400,000	6.9
Kabboord Properties	Retail Store	5,580,000	3.6
Sea Crest Partners, LLC	Office Building	5,425,000	3.6
Hip, Inc.	Restaurant/Cafeteria	5,274,920	3.5
Mary M. Beasley Trust	Office Building	5,118,000	3.4
Durcham 66 LLLP	Office Building	4,900,000	3.2
James Hildenbrand	Retail Store/Mixed Use/Quadplex	2,811,700	1.9
Peter MacDonald	Restaurant/Retail/Mixed Use	2,076,100	1.4

Source: City of Cocoa Beach Finance Department and the Brevard County Property Appraiser's Office.

Set forth below is a table that shows the operating millage rates levied during the past four (4) tax years and Fiscal Years by the City and the County in the CRA.

**Historical Millage Rates**

<u>Tax Roll Year as of January 1</u>	<u>Fiscal Year Ended September 30</u>	<u>City of Cocoa Beach</u>	<u>Brevard County</u>
2013	2014	4.9798	4.8239
2014	2015	4.9798	4.6814
2015	2016	4.9798	4.5497
2016	2017	5.4798	4.3631

Source: City of Cocoa Beach Finance Department.

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Set forth below is a table that reflects the historical statement of revenues and expenditures for the Downtown Cocoa Beach Community Redevelopment Agency, the amount held in the Trust Fund and the annual changes in such amounts for the past three (3) Fiscal Years.

**Downtown Community Redevelopment Agency Statement of Revenues,  
Expenditures and Changes in Fund Balances**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>			
Tax Increment Revenue	\$13,839	\$45,810	\$86,219
Total Revenues	<u>13,839</u>	<u>45,810</u>	<u>86,219</u>
<b>Expenditures</b>			
Current Expenditures	28,668	24,794	65,702
Total Expenditures	<u>28,668</u>	<u>24,794</u>	<u>65,702</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(14,829)</u>	21,016	20,517
<b>Other Financing Sources (Uses)</b>			
Transfers In <sup>(1)</sup>	19,478	48,730	94,370
Transfers Out	-	-	-
Debt Proceeds	-	-	-
Total other financing sources (uses)	<u>19,478</u>	<u>48,730</u>	<u>94,370</u>
Net change in fund balances	4,649	69,746	114,887
Fund balances, beginning of year, before restatement	-	-	-
Prior period adjustment <sup>(2)</sup>	(261,230)	-	114,887
Fund balances, beginning of year	<u>(261,230)</u>	<u>(256,581)</u>	<u>(186,835)</u>
Fund balances, end of year	<u>\$(256,581)</u>	<u>\$(186,835)</u>	<u>\$(71,948)</u>

Source: City of Cocoa Beach Finance Department.

(1) Represents amounts contributed as tax increment revenues by the City of Cocoa Beach.

(2) Represents amounts transferred into the Trust Fund based on a loan from the City of Cocoa Beach general fund in the original amount of \$261,230. \$21,230 of such loan was repaid in Fiscal Year 2015 and \$20,000 in Fiscal Year 2016, with the remainder of said loan to be paid in \$20,000 annual payments through 2027. The City of Cocoa Beach has agreed to subordinate repayment of said loan to the payment obligation under the Downtown Cocoa Beach CRA Loan Agreement. The reduction in fund balance shown above reflects an increase in cash position of the Downtown Cocoa Beach Community Redevelopment Agency, while the loan remains outstanding.

Set forth below is a table that shows the rate of growth of taxable values and Pledged Revenues in the CRA for the past three (3) Fiscal Years.

**Community Redevelopment Area  
Pledged Revenues and Growth**

	For the Fiscal year Ended September 30,		
	2014	2015	2016
Increase in Existing Value <sup>(1)</sup>	\$2,730,650	\$7,287,700	\$9,307,170
Existing Value	121,817,580	129,387,550	139,034,830
Final Gross Taxable Value	122,106,850	129,727,660	138,505,110
Base Year Taxable Value	119,086,930	119,086,930	119,086,930
<b>Incremental Taxable Value</b>	<b>3,019,920</b>	<b>10,300,620</b>	<b>19,947,900</b>
<b>City of Cocoa Beach</b>			
Millage Rate (City)	4.9798	4,9798	4.9798
Gross Incremental Revenue	15,039	51,295	99,337
Statutory Reduction	5%	5%	5%
<b>City Tax Incremental Revenues</b>	<b>14,287</b>	<b>48,730</b>	<b>94,370</b>
<b>Brevard County</b>			
Millage Rate (County)	4.8239	4.6814	4.5497
Gross Incremental Revenue	14,568	48,221	90,757
Statutory Reduction	5%	5%	5%
<b>County Tax Incremental Revenues</b>	<b>13,839</b>	<b>45,810</b>	<b>86,219</b>
<b>Total Pledged Revenues</b>	<b>28,126</b>	<b>94,540</b>	<b>180,589</b>

Source: City of Cocoa Beach Finance Department.

<sup>(1)</sup> Includes new construction taxable values of \$62,540 in Fiscal Year 2014, \$431,165 in Fiscal Year 2015 and \$215,851 in Fiscal Year 2016.

The Cocoa Beach Project. The Cocoa Beach Project consists of an up to 310-space parking garage to be owned and operated by the Downtown Cocoa Beach Community Redevelopment Agency, which will include an "artist's wall" space for displaying visual art by area artists. Revenues generated by the Cocoa Beach Project will be retained by the Downtown Cocoa Beach Community Redevelopment Agency, and are not pledged to secure Loan Repayments under the Downtown Cocoa Beach CRA Loan Agreement. Given that the Cocoa Beach Project is publicly owned, the improvements themselves are not expected to generate additional Pledged Revenues, although the parking will serve the CRA and is expected to provide a benefit to property located there. The Cocoa Beach Project is expected to commence construction in 2018 with completion in the same year.

Historical Pro Forma Debt Service Coverage. Set forth below is a table that shows the Pledged Revenues, maximum annual debt service related to the Downtown Cocoa Beach Community Redevelopment Agency's Loan and the pro forma debt service coverage provided by the Pledged Revenues generated for the past four (4) Fiscal Years, assuming the Loan Repayments under the Downtown Cocoa Beach CRA Loan Agreement had been due during such time period. (As described above, Loan Repayments under the Downtown Cocoa Beach CRA Loan Agreement are also secured by payments pursuant to the Cocoa Beach Interlocal Agreement. See "-- Outstanding Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Proforma Debt Service Coverage – City of Cocoa Beach," above.)

**Pro Forma Pledged Revenues  
Debt Service on Downtown Cocoa Beach CRA Loan and Debt Service Coverage**

Fiscal Year	Pledged Revenues	Maximum Annual Debt Service	Debt Service Coverage on Downtown Cocoa Beach CRA Loan <sup>(1)</sup>
2014	\$28,126	\$409,250	0.07x
2015	94,540	409,250	0.23x
2016	180,589	409,250	0.44x

Source: City of Cocoa Beach Finance Department.

<sup>(1)</sup> The budgeted Pledged Revenues for Fiscal Year 2017 are \$294,545 and for Fiscal Year 2018 are \$423,525; as such, the Downtown Cocoa Beach Community Redevelopment Agency expects the Pledged Revenues to be sufficient to cover Loan Repayments on the Downtown Cocoa Beach CRA Loan by Fiscal Year 2018.

Ad Valorem Tax Increment/Pledged Revenues. The Pledged Revenues are derived from the increase in the City of Cocoa Beach and Brevard County property tax receipts within the CRA above a baseline property level established at the time the particular area in question becomes a part of the CRA. Brevard County School District taxes are not included within the calculation. Pursuant to the provisions of Section 163.387, Florida Statutes, an annual amount not less than 95% of the difference between (1) the amount of ad valorem taxes levied each year by the City of Cocoa Beach and Brevard County, exclusive of debt service millage, on taxable real property contained within the geographic boundary of the CRA, and (2) the amount of ad valorem taxes which would have been produced by the rate upon the tax is levied each year by and for the City and County, exclusive of debt service millage, upon the assessed value of the taxable real property in the CRA as shown upon the most recent assessment roll used in connection of such property prior to the effective date of the ordinance providing for the funding of the Trust Fund, is required to be deposited into the Trust Fund.

Procedure for Property Assessment. Real and personal property valuations are determined each year as of January 1 by the Property Appraiser. Except as noted below regarding the homestead exemption and other exemptions which may heretofore or hereafter be provided by applicable law, all taxable real and personal property must be assessed at its just or fair market value. The property owner has the right to file a petition with the Clerk of the

Property Appraisal Adjustment Board if, in the owners' opinion, such assessed property value, as determined by the Property Appraiser, is inconsistent with that as determined by the property owner. All petitions relating to such valuation determinations are heard and reviewed by the Property Appraisal Adjustment Board, which consists of members of the Board of County Commissioners of Brevard County and the School Board of Brevard County. The Property Appraisal Adjustment Board certifies an assessment role upon completion of the hearings on all petitions so filed.

Setting the Millage. Article VII, Section 9 of the Constitution of the State of Florida provides that, exclusive of taxes levied for the payment of voter-approved general obligation bonds, cities may levy up to ten (10) mills for municipal purposes. Pursuant to the Florida Constitution, there is no limit on the amount of ad valorem taxes a city or county may levy for the payment of debt service on voter-approved general obligation bonds.

The Property Appraiser assesses all taxable real, personal and centrally assessed property and the Tax Collector collects all ad valorem taxes within Brevard County. While one tax bill emanates from Brevard County, that bill represents ad valorem taxes levied by Brevard County and any taxing units, including any municipal service taxing units, Brevard County, the school district, municipalities located within Brevard County (including the City of Cocoa Beach) and other taxing authorities.

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property valuation within the taxing authority's respective jurisdiction. Ad valorem taxes are not levied in excess of actual budget requirements. By law, budget expenditures cannot exceed 95% of estimated revenues except for cash carry forward amounts.

Each year, the Property Appraiser is required to certify to each taxing authority the aggregate taxable value of all non-exempt property within the jurisdiction of the taxing authority, as well as the prior year's tax revenues, for use in connection with the determination of the forthcoming budget and millage levy. The form on which such certification is made by the Property Appraiser is required to include instructions to each taxing authority describing the proper method of computing a millage rate, which, exclusive of new construction, additions to structures, deletions and property added due to geographic boundary changes, will provide the same ad valorem tax revenues for each taxing authority as was levied during the prior fiscal year. Such millage rate is known as the "rolled-back rate."

In adopting an annual budget, the taxing authority must first adopt tentative millage rates within 35 days of receipt from the Property Appraiser of the preliminary certificate of taxable value. A notice of the impact of the tentative millage rates adopted by each taxing authority on the proposed tax statement for each taxpayer is then mailed to each individual taxpayer. Next, the taxing authority must hold a public hearing to adopt a tentative budget with the tentative millage rate. A second public hearing is held to adopt a final budget and millage rate.

Exemptions and Assessment Limitations. The Florida Constitution provides that every person who has the legal title or beneficial title in equity to real property in the State and who

resides thereon and in good faith makes the State his or her permanent residence, or makes the State the permanent residence of another or others legally or naturally dependent upon such person, is entitled to an exemption from all taxation, except for assessments for special benefits, on the value of such property up to the assessed valuation of \$25,000 on the residence and contiguous real property. Additional exemptions include: homestead property of totally and permanently disabled persons; improved real property on which a renewable energy source device is installed and operated; inventory; property used by not-for-profit hospitals, nursing homes and homes for special services; property used by certain not-for-profit homes for the aged; property used exclusively for educational purposes by educational institutions or other exempt organizations, including charter schools, for educational purposes; property owned by certain charitable, literary, religious or scientific organizations and used predominantly for such purposes; property owned and used for educational purposes by labor organizations; property of certain community centers; certain property used for affordable housing; property owned and used by certain governmental units; property of certain not-for-profit sewer and water companies; \$5,000 of property of every disabled ex-service member and their unmarried surviving spouses and the first \$500 of property of every widow, widower, blind person or disabled person.

## **Property Tax Reforms**

Although ad valorem tax revenues are by definition excluded from the Non-Ad Valorem Revenues each of the City of Cocoa Beach, Town of Melbourne Beach and City of Valparaiso has covenanted to use to pay amounts due relating to the Loans, the amount of ad valorem taxes levied by a Borrower (or in the case of the Downtown Cocoa Beach Community Redevelopment Agency, by the City of Cocoa Beach) is of interest in examining the overall financial picture of the governmental entity and the other funds available to fund essential services of said entity, as well as being relevant to the Pledged Revenues of the Downtown Cocoa Beach Community Redevelopment Agency. To that end, the past several years have been volatile with respect to Florida property assessments and levies, with various tax reform measures proposed and implemented.

During a special legislative session that ended on June 14, 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, affecting the amount and rate of ad valorem taxes levied by local governments. Among other things, Chapter 2007-321 statutorily required each county, municipality, and special district to roll back their millage rates for Fiscal Year 2007-2008 to a level that with certain adjustments and exceptions would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007. Chapter 2007-321 also limits the growth of ad valorem tax levies in future years (except those levied by school districts) based upon the growth in a jurisdiction's population, as measured by new construction, and the statewide growth in per capita personal income. Notwithstanding the foregoing, the governing body of a county, municipality, or special district may levy a millage rate in excess of the then applicable rolled back millage rate upon a two-thirds or unanimous vote of such governing body (or three-fourths vote for jurisdictions that have a governing body comprised of nine or more members) depending on the level of the proposed increase. The rolled back millage rate may also be exceeded based on an affirmative vote of the voters in such jurisdiction.

Furthermore, Chapter 2007-321 provides that in the event a county or municipality fails to comply with certain requirements of the legislation, such county or municipality will forfeit its distribution of the half-cent sales tax state revenue sharing for the twelve months following the determination of non-compliance.

On January 29, 2008, in a special election held in conjunction with Florida's presidential primary, the requisite number of voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The amendments were effective beginning with the 2008 tax year (2008-09 fiscal year for local governments). The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. This exemption does not apply to school district taxes.
2. Permits owners of homestead property to transfer the benefit of their exemption (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of 3% or the annual rate of inflation.
3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.
4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes.

From time to time over the last few years, the Save Our Homes assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the Save Our Homes assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution, and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future



challenges to such provisions will not be successful. Any potential impact on the Borrowers or their finances as a result of such challenges cannot be ascertained at this time.

In the November 2008 general election, the voters of Florida approved amendments to the State Constitution providing the Florida Legislature with authority to enact exemptions or special assessment protections for certain types of property subject to ad valorem taxation, including exemptions for conservation lands and residential wind damage resistance and renewable energy source improvements, and restrictions on the assessment of working waterfront properties.

In the November 2010 general election, voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011.

During the 2011 regular legislative session, the legislature passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment became effective January 1, 2013.

During the 2012 regular legislative session, the legislature passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the State Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment became effective January 1, 2013. Also during the State Legislature's 2013 Regular Session, the State Legislature passed House Bill 1193 ("HB 1193"). HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural appraisers. HB 1193 is effective immediately and will apply retroactively to January 1, 2013.

Also during the 2012 regular legislative session, the legislature passed House Joint Resolution 169 ("HJR 169") allowing the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 does not apply to school property taxes.

Each of the above described amendments was approved by the voters on November 6, 2012.

During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon on such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013. The State Legislature in 2013 also passed House Bill 1193 ("HB 1193"). HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieved the value adjustment board of the authority to review the property appraisers.

In the November 2016 General Election, voters approved a constitutional amendment changing the existing homestead tax exemption for low income seniors so that the value of property owned by eligible senior citizens with a household income of \$20,000 or less could be assessed when they first apply for the exemption. The measure was designed to ensure eligible seniors' ability to be able to keep their tax exemption even if their home value exceeded \$250,000 in the future. The amendment took effect on January 1, 2017 but is retroactive to January 1, 2013, meaning a senior who qualified for the exemption in 2013, but lost it, would regain the exemption.

Also in the November 2016 General Election, voters approved a constitutional amendment authorizing first responders who are totally and permanently disabled as a result of injuries sustained in the line of duty to receive ad valorem tax relief on the homestead property. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. Florida defines first responders as law enforcement officers, correctional officers, firefighters, emergency medical technicians and paramedics. This amendment took effect on January 1, 2017.

During the Florida Legislature's 2017 Regular Session, the Florida Legislature approved CS/HJR 21 ("HJR 21") which proposes an amendment to the State Constitution to remove the scheduled January 1, 2019 repeal of the limitation prohibiting the increase in the assessed value of non-homestead property to 10% per year. The limitation does not apply to property taxes levied by school districts. HJR 21 is not subject to approval by the Governor of the State prior to being placed on the ballot. In order for the 10% assessment limitation to continue, this constitutional amendment will need to be approved by at least 60% of the electors of the next general election in November 2018.

During the Florida Legislature's 2017 Regular Session, the Florida Legislature passed SB 90 ("SB 90") implementing Amendment 4, which was approved by the voters in August 2016. SB 90 exempts the assessed value of a renewable energy device from tangible personal property tax and the installation of those devices from determining the assessed value of real property, both residential and non-residential, for the purpose of ad valorem taxation. SB 90 also revises the definition of "renewable energy source device" to include power conditioning and storage devices, wiring, structural support and other components used as integral parts of such systems. The changes made by SB 90 expire on December 31, 2037.

The 2017 Florida Legislature also passed HJR 7105, placing on the November 2018 ballot a proposed constitutional amendment adding an additional \$25,000 ad valorem homestead exemption for home values between \$100,000 and \$125,000. No assurance can be given regarding the proposed amendment's passage or the impact on the Borrowers if it does pass. If it does pass, however, such amendment would be effective beginning with the 2019 tax roll.

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and restrictions on local government revenues and expenditures have been introduced in the State. Many of these proposals sought to limit local government revenues and expenditures, provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would or might apply to, or have a material adverse effect upon, the collection of ad valorem taxes and thus, indirectly, the availability of non-ad valorem revenues.

## **Financial Information Regarding the Borrowers**

Appendices F through H include financial information about the City of Cocoa Beach, the Town of Melbourne Beach and the City of Valparaiso, respectively. See "FINANCIAL STATEMENTS," herein. The Downtown Cocoa Beach Community Redevelopment Agency is a component of the City of Cocoa Beach for purposes of the City of Cocoa Beach financial statements.

### **HURRICANE IRMA IMPACTS**

On September 10-11, 2017, Hurricane Irma swept through Florida and caused a significant amount of damage within the State, with the center of the storm making landfall twice, once as a Category 4 storm with 130 mph sustained winds in the Florida Keys and once as a Category 3 storm with 115 mph sustained winds near the City of Marco Island. While the center of the storm did not pass near the City of Cocoa Beach, the Town of Melbourne Beach or the City of Valparaiso, certain of those municipalities were impacted by the storm. The City of Cocoa Beach experienced flooding and power outages, with estimated damage to City of Cocoa Beach facilities at \$250,000, \$100,000 of which is expected to be covered by insurance or federal sources, debris removal cost estimated at \$600,000 (\$450,000 of which is expected to be covered by insurance or federal sources), and relatively minor damage to private property within the City of Cocoa Beach city limits. The Downtown Cocoa Beach Community Redevelopment Agency estimates significant damage to only one property within the CRA, a motor inn comprising less than 1% of the value of property within the CRA, which inn is in the process of rebuilding. The City of Cocoa Beach and the Downtown Cocoa Beach Redevelopment Agency do not expect such damage to have a materially adverse impact on the City's receipt of Non-Ad Valorem Revenues or the Downtown Cocoa Beach Redevelopment Agency's receipt of Pledged Revenues. Although the Town of Melbourne Beach (the "Town") experienced some street flooding, rain and wind associated with the storm, the Town estimates damage to Town facilities at \$10,000, and private property damage within the Town limits appears based on initial surveys to have been limited to minor property damage. The Town of Melbourne Beach does not expect such damage to have a materially adverse impact on the Town's receipt of Non-Ad Valorem Revenues. The City of Valparaiso was not adversely impacted by Hurricane Irma.

### **BOND INSURANCE**

The following information has been furnished by Assured Guaranty Municipal Corp. for use in this Official Statement.

#### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, AGM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX I to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

### *Capitalization of AGM*

At June 30, 2017:

- The policyholders' surplus of AGM was approximately \$2,222 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,289 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be

deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

## **INVESTMENT CONSIDERATIONS**

### **General**

The purchase of the Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the Issuer's ability to perform its obligations under the Indenture, including the timely payment of principal of and interest on the Bonds, include, but are not necessarily limited to, the following:

### **Limited Special Obligations**

The Bonds are limited, special obligations of the Issuer, the principal of, premium, if any, and interest on which are payable from and secured solely by amounts held in the funds and accounts established under the Indenture and amounts paid under the Loan Agreements, which are in turn secured by, in the case of the Covenant to Budget Loan Agreements, a covenant to budget and appropriate Non-Ad Valorem Revenues as described herein, and in the case of the Downtown Cocoa Beach CRA Loan Agreement, a pledge of the Pledged Revenues and, by virtue of the Cocoa Beach Interlocal Agreement, a backup covenant to budget and appropriate Non-Ad Valorem Revenues of the City of Cocoa Beach as described herein.

**THE BONDS ARE NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE ISSUER, BUT ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM (I) THE PAYMENTS TO BE MADE BY THE BORROWERS PURSUANT TO THE LOAN AGREEMENTS AND THE CITY OF COCOA BEACH UNDER THE COCOA BEACH INTERLOCAL AGREEMENT, (II) ALL AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS CREATED PURSUANT TO THE INDENTURE, AND (III) ALL REVENUES, ANY AND ALL OTHER PROPERTY, RIGHTS AND INTEREST OF EVERY KIND AND NATURE FROM TIME TO TIME HEREAFTER BY DELIVERY OR BY WRITING OF ANY KIND SUBJECTED TO THE INDENTURE, AS AND FOR ADDITIONAL SECURITY FOR THE BONDS, BY THE ISSUER OR BY ANY OTHER PERSON ON ITS BEHALF OR WITH ITS WRITTEN CONSENT (COLLECTIVELY, THE "TRUST ESTATE"), AS MORE FULLY DESCRIBED HEREIN. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The obligation of the City of Cocoa Beach under the Cocoa Beach Interlocal Agreement is not a general debt, liability or obligation of the City of Cocoa Beach, but is a limited obligation of the City of Cocoa Beach payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

### **Bond Insurance**

Although the Bonds are insured by the Policy issued by AGM which unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but which is unpaid by reason of nonpayment by the Issuer, there can be no assurance that AGM will make such payments. See the information under the heading "BOND INSURANCE" herein.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Issuer which is recovered by the Issuer from the Owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the Issuer unless AGM chooses to pay such amounts at an earlier date.

AGM may direct and must consent to any remedies and AGM's consent may be required in connection with amendments to any applicable bond documents.



In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the Indenture. In the event AGM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term rating on the Bonds is dependent on the financial strength of AGM and its claims paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term rating of AGM and of the rating on the Bonds will not be subject to downgrade, and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATING" herein.

The obligations of the Bond Insurer are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer, the Borrowers, nor the Underwriter have made independent investigation into the claims paying ability of AGM, and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Borrowers to pay principal and interest on the Loans securing the Bonds and the claims paying ability of AGM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

### **No Replacement of Surety Bond**

As described under the heading "SECURITY AND SOURCES OF PAYMENT – Reserve Fund," in the event AGM becomes insolvent, fails to meet its obligations under the terms of the Surety Bond or suffers a rating downgrade, neither the Issuer nor the Borrowers are under any obligation to deposit cash into the Reserve Fund or to otherwise replace the Surety Bond.

### **Pledging of Non-Ad Valorem Revenue Sources**

As described herein under the heading "SECURITY AND SOURCES OF PAYMENT – The Covenants to Budget and Appropriate," specific Non-Ad Valorem Revenue sources from which the City of Cocoa Beach, Town of Melbourne Beach and City of Valparaiso have covenanted to budget and appropriate amounts sufficient to make Loan Repayments (or in the case of the City of Cocoa Beach, any deficiency in Loan Repayments) may be pledged (and in some case already have been pledged) by each of them to secure other indebtedness of said entity. In such situation, such Non-Ad Valorem Revenue sources would be applied to such other indebtedness prior to being applied to pay said Loan.

## **Tax Increment Financing**

Concentration of Revenues. A significant portion of the Pledged Revenues received by the Downtown Cocoa Beach Community Redevelopment Agency are from a major mixed-use commercial development within the CRA. See "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement - Historical Pledged Revenues" herein. The occurrence of any event that has a major negative impact on such development, including, without limitation, natural disasters (such as hurricanes and other major tropical storms to which Florida is generally subject), could significantly reduce the Pledged Revenues that can be collected by the Downtown Cocoa Beach Community Redevelopment Agency which could, in turn, have a material adverse impact on the ability of said Borrower to make Loan Repayments on the Downtown Cocoa Beach Community Redevelopment Agency's Loan.

Competition from Comparable Development Projects. The current growth strategy for the CRA is in competition with other communities located outside the CRA whose growth will not generate Pledged Revenues. The growth strategy for the CRA is heavily dependent upon the development of condominium, rental and commercial projects. In the event that a large number of condominium, rental or commercial projects are constructed in the City of Cocoa Beach outside the CRA, the demand for residential housing and commercial space within the CRA could be reduced, thereby leading to a possible reduction in future development or in the taxable value of existing properties in the CRA and a reduction in the collection of Pledged Revenues.

Millage Rates. The addition of significant numbers of new taxpayers or an increase of property values outside the CRA could result in an environment favorable to the reduction of the Brevard County and/or the City of Cocoa Beach millage rate. Brevard County and/or the City of Cocoa Beach could determine that its millage rates should be reduced for other reasons as well. Any reduction in millage rates by Brevard County or the City of Cocoa Beach could reduce the amount of Pledged Revenues payable by Brevard County and/or the City of Cocoa Beach which, in turn, could negatively impact the ability to make Loan Repayments on the Downtown Cocoa Beach CRA Loan.

New Construction. The amount of Pledged Revenues expected to be generated to pay debt service on the Downtown Cocoa Beach CRA Loan is dependent, in part, upon increases in the taxable value of real property in the CRA resulting from new construction projects and improvements to existing property in the area. No assurance can be given that new construction projects and expected improvements to property in the CRA (i) will commence as planned, (ii) if commenced, will be completed, or (iii) if completed, (a) will be completed in the time periods contemplated, or (b) will generate the Pledged Revenues expected to be generated by such projects and improvements. A failure to develop or complete new construction projects in the CRA could have a material adverse impact on the ability to make Loan Repayments on the Downtown Cocoa Beach CRA Loan.

Decreases in Property Values. The amount of Pledged Revenues expected to be collected to make Loan Repayments is dependent, in part, upon future increases in the taxable value of real property in the CRA. Such value has actually decreased in recent years as a result of the general downturn in the economy and specifically, in the real estate market throughout the State.

Numerous events could occur that might further reduce or cause an extended stagnation in value or real property within the CRA, including, without limitation, natural disasters (such as hurricanes and other major tropical storms to which Florida is generally subject), public acquisition of property within the CRA by the State or political subdivisions exercising their respective rights of eminent domain, or social, economic or demographic factors (or adverse public perceptions related thereto) beyond the control of said Borrower, the City of Cocoa Beach or the taxpayers in the CRA. Any or all of such events could materially, adversely affect the realization and collection of Pledged Revenues.

State, National and International Economic and Political Factors. Certain economic or political developments, such as new downturns in the State, national or international economy or an inability to recover from the most recent economic downturn, increased national or international barriers to tourism or trade or international currency fluctuations, could all materially, adversely affect the continued development of the CRA, its attraction to businesses and investors and, as a result, its ability to produce sufficient Pledged Revenues to make Loan Repayments.

Appeals of Assessments. The amount of Pledged Revenues collected annually is dependent upon the assessed value of taxable property in the CRA. See "SECURITY AND SOURCES OF PAYMENT – Downtown Cocoa Beach CRA Loan Agreement – Historical Pledged Revenues" herein. State law allows taxpayers to dispute assessment valuations. Any successful appeals of assessment valuations will result in less Pledged Revenues being collected annually than is currently contemplated. If such appeals resulted in a significant reduction in the overall assessed value of the taxable property in the CRA, they could have a material adverse impact on the ability of said Borrower to make Loan Repayments on the Downtown Cocoa Beach CRA Loan.

Adverse Legislative, Judicial or Administrative Action. The State legislature, the courts or an administrative agency with jurisdiction in the matter could enact new laws or regulations or interpret, amend, alter, change or modify the laws or regulations governing the collection, distribution, definition or accumulation of ad valorem tax revenues generally, or tax increment revenues specifically, in a fashion that would materially, adversely affect the ability of said Borrower to receive Pledged Revenues in an amount sufficient to make Loan Repayments to pay on the Downtown Cocoa Beach CRA Loan. Bills have been filed in the Florida Legislature in 2017 and for the upcoming 2018 session to restrict and/or sunset community redevelopment agencies in various ways, although Florida's Constitution restricts legislation that would impair an existing contract.

### **No Feasibility Consultant**

This Official Statement provides historical information in connection with the Non-Ad Valorem Revenues of the City of Cocoa Beach, the Town of Melbourne Beach and the City of Valparaiso and the Downtown Cocoa Beach Community Redevelopment Agency's Pledged Revenues available to make Loan Repayments and thus pay debt service on the Bonds. In connection with the issuance of the Bonds, each of such entities determined that it would not engage an independent feasibility consultant to provide an analysis of projected Non-Ad

Valorem Revenues or Pledged Revenues, as applicable. As a result, while the City of Cocoa Beach, the Town of Melbourne Beach and the City of Valparaiso reasonably believe their Non-Ad Valorem Revenues and the Downtown Cocoa Beach Community Redevelopment Agency reasonably believes the Pledged Revenues will be sufficient to make Loan Repayments, no forecasts or projections of Non-Ad Valorem Revenues or Pledged Revenues to make Loan Repayments are included in this Official Statement.

### DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds.

Year Ending October 1 (Inclusive)	Principal	Interest	Total Annual Debt Service
2018	\$340,000.00	\$295,529.89	\$635,529.89
2019	350,000.00	279,487.50	629,487.50
2020	365,000.00	265,487.50	630,487.50
2021	385,000.00	247,237.50	632,237.50
2022	405,000.00	227,987.50	632,987.50
2023	425,000.00	207,737.50	632,737.50
2024	445,000.00	186,487.50	631,487.50
2025	460,000.00	164,237.50	624,237.50
2026	480,000.00	141,237.50	621,237.50
2027	515,000.00	117,237.50	632,237.50
2028	535,000.00	91,487.50	626,487.50
2029	560,000.00	64,737.50	624,737.50
2030	470,000.00	47,937.50	517,937.50
2031	480,000.00	33,837.50	513,837.50
2032	90,000.00	19,437.50	109,437.50
2033	90,000.00	16,512.50	106,512.50
2034	95,000.00	13,587.50	108,587.50
2035	95,000.00	10,381.26	105,381.26
2036	100,000.00	7,175.00	107,175.00
2037	105,000.00	3,675.00	108,675.00
<b>TOTALS</b>	<b>\$6,790,000.00</b>	<b>\$2,441,436.15</b>	<b>\$9,231,436.15</b>

### TAX MATTERS

#### General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-

compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrowers have covenanted in their Loan Agreements with respect to the Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

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

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

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrowers, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

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

## **Information Reporting and Backup Withholding**

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

## **Other Tax Matters**

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds.

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

## **Tax Treatment of Original Issue Discount**

Under the Code, the difference between the maturity amount of the Bonds maturing on October 1 of the years 2029 through and including 2031, 2033, 2035 and 2037 (collectively, the

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

### **Tax Treatment of Bond Premium**

The difference between the principal amount of the Bonds maturing on October 1 of the years 2018 through and including 2028 (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **LITIGATION**

The Borrowers experience claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on their respective operations or financial condition, but may, in the aggregate, have a material impact thereon. On the date of delivery of the Bonds, each Borrower will certify that there is no action, suit, proceeding or

investigation at law or in equity before or by any court, public board or body, pending, or to the best of such Borrower's knowledge, threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would materially and adversely affect such Borrower, its financial condition or its ability to comply with its obligations under its Loan Agreement or the validity or enforceability of its Loan Agreement.

On the date of delivery of the Bonds, the Issuer will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best knowledge of the Issuer, threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity of the Bonds, the Indenture or the Loan Agreements.

### **VALIDATION**

On February 13, 2003, the Circuit Court of the Second Judicial Circuit of Florida in and for Leon County, Florida, entered an order validating the Bonds. The time for filing an appeal from such judgment expired with no appeal having been filed.

### **SEC ORDER; VOLUNTARY CLOSING AGREEMENT**

On July 19, 2010, the Issuer and the City of South Miami ("South Miami") initiated with the Internal Revenue Service the process for requesting a voluntary closing agreement to resolve several issues which came to the attention of the Issuer and could have affected the tax-exempt status of certain prior bonds issued by the Issuer. Specifically, South Miami was a borrower of a portion of the proceeds of the Issuer's Series 2002A and Series 2006 Bonds. South Miami made the Issuer aware of an issue with regard to the use of the proceeds of such bonds and a long-term lease of a parking facility. On July 19, 2010, the United States Securities and Exchange Commission ("SEC") issued an Order Directing Private Investigation and Designating Officers to Take Testimony, alleging that in the underwriting, offering, sale and purchase of such bonds that there may have been made false statements of a material fact or a failure to disclose material facts concerning, among other things, the tax-exempt status of such bonds. On August 7, 2011, the Commissioner of Internal Revenue entered into a Closing Agreement with South Miami and the Issuer to resolve the matter, with a payment by South Miami but without penalty to the Issuer. On May 30, 2013, the SEC provided notice to the Issuer that its investigation had been completed without recommendation of any enforcement action.

### **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Bond Counsel has not been engaged to, nor has it undertaken to, review the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Bonds; provided, however, that Bond Counsel shall render an opinion to the Underwriter of the Bonds (upon which only it may rely) relating to the accuracy of certain statements contained herein under the heading "TAX MATTERS" and certain statements which summarize provisions of certain documents described herein. Certain legal matters will be passed upon for the Issuer



by Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and Nabors, Giblin & Nickerson, P.A., Tampa, Florida, as Disclosure Counsel. Holland & Knight LLP, Lakeland, Florida, has served as counsel to the Underwriter. Certain legal matters will be passed upon for the Borrowers by their respective counsel.

The proposed text of the approving opinion of Bond Counsel to be delivered concurrently with the delivery of the Bonds is set forth as APPENDIX E to this Official Statement. The actual legal opinion to be delivered may vary from the text of APPENDIX E, if necessary, to reflect facts and law on the date of delivery of the Bonds. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

The legal opinions to be delivered by Bond Counsel, Disclosure Counsel and Counsel to the Issuer concurrently with the delivery of the Bonds are based on existing law, which is subject to change. Such legal opinions are further based on factual representations made as of the date thereof. The attorneys rendering legal opinions concurrently with the delivery of the Bonds assume no duty to update or supplement their respective opinions to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective. In addition, such legal opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed in such opinions. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The fees of Bond Counsel and Disclosure Counsel and payment of the Underwriter's discount, which includes the fees of counsel to the Underwriter, are contingent upon the issuance of the Bonds.

## **FINANCIAL STATEMENTS**

Included in APPENDIX F through APPENDIX H are the audited financial statements of the City of Cocoa Beach (the Downtown Cocoa Beach Community Redevelopment Agency is included as a component unit of the City of Cocoa Beach for purposes of such financial statements), the Town of Melbourne Beach and the City of Valparaiso as of September 30, 2016, for the year then ended. Such financial statements, including the respective auditors' reports, have been included in this Official Statement as public documents, and consent from the auditors was not requested. The auditors have not performed any services relating to, and are therefore not associated with, the issuance of the Bonds.

## **RATINGS**

S&P Global Ratings, a division of The McGraw-Hill Companies ("S&P") is expected to assign a rating to the Bonds, based upon the issuance of the Policy by AGM at the time of delivery of the Bonds, of "AA" (stable outlook).

The rating reflects only the views of S&P and an explanation of the significance of the rating may be obtained only from S&P. The rating is not a recommendation to buy, sell or hold the Bonds, and there is no assurance that such rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The Underwriter has not undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds, or to oppose any proposed revision or withdrawal.

## UNDERWRITING

Wells Fargo Bank, National Association, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$7,380,605.55 (which includes net bond premium of \$647,380.05 and underwriter's discount of \$56,774.50), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds. Depending upon prevailing market conditions, including the financial condition or market positions of firms which may make the secondary market, evaluation of the Borrower's capabilities and the financial condition and results of their operations, there may not be a secondary market for the Bonds from time to time, and investors in the Bonds may be unable to divest themselves of their interests therein.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the sole underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name Wells Fargo Advisors) ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **FINANCIAL ADVISOR TO THE ISSUER**

The Issuer has retained Public Resources Advisory Group, St. Petersburg, Florida, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **CONTINUING DISCLOSURE**

In compliance with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12) (the "Rule"), the Issuer, each Borrower and the City of Cocoa Beach have entered into a covenant (each, a "Continuing Disclosure Agreement") that constitutes the written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of the Rule. The form of the Continuing Disclosure Agreements for the Borrowers/City of Cocoa Beach and the Issuer are contained in Appendices A and B hereof.

As noted elsewhere in this Official Statement, the Bonds constitute the twenty-sixth series of bonds issued by the Issuer. The Issuer's prior bond issues funded loans to various borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and each Prior Borrower agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the respective Prior Borrowers. The Issuer has reviewed its filings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access "EMMA" website with respect to its Prior Undertakings during the past five years, and determined that the Issuer failed to make required timely filings of certain bond insurer rating changes in 2013 and 2014. Each of the Borrowers has also reviewed its filings on the EMMA website with respect to its Prior Undertakings during the past five years, and determined that (i) the Town of Melbourne Beach was late filing its annual audit for Fiscal Years 2014 and 2015, and (b) the City of Valparaiso neglected to include certain required information in its annual reports filed for Fiscal Years 2012 through 2015, which has since been corrected. Neither the City of Cocoa Beach nor the Downtown Cocoa Beach Community Redevelopment Agency has been subject to any continuing disclosure undertaking during the past five years. Certain Prior Undertakings of Prior Borrowers during such period were also delayed or not met. The Issuer has taken certain steps to ensure timely notice of bond insurer ratings changes are made, and has instituted a tickler system to ensure reminders and cross-checks are in place with respect to compliance by the Borrowers with their respective Continuing Disclosure Agreement.

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Rule 69W-400.003, Rules of Government Securities under Section 517.051(1), Florida Statutes, promulgated by the Florida Department of Financial Services, Office of Financial Regulation, Division of Securities and Finance ("Rule 69W-400.003"), requires the Issuer to

disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Issuer after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Issuer, in good faith, believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

Except as described below, the Issuer is not, and since December 31, 1975, has not been, in default as to principal of and interest on bonds or other debt obligations. Each Borrower has certified that it is not, and since December 31, 1975, has not been, in default as to principal of and interest on bonds or other debt obligations for which either ad valorem or non-ad valorem revenues of the Borrower were pledged.

On January 15, 2016, the City of Valparaiso ("Valparaiso"), one of the Borrowers with respect to the Bonds, deposited sufficient debt service funds with The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon") as trustee for the Issuer's Series 2005A Revenue Bonds, to make the required February 1, 2016 interest and mandatory redemption payments thereon. Valparaiso is the only remaining borrower under the Series 2005A program, so there are no debt service fund deposits required beyond that of Valparaiso. BNY Mellon, due to an internal processing error, inadvertently failed to make the full February 1, 2016 mandatory redemption principal payment in a timely manner, resulting in a shortfall of \$115,000 from what should have been redeemed. BNY Mellon, upon becoming aware of its internal processing error, submitted the payment to Depository Trust Company ("DTC") for processing. The mandatory redemption payment of \$115,000 was sent to DTC on March 3, 2016. No legal proceedings, civil, criminal, or administrative, were commenced as a result of or related to the failure to make the mandatory redemption principal payment in a timely manner, and there are no legal proceedings which may materially affect the Issuer's or Valparaiso's ability to perform its obligations to the present and future holders of the securities being offered. See "LITIGATION", herein. In addition, no trustee or receiver has ever been appointed over the assets of the Issuer or Valparaiso. The Issuer, in good faith, believes that the default described above would not be considered material by a reasonable investor in the Bonds since (i) the Issuer acted solely as a conduit issuer and is in no way obligated to make payments on any of its bonds in default except to the extent it receives payments from the Borrowers related to such Bonds, and (ii) the cause of the default was not a result of nonpayment of the bonds, but due to an internal processing error of BNY Mellon.

The Borrowers have not undertaken an independent review or investigation of such bonds or other debt obligations as to which they have served only as a conduit issuer. To the extent any of bonds or other debt obligations are in default as to principal and/or interest, the obligation of the Borrower thereunder is limited solely to payment from funds received by the party on whose behalf such bonds or other debt obligations were issued, and the Borrower is not obligated to pay the principal of or interest on such bonds or other debt obligations from any funds of the Borrower.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional

and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or maybe limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

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**MISCELLANEOUS**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. So far as any statements made in this Official Statement involve matters of opinion or are estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**FLORIDA MUNICIPAL LOAN COUNCIL**

By: /s/ Isaac Salver  
Its: Chairman

## APPENDIX A

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS AND CITY OF COCOA BEACH

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2017 (the "Continuing Disclosure Agreement") is executed and delivered by \_\_\_\_\_, a Florida public body corporate and politic ("Obligated Entity"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Obligated Entity under paragraph (b)(5) of the Rule to provide Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Obligated Entity is hereby undertaking (i) to disseminate an Annual Report not later than the June 30 following the end of each Fiscal Year of the Obligated Entity in accordance with Section 4 hereof, which contains Financial Information with respect to the Obligated Entity, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Obligated Entity and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Report"** means a document or set of documents which (a) identifies the Obligated Entity; (b) contains (or includes by reference to documents which were filed with the SEC or EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Obligated Entity; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Obligated Entity delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative

explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Obligated Entity authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Certificate"** means an Annual Report Certificate in the form attached hereto as Exhibit A.

**"Annual Report Date"** means the June 30 following the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Obligated Entity which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$6,790,000 Florida Municipal Loan Council Revenue Refunding and Improvement Revenue Bonds, Series 2017B.

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Obligated Entity to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"EMMA"** means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.



**"Event Notice"** means notice of the occurrence of a Listed Event.

**"Final Official Statement"** means the Final Official Statement prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Obligated Entity of the types identified in the Continuing Disclosure Certificate most recently delivered by the Obligated Entity to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Obligated Entity which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated of even date herewith by and between Florida Municipal Loan Council, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee.

**"Insurer"** means Assured Guaranty Municipal Corp., its successors and assigns.

**"Loan Agreement"** means the Loan Agreement dated of even date herewith, between the Issuer and the Obligated Entity.

**"Listed Events"** means any of the events which are set forth in Section 6 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Offering"** means the primary offering of the Bonds for sale by the Participating Underwriter.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Obligated Entity to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Wells Fargo Bank, National Association.

**"Rating Agency"** means S&P Global Ratings, a division of the McGraw-Hill Companies, or any successor thereto.

"**Rule**" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

"**SEC**" means the Securities and Exchange Commission.

"**Trustee**" means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

"**Unaudited Financial Statements**" means unaudited financial statements of the Obligated Entity for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Obligated Entity Respecting Undertaking.** (a) The Obligated Entity hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Obligated Entity may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Obligated Entity shall discharge such obligations until such time as the Obligated Entity shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Obligated Entity hereby acknowledges that the Obligated Entity is obligated to comply with this Continuing Disclosure Agreement and that the appointment of the Dissemination Agent as agent of the Obligated Entity for the purposes herein provided does not relieve the Obligated Entity of its obligations with respect to this Continuing Disclosure Agreement.

**SECTION 4. Annual Financial Information.** (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Obligated Entity is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Obligated Entity of each Annual Report Date and of the Obligated Entity's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Obligated Entity shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Obligated Entity shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Issuer, the Rating Agency and the Insurer within five (5) Business Days after receipt thereof from the Obligated Entity.

(d) The Dissemination Agent shall provide the Issuer, the Obligated Entity and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify the Obligated Entity, EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

**SECTION 5. Continuing Disclosure Certificates.** (a) The Obligated Entity shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter, Issuer and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data in the Continuing Disclosure Certificate from the information listed in Exhibit B hereto, the Obligated Entity will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Obligated Entity) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that said deletion or substitution is permitted by the Rule and the Financial and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Obligated Entity shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Obligated Entity), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(a) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

**SECTION 6. Reporting of Listed Events.** (a) Pursuant to the provisions of this Section 6, the Obligated Entity shall direct the Dissemination Agent to provide, in the appropriate format required by law or applicable regulation, in a timely manner such that

notice to EMMA can be provided not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events, with respect to the Loan and the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit facility providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS form 5701-TEB) or other material notices or determinations with respect to the tax status of the Loan or Bonds, or other material events affecting the tax status of the Loan or Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the Loan or Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar events of the Obligated Entity (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Entity in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Entity, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Entity).

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Obligated Entity or the sale of all or substantially all of the assets of the Obligated Entity, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) the appointment of a successor or additional trustee or the change of name of the trustee, if material; and
- (xv) in a timely manner, notice of failure to provide annual Financial Information before the date(s) specified in Section 4 hereof.

(b) If the Obligated Entity instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(a) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event of Notice with EMMA, the Trustee, the Rating Agency, the Issuer and the Insurer. The Dissemination Agent shall provide the Obligated Entity, the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(b).

(c) Notwithstanding the foregoing, whenever the Obligated Entity authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Obligated Entity shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agency and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agency and the Trustee. The Dissemination Agent shall provide the Obligated Entity written confirmation that such notice was provided to EMMA in accordance with this Section 6(c).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Obligated Entity from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Obligated Entity from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Obligated Entity to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Obligated Entity delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Obligated Entity), to the effect that the amendment is permitted under the Rule and that this Continuing Disclosure Agreement (taking into account such

amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

**SECTION 9. Assignment.** The Obligated Entity may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Obligated Entity, which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Obligated Entity agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys' fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Obligated Entity may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes. Notwithstanding anything to the contrary contained herein, the obligations of the Obligated Entity hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

**SECTION 11. Concerning the Dissemination Agent and the** Obligated Entity. (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder.

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Obligated Entity assumes no obligations hereunder other than those specifically assumed by the Obligated Entity herein.

**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Loan Agreement terminates.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Obligated Entity, the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF,** the Obligated Entity and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

\_\_\_\_\_, as Obligated Entity  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT A

### Form of Annual Report Certificate

The undersigned duly appointed and acting \_\_\_\_\_ of \_\_\_\_\_ a Florida public body corporate and politic, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of \_\_\_\_\_ 1, 2017 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended \_\_\_\_\_.

3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than June 30 following the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to EMMA or filed with the SEC.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Governing Body as of the date hereof, the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Borrower shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]



**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_, as Borrower

By: \_\_\_\_\_

Its: \_\_\_\_\_

Acknowledgment of Receipt:

Florida League of Cities, Inc.  
as Dissemination Agent

By: \_\_\_\_\_

Its: \_\_\_\_\_

## EXHIBIT B

### Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.  
301 Bronough Street  
Tallahassee, Florida 33401

The undersigned duly authorized signatory of \_\_\_\_\_ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of September 1, 2017 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Borrower is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information \_\_\_\_\_

(b) Operating Data \_\_\_\_\_

4. Annual Report. Until such time as the Borrower delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 3 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1<sup>st</sup> day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_, as Borrower

By: \_\_\_\_\_

Its: \_\_\_\_\_

Acknowledgment of Receipt:

Florida League of Cities, Inc., as  
Dissemination Agent

By: \_\_\_\_\_

Its: \_\_\_\_\_

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## APPENDIX B

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2017 (the "Continuing Disclosure Agreement") is executed and delivered by the Florida Municipal Loan Council ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Issuer under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Issuer is hereby undertaking (i) to disseminate an Annual Report not later than the June 30 following the end of each Fiscal Year of the Issuer in accordance with Section 4 hereof, which contains Annual Financial Information with respect to the Issuer, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Issuer and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Report"** means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were filed with the SEC or with EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Issuer; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Issuer delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating

Data being provided in such Annual Report; and (d) in the event that the Issuer authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Date"** means the June 30 following the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Issuer which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B.

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit A delivered by the Issuer to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"EMMA"** means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

**"Event Notice"** means notice of the occurrence of a Listed Event.

**"Final Official Statement"** means the Final Official Statement prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Issuer of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Issuer which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated of even date herewith, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee.

**"Insurer"** means Assured Guaranty Municipal Corp., its successors and assigns.

**"Issuer"** means Florida Municipal Loan Council.

**"Listed Events"** means any of the events which are set forth in Section 6 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Offering"** means the primary offering of the Bonds for sale by the Participating Underwriter.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Wells Fargo Bank, National Association.

**"Rating Agency"** means S&P Global Ratings, a division of The McGraw-Hill Companies, or any successor thereto.

**"Rule"** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

**"SEC"** means the Securities and Exchange Commission.

**"Trustee"** means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

**"Unaudited Financial Statements"** means unaudited financial statements of the Issuer for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Issuer Respecting Undertaking.** (a) The Issuer hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Issuer may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Issuer shall discharge such obligations until such time as the Issuer shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Issuer hereby acknowledges that the Issuer is obligated to comply with this Continuing Disclosure Agreement and that the appointment of the Dissemination Agent as agent of the Issuer for the purposes herein provided does not relieve the Issuer of its obligations with respect to this Continuing Disclosure Agreement.

**SECTION 4. Annual Financial Information.** (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Issuer is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Issuer of each Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Rating Agency and the Insurer within five (5) Business Days after receipt thereof from the Issuer.

(d) The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.



**SECTION 5. Continuing Disclosure Certificates.** (a) The Issuer shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit A in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data in the Continuing Disclosure Certificate from the information listed in Exhibit A hereto, the Issuer will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that said deletion or substitution is permitted by the Rule and the Financial Information and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Issuer shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

**SECTION 6. Reporting of Listed Events.** (a) Pursuant to the provisions of this Section 6, the Issuer shall direct the Dissemination Agent to provide, in the appropriate format required by law or applicable regulation, in a timely manner such that notice to EMMA can be provided not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events, with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit facility providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar events of the Issuer (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer).
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) the appointment of a successor or additional trustee or the change of name of the trustee, if material; and
- (xv) in a timely manner, notice of failure to provide annual Financial Information before the date(s) specified in Section 4 hereof.

(b) If the Issuer instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(a) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with EMMA, the Trustee, the Rating Agency and the Insurer. The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(b).

(c) Notwithstanding the foregoing, whenever the Issuer authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Issuer shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Insurer, the Rating Agency and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Insurer, the Rating Agency and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to EMMA in accordance with this Section 6(c).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Issuer from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Issuer from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Issuer to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that the amendment is permitted under the Rule and that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

**SECTION 9. Assignment.** The Issuer may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Issuer, which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the

Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys' fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

**SECTION 11. Concerning the Dissemination Agent and the Issuer.** (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder; and

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Issuer assumes no obligations hereunder other than those specifically assumed by the Issuer herein.

**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Bonds are no longer outstanding.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF**, the Issuer and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

## EXHIBIT A

### Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.  
Tallahassee, Florida  
The Bank of New York Mellon Trust  
Company, N.A.  
Jacksonville, Florida  
Wells Fargo Bank, National Association  
Clearwater, Florida

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of September 1, 2017 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Issuer is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B.

4. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information None

(b) Operating Data None

5. Annual Report. Until such time as the Issuer delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 4 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1<sup>st</sup> day of September, 2017.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

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**APPENDIX C**  
**FORM OF THE INDENTURE**

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FLORIDA MUNICIPAL LOAN COUNCIL,

Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

Trustee

---

TRUST INDENTURE

---

\$6,790,000

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B

Dated as of September 1, 2017

This Instrument Prepared By:

JoLinda Herring, Esquire  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

and

Jason M. Breth, Esquire  
Bryant Miller Olive P.A.  
101 North Monroe Street, Suite 900  
Tallahassee, Florida 32301

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## TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of September 1, 2017, by and between the FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, duly organized, existing, and authorized to accept and execute trusts of the character herein set out, as trustee (the "Trustee").

### WITNESSETH:

WHEREAS, all capitalized undefined terms used herein shall have the meanings set forth in Article I hereof; and

WHEREAS, the Council is duly created and existing pursuant to the Constitution and laws of the State of Florida (the "State"), including particularly Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"), and initially certain resolutions of the City of Stuart, Florida, the City of Deland, Florida, and the City of Rockledge, Florida; and

WHEREAS, the Council, pursuant to the authority of the Interlocal Act and other applicable provisions of law, is authorized, among other things, to issue revenue bonds on behalf of and for the benefit of the Borrowers in the State in order to finance, refinance, or reimburse the cost of qualified Projects of the Borrowers, such bonds to be secured by instruments evidencing and securing loans to the Borrowers and to be payable solely out of the payments made by the Borrowers pursuant to the Loan Agreements entered into between the Borrowers and the Council or from other moneys designated as available therefor and not otherwise pledged or used as security, and to enter into a trust indenture providing for the issuance of such bonds and for their payment and security; and

WHEREAS, the Council has determined that the public interest will be best served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to provide funds to loan to the participating Borrowers to finance, refinance, or reimburse the cost of qualifying Projects pursuant to the Loan Agreements between the respective Borrowers and the Council; and

WHEREAS, the Council has previously by a resolution adopted on October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance, or reimburse the cost of qualified Projects of the participating Borrowers; and

WHEREAS, the Council has now determined to issue its \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrowers have covenanted or pledged in the Loan Agreements to (i) with respect to the City of Valparaiso, Florida and the Town of Melbourne Beach, Florida, budget and appropriate legally available non-ad valorem revenues of the Borrower sufficient for that purpose, or (ii) with respect to the Loan to The Downtown Cocoa Beach Community Redevelopment Agency, pay from a specific revenues of such Borrower; and

WHEREAS, the Council has obtained a commitment from the Bond Insurer to issue a Bond Insurance Policy and the Surety Bond in connection with the issuance of the Bonds.

NOW, THEREFORE, THIS TRUST INDENTURE

WITNESSETH:

GRANTING CLAUSES

The Council, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Council of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, mortgage, assign, pledge, and grant, without recourse, the Trust Estate to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Council hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title, and interest of the Council under the Loan Agreements (excluding fees and expenses payable to the Council, rights of the Council to indemnity and notices thereunder, and excluding any payments made by the Borrowers to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrowers and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan Agreements and any documents securing payment thereunder, if any, and without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any income, issues, profits, and other sums of money payable to or receivable by the Council to bring actions or proceedings under the Loan Agreements, any documents securing payment thereunder or for the enforcement thereof, and to do any and all



things which the Council is or may become entitled to do under or due to its ownership of the interests hereby granted in the Loan Agreements; and

#### GRANTING CLAUSE SECOND

All moneys and securities from time to time held in the Funds and Accounts by the Trustee under the terms of this Indenture (except for moneys and securities held in the Rebate Fund); and

#### GRANTING CLAUSE THIRD

All Revenues, any proceeds of the Bond Insurance Policy, any proceeds of the Surety Bond, any and all other property, rights, and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, pledged, hypothecated, or otherwise subjected hereto, as and for additional security herewith, by the Council or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security, and protection of all present and future owners of the Bonds issued under and secured by this Indenture and the Bond Insurer without privilege, priority, or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that the holders of the Bonds shall be entitled to payment only from (a) the Loan Agreements more fully described in Granting Clause First hereof pledged for the payment of such Bonds, (b) the Funds and Accounts set forth in Granting Clause Second hereof established for such Bonds, and (c) the Revenues, proceeds of the Bond Insurance Policy, proceeds of the Surety Bond, and other property, rights, and interests described in Granting Clause Third pledged for the payment of such Bonds;

AND FURTHER PROVIDED, that if the Council, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VIII hereof, and shall well and truly keep, perform, and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed, and observed by it, and shall pay or cause to be paid to the

Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article VIII hereof, this Indenture and the rights hereby granted shall cease, terminate, and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Council such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the Trust Estate is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Council has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows:

## ARTICLE I

### DEFINITIONS AND RULES OF INTERPRETATION

**SECTION 1.01. Definitions.** Unless the context or use indicates another meaning or intent, the following words and terms as used in this Indenture shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 hereof.

"Act" means, collectively, Chapter 163, Part I, Florida Statutes, Chapter 163, Part III, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 of the Loan Agreements.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to this Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Amortization Installment" means, with respect to any Term Bonds, an amount so designated for mandatory principal installments (for mandatory call or otherwise) payable on any Terms Bonds issued under the provisions of this Indenture.

"Authorized Denominations" means \$5,000 and any integral multiples thereof.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and, when used with reference to a Borrower which is a special district, means the person performing the functions of the Chairman or Vice Chairman of the board of the special district; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 of the Loan Agreements.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council and acceptable to the Trustee.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds," means, whenever used herein with respect to a Bond, the person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto.

"Bonds" means the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B issued hereunder.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on September 28, 2017.

"Borrower" means a governmental unit which has entered into a Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, each governmental unit which has entered into a Loan Agreement receiving loans from the Council made from proceeds of the Bonds. Such Borrowers shall be those as named on Exhibit B.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting, or Vice Mayor, or its Chairman or Deputy, Acting, or Vice Chairman, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of the Loans pursuant to this Indenture and the Loan Agreements.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Commencement Date" means the date when the term of a Loan Agreement begins and the obligation of the Borrower thereunder to make Loan Repayments accrues.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 hereof.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Designated Member" means any designated person selected by the Council.

"Designated Office" means the office of the Trustee, Registrar, and Paying Agent set forth in Section 14.05 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Account" means the Escrow Account held for the benefit of the holders of the Refunded Bonds by the Escrow Agent under the Escrow Deposit Agreement.

"Escrow Agent" means the current trustee for the Refunded Bonds, which is a qualifying bank or trust company, and which shall execute the Escrow Deposit Agreement with the Council prior to the issuance of the Bonds.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, which shall be executed and delivered by and among the Council and the Escrow Agent, which agreement shall be in substantially the form approved by the parties thereto.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Event of Default" means any occurrence or event specified in Section 9.01 hereof.

"Executive Director" means the Executive Director of the Program Administrator and their successor.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Funds" means the funds created pursuant to Section 4.02 hereof.

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P, or (vi) any combination of the foregoing, unless the Bond Insurer otherwise approves.

"Indenture" means this Trust Indenture dated as of September 1, 2017, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Insurance Agreement" means the agreement of that name dated September 28, 2017 between the Council and the Surety Bond Provider, as amended and supplemented from time to time.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2018.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes, as amended.

"Investment Securities" means any securities lawful for investment under the laws of the State.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under a Loan Agreement after the occurrence of an "event of default" under a Loan Agreement which has not been waived or cured.

"Loan" means a loan to a Borrower from proceeds of the Bonds to finance, refinance, or reimburse a Project or Projects pursuant to a Loan Agreement in the amount specified in Section 3.01 of such Loan Agreement.

"Loan Agreement" or "Loan Agreements" means the Loan Agreement or Loan Agreements between the Council and the Borrower participating in the Program with respect to the Bonds, and any amendments and supplements thereto, which are executed for the purpose of securing repayment of the Loan or Loans made by the Council to such Borrower from proceeds of the Bonds and establishing the terms and conditions upon which such Loan or Loans are to be made.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrowers pursuant to the provisions of the Loan Agreements, including, without limitation, Additional Payments.

"Loans" mean, collectively, each Loan made by the Council under this Indenture to the Borrowers.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 hereof.

"Paying Agent" means the Trustee or any successor paying agent appointed pursuant to the provisions hereof.

"Person" or "person" means any individual, corporation, partnership, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name created by Section 4.02 hereof.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making the Loans under the Act and pursuant to this Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrowers' Projects detailed on each Exhibit A attached to the Loan Agreements.

"Project Loan Fund" means the fund by that name created by Section 4.02 hereof.

"Proportionate Share" means, at the time such calculation is made, with respect to a Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of such Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Rebate Fund" means the fund by that name created by Section 4.02 hereof.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and this Indenture.

"Refunded Bonds" shall have the meaning assigned to such term in the Escrow Deposit Agreement.



"Registrar" means the Trustee or any successor registrar appointed pursuant to the provisions hereof.

"Reserve Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Reserve Requirement" means five percent (5%) of the original par amount of the Bonds.

"Responsible Officer" means any officer of the Trustee within the corporate trust office specified in Section 14.05 (or any successor corporate trust office) having direct responsibility for the administration of this Indenture.

"Revenue Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Revenues" means all Loan Repayments paid to the Trustee for the respective Accounts of the Borrowers for deposit in the Revenue Fund and the Principal Fund to pay principal of, premium, if any, and interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of the related Loan Agreement.

"S&P" means Standard & Poor's Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 hereof as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying, or amending this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Surety Bond" means the municipal bond debt service reserve insurance policy issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto or any Alternate Surety Bond Provider.

"Term Bonds" means the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as Trustee, or any successor thereto under this Indenture.

**SECTION 1.02. Rules of Interpretation.** For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented, modified, or amended by any Supplemental Indenture.

(b) All references in this instrument to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of this instrument as originally executed. The words "herein," "hereof," "hereunder," and "herewith," and other words of similar import, refer to this Indenture as a whole and not to any particular Article, Section, or other subdivision.

(c) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) The terms defined elsewhere in this Indenture shall have the meanings therein prescribed for them.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(g) The headings or captions used in this Indenture are for convenience of reference only and shall not define or limit or describe any of the provisions hereof or the scope or intent hereof.

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## ARTICLE II

### THE BONDS

#### SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B." At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon the written request of the Council, deliver the Bonds in the aggregate principal amount of Six Million Seven Hundred Ninety Thousand Dollars (\$6,790,000). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions, and conditions herein contained.

The Bonds shall be issuable as fully registered bonds without coupons and shall be executed in the name and on behalf of the Council with the manual or facsimile signature of its Chairman, under its seal attested by the manual or facsimile signature of its Executive Director or Designated Member. Such seal may be in the form of a facsimile of the Council's seal and may be reproduced, imprinted, or impressed on the Bonds. The Bonds shall then be delivered to the Registrar for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Council before the Bonds so signed and attested shall have been authenticated or delivered by the Registrar or issued by the Council, such Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the Council as though those who signed and attested the same had continued to be such officers of the Council, and also any Bond may be signed and attested on behalf of the Council by such persons as at the actual date of execution of such Bond shall be the proper officers of the Council although at the nominal date of such Bond any such person shall not have been such officer of the Council.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form hereinafter recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Registrar shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated, and delivered hereunder and are entitled to the benefits of this Indenture.

(b) The Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. Except as provided in this Section, all of the

outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

With respect to the Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Council, the Registrar, and the Paying Agent shall have no responsibility or obligation to any such participant or to any indirect participant. Without limiting the immediately preceding sentence, the Council, the Registrar, and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant or any other person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant or any other person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Council, the Registrar, and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Council's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of the Council to make payments of principal of, premium, if any, and interest on the Bonds pursuant to the provisions hereof. Upon delivery by DTC to the Council of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC, and upon receipt of such a notice the Council shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon receipt by the Council of written notice from DTC (i) to the effect that DTC has received written notice from the Council to the effect that a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds, or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, upon compliance with any procedures of the DTC, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as

nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging the Bonds shall designate, in accordance with the provision hereof.

**SECTION 2.02. Maturity and Interest Rate Provisions.** The Bonds shall be dated September 28, 2017. They shall be numbered consecutively from R-1 upward. They shall be issued in Authorized Denominations. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from its date. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$6,215,000 Serial Bonds

<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2018	\$340,000	4.000%	102.726
2019	350,000	4.000	105.029
2020	365,000	5.000	109.823
2021	385,000	5.000	112.321
2022	405,000	5.000	114.280
2023	425,000	5.000	115.861
2024	445,000	5.000	117.031
2025	460,000	5.000	117.962
2026	480,000	5.000	118.898
2027	515,000	5.000	119.665
2028*	535,000	5.000	118.702
2029	560,000	3.000	98.805
2030	470,000	3.000	98.094
2031	480,000	3.000	97.204

\* Priced to the first optional redemption date of October 1, 2027.

\$180,000	3.250%	Term Bonds Due October 1, 2033	Price – 98.281
\$190,000	3.375%	Term Bonds Due October 1, 2035	Price – 98.208
\$205,000	3.500%	Term Bonds Due October 1, 2037	Price – 98.582

**SECTION 2.03. Payment Provisions.** The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America, which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Principal of and premium, if any, on the Bonds shall be payable at the Designated Office of the Trustee, or any successor paying agent and registrar appointed pursuant to the

provisions of Sections 10.12 and 10.13 hereof on each Principal Payment Date, and payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof on the bond registration books maintained by the Registrar as of the close of business on the Record Date preceding the Interest Payment Date (or, if interest on the Bonds is in default and the Bond Insurer is in default under the Bond Insurance Policy, a Special Record Date established pursuant to Section 9.05 hereof), by check mailed on the Interest Payment Date to such registered owner at his or her address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 or more in aggregate principal amount of the Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or Redemption Price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

**SECTION 2.04. Matters Concerning Bond Insurer and Bond Insurance Policy.** Notwithstanding anything to the contrary in this Indenture, so long as the Bond Insurance Policy is in full force and effect and the Bond Insurer has not defaulted in its payment obligations thereunder, the following provisions shall apply:

(a) Reporting Requirements. The Council or the Trustee, as applicable, shall furnish to the Bond Insurer the following:

(i) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers of such Bonds.

(ii) Notice of resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto.

(iii) Notice of the commencement of any proceeding by or against the Council or any Borrower commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding").

(iv) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of the principal of, or interest on, the Bonds.

(v) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture or any Loan Agreement.

(vi) All reports, notices, and correspondence to be delivered to the Holders of the Bonds under the terms of the Indenture or any Loan Agreement.

(b) Notices and Other Information.

(i) Any notice that is required to be given to Holders of Bonds, any entity required pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, or to the Trustee pursuant to the Continuing Disclosure Agreement shall also be provided to the Bond Insurer, simultaneously with the sending of such notices.

(ii) All demands, notices and other information required to be given to the Bond Insurer under the Indenture shall be in writing and shall be mailed by registered or certified mail or personally delivered or telecopied to the recipient at the address in Section 14.05 hereof. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(iii) The Bond Insurer shall have the right to receive such additional information as it may reasonably request.

(iv) The Council will permit the Bond Insurer to discuss the affairs, finances, and accounts of the Council or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Council or the Program Administrator and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books, and records of the Council on any Business Day upon reasonable prior notice.

(v) The Trustee shall notify the Bond Insurer of any known failure of the Council to provide notices, certificates, and other information under the Indenture.

**SECTION 2.05. [Reserved].**

**SECTION 2.06. Mutilated, Lost, Stolen, or Destroyed Bonds; Bonds Not Delivered for Redemption.** If any Bond is mutilated, lost, stolen or destroyed, the Council shall execute and the Registrar shall authenticate a new Bond of the same date, maturity, and denomination as that mutilated, lost, stolen, or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen, or destroyed Bond, there shall be first furnished to the Council and the Registrar evidence of such loss, theft, or destruction satisfactory to the Council and the Registrar, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the Paying Agent may pay the same. The Council and the Registrar may charge the Owner of such Bond with their reasonable fees, costs and expenses (including reasonable attorney's fees, costs and expenses) in connection with replacing any Bond mutilated, lost, stolen or destroyed.

**SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners.**

The Council shall cause books for the registration and transfer of the Bonds, as provided in this Indenture, to be kept by the Registrar. Upon surrender for transfer of any Bond at the Designated Office of the Registrar, accompanied by an assignment duly executed by the registered Owner or his attorney-in-fact duly authorized in writing, the Council shall execute and the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like aggregate principal amount.

Bonds of the same type may be exchanged at the Designated Office of the Registrar for a like aggregate principal amount of Bonds of other Authorized Denominations. The Council shall execute and the Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding.

The Registrar shall not be required to (a) transfer or exchange any Bonds during the ten (10) days next preceding any day upon which notice of redemption of Bonds is to be mailed or (b) transfer or exchange any Bonds selected, called, or being called for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded by the Trustee, the Registrar, the Paying Agent, and the Council as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, subject to Section 2.03 hereof, and neither the Council, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

A reasonable transfer charge may be made for any exchange or transfer of any Bond and the Registrar shall require the payment by any Bondholder requesting exchange or transfer of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or transfer and a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer.

**SECTION 2.08. Cancellation of Bonds.** Whenever any Outstanding Bond shall be delivered to the Registrar for cancellation pursuant to this Indenture, upon payment of the principal amount, or for replacement pursuant to Section 2.06 hereof or for transfer or exchange pursuant to Sections 2.07 or 2.09 hereof, such Bond shall be canceled by the Registrar.

**SECTION 2.09. Temporary Bonds.** Pending the preparation of definitive Bonds, the Council may execute and the Registrar shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds, of any Authorized Denomination,



and substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Council. Temporary Bonds may be issued without specific terms and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Council and authenticated by the Registrar upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Council shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Registrar, and the Registrar shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

**SECTION 2.10. Nonpresentment of Bonds.** In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available by the Council to the Trustee or Paying Agent for the benefit of the Owner thereof, all liability of the Council to the Owner thereof for the payment of such Bond or interest, as the case may be, shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Trustee or Paying Agent to hold such funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond or interest, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Indenture or on, or with respect to, said Bond or interest, as the case may be, provided that any money deposited with the Trustee or Paying Agent for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for six (6) years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Council, and the Owner of such Bond or interest, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Council for payment thereof, and all liability of the Trustee or Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee, before making any such payment to the Council, shall, at the expense of the Council, cause to be published once, in a Financial Newspaper or Journal, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Council.

**SECTION 2.11. Form of Bonds.** The Bonds to be issued hereunder, and the certificate of authentication by the Registrar to be endorsed on all such Bonds, shall be substantially in the form set forth as Exhibit A hereto, with such changes, amendments, modifications, deletions, and additions as are permitted by this Indenture or are required to conform the form of Bond to the other provisions of this Indenture (any portion of such form of Bond may be printed on the back of the Bonds).

## ARTICLE III

### REDEMPTION OF BONDS

**SECTION 3.01. Optional Redemption of the Bonds.** The Bonds maturing on or before October 1, 2027 are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 2027 are subject to redemption at the option of the Council on or after October 1, 2027, as a whole or in part at any time, in any manner determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the Redemption Price, equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

**SECTION 3.02. Mandatory Redemption of Bonds.** The Bonds maturing on October 1, 2033 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2032 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2032	\$90,000
2033*	90,000

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\*Maturity, not a redemption.

The Bonds maturing on October 1, 2035 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2034 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2034	\$95,000
2035*	95,000

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\*Maturity, not a redemption.

The Bonds maturing on October 1, 2037 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2036 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$100,000
2037*	105,000

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\*Maturity, not a redemption.

**SECTION 3.03. Notice of Redemption.** In the case of every redemption, notice of the call for redemption shall be given by the Registrar by mailing a copy of the redemption notice, identifying the Bonds or portions thereof to be redeemed, (1) by first class mail at least thirty (30) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register, and (2) in addition to the mailing of the notice described above, the Registrar shall give additional notice of the redemption of Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or governmental agency or body from time to time applicable to such Bonds. No defect in any notice delivered pursuant to clause (2) above nor any failure to give all or any portion of such notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in clause (1) above. Any notice mailed as provided in this Section 3.03 shall be conclusively presumed to have been duly given, whether or not the Owner or any other recipient receives the notice.

Each notice of redemption given hereunder shall contain (i) information identifying the Bonds or portions thereof to be redeemed; (ii) the CUSIP numbers of all Bonds being redeemed; (iii) the date of issue of the Bonds as originally issued; (iv) the rate of interest borne by each Bond being redeemed; (v) the maturity date of each Bond being redeemed; (vi) a brief description, if applicable, of any conditions that must be satisfied prior to the redemption of the Bonds being redeemed; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed; provided, however, that no notice shall be deemed defective if the information required in clause (i) above is provided in such notice. Notwithstanding anything to the contrary, in no event shall the Trustee be deemed to be disclosure/dissemination agent for purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated pursuant to the Securities Exchange Act of 1934, as supplemented and amended.

Notwithstanding anything in this Section 3.03 to the contrary, in the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent, or a fiduciary institution acting as escrow agent no later than the redemption date, or (2) the Council retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Council delivers a written direction to the

Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Council to make such funds available shall constitute an Event of Default under this Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

**SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue.** On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available solely for such redemption being on deposit with the Trustee in accordance with the provisions of this Article III, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding hereunder, and the Council shall be under no further liability in respect thereof.

**SECTION 3.05. Cancellation.** All Bonds which have been redeemed shall be canceled by the Registrar as provided in Section 2.08 hereof.

**SECTION 3.06. Partial Redemption of Bonds.** Upon surrender of any Bond in a denomination greater than \$5,000 called for redemption in part only, the Council shall execute and the Registrar shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

**SECTION 3.07. Selection of Bonds To Be Redeemed.** The Bonds shall be redeemed pursuant to Sections 3.01 and 3.02 only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise provided in Section 3.02 hereof, be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate.

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## ARTICLE IV

### REVENUES AND FUNDS

**SECTION 4.01. Source of Payment of Bonds.** The Bonds and all payments by the Council hereunder are limited and special obligations of the Council and are payable solely out of Revenues and certain proceeds of the Bonds as authorized by the Constitution and laws of the State, including particularly the Act, as and to the extent provided herein. The Bonds and the Council's other obligations hereunder are solely and exclusively obligations of the Council to the extent set forth herein and do not constitute or create an obligation, general or special, or debt, liability, or moral obligation of the State or any political subdivision or any municipal corporation of the State. The Bonds shall not be or constitute a general obligation of the Council, the State, or any political subdivision or any municipal corporation thereof or a lien upon any property owned or situated within the territorial limits of the Council, the State, or any political subdivision or any municipal corporation thereof except the Trust Estate, in the manner provided herein and in the Loan Agreements. The Loan Agreements do not represent joint liabilities of the Borrowers executing Loan Agreements with the Council, and shall be payable solely as provided in such Loan Agreements.

**SECTION 4.02. Creation of Funds and Accounts.** There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (a) the Project Loan Fund, with separate Accounts relating to The Downtown Cocoa Beach Community Redevelopment Agency, and the City of Valparaiso, Florida therein, (b) the Principal Fund, (c) the Revenue Fund, (d) the Cost of Issuance Fund, (e) the Reserve Fund, and (f) the Rebate Fund.

**SECTION 4.03. Project Loan Fund.** Moneys in the Project Loan Fund shall be segregated at Closing into a separate Account for the Loan to the applicable Borrower as provided in Section 4.07(c) upon the submission of the documents by such Borrower as required by, and upon the terms and conditions specified in, Article V hereof. Interest earnings on investments in the Account of the Project Loan Fund shall be held in and credited to such Account. Proceeds of the Bonds remaining in the Accounts of the Project Loan Fund after completion of the Project for such Borrower of the relevant Borrower shall be retained for a new Project in accordance with the procedures in the relevant Loan Agreement, or if not, then transferred to the Revenue Fund and used to pay the relevant Borrower's next scheduled interest payment for the Bonds, all at the written direction of the applicable Borrower.

**SECTION 4.04. Principal Fund.** Upon the receipt of the Loan Repayments or the Liquidation Proceeds, the Trustee shall deposit in the Principal Fund all payments or recoveries of principal of Loans or payments to be applied to the payment of any premium due upon optional redemption of the Bonds.

Amounts in the Principal Fund shall be used as follows: (a) on each Principal Payment Date, to pay scheduled principal payments of the Bonds, and (b) to pay the principal of and

premium, if any, on the Bonds redeemed pursuant to Section 3.01 or Section 3.02 when required by such Sections.

**SECTION 4.05. Revenue Fund.** Upon the receipt of the Loan Repayments, the Liquidation Proceeds, or proceeds earmarked for capitalized interest, the Trustee shall deposit in the Revenue Fund all moneys remaining after the deposits required by Section 4.04 hereof. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the Revenue Fund as received. Any amounts received by the Trustee hereunder which are not required to be deposited elsewhere shall also be deposited in the Revenue Fund.

Amounts in the Revenue Fund shall be used to make the following payments or transfers in the following order of priority:

- (a) on each Interest Payment Date, to pay interest due on the Bonds;
- (b) at such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (c) at such times as are necessary, to pay the fees and expenses of the Trustee, DTC, the Program Administrator, the Registrar, and the Paying Agent (including the cost of printing additional Bonds) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.13 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Bonds;
- (d) on each Interest Payment Date, all amounts remaining within the Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreement and amounts which will be credited against the relevant Borrower's next Loan Repayments, shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreements.
- (e) to the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Council shall make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund deposited by a Borrower in accordance with Section 4.08(a) hereof, after all current applications and allocations to the Principal Fund, including deficiencies for prior payments that have not been made in full. The Council may, subject to the prior written consent of the Bond Insurer, provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by S&P, by a surety bond, by an Alternate Surety Bond, by the Surety Bond, or any combination thereof. Moneys in the Reserve Fund shall be used only for the

purpose of the payment of principal of, or interest on the Bonds when the other moneys allocated therefor are insufficient and for no other purpose.

In the event of the refunding of all or any portion of the Bonds, the Council may withdraw from the Reserve Fund, all or any portion of the amount accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the documents authorizing the refunding of such Bonds; provided that such withdrawal shall not be made unless (1) immediately thereafter, the Bonds being refunded shall be deemed to have been paid, and (2) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then outstanding. Any excess moneys on deposit in the Reserve Fund shall be transferred by the Trustee, upon the written request of the Council, to the Principal Fund.

**SECTION 4.06. Cost of Issuance Fund.** Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreements, the preliminary and final Official Statements for the Bonds, and the Bonds; the underwriter's discount for the initial purchase of the Bonds; the initial Bond Insurance Policy and Surety Bond premiums; administrative expenses of the Council; and legal fees and expenses of counsel to the Council, Bond Counsel, disclosure counsel, and counsel to the Bond Insurer, and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's, the Paying Agent's, and the Registrar's initial fees, costs and expenses (including attorney's fees, costs and expenses), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on March 31, 2018, shall be transferred to the Revenue Fund and be credited on a pro rata basis toward each Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loans were made as specified in Section 3.01 of each Loan Agreement.

**SECTION 4.07. Application of Bond Proceeds.** The proceeds of the Bonds in the sum of \$7,304,557.64 (which amount is the par amount of the Bonds, plus the net original issue premium of \$647,380.05, and less the Underwriter's discount of \$56,774.50, the Surety Bond premium of \$11,543.00, and the Bond Insurance premium of \$64,504.91) shall be deposited with the Trustee as follows:

- (a) in the Cost of Issuance Fund, the total sum of \$184,557.64;

(b) in the Account for The Downtown Cocoa Beach Community Redevelopment Agency in the Project Loan Fund, the total sum of \$4,500,000; and in the Account for the City of Valparaiso, Florida in the Project Loan Fund, the total sum of \$1,500,000; and

(c) in the Escrow Deposit Account for the Town of Melbourne Beach, Florida as described in the Escrow Deposit Agreement, the total sum of \$1,120,000, together with \$99,750 of other legally available funds of such Borrower (an additional \$485.92 of other legally available funds of such Borrower will be used for payment of the Council's administration fee related to the Refunded Bonds).

(d) The Council understands that \$64,504.91 is being transmitted directly to Bond Insurer and \$11,543.00 is being transmitted directly to the Surety Provider by the Underwriter.

**SECTION 4.08. Reserve Fund.**

(a) The Trustee shall establish a Reserve Fund which shall be funded at closing in an amount equal to the Reserve Requirement and the Trustee shall credit the Surety Bond to the Reserve Fund in satisfaction of the Reserve Requirement. The Reserve Fund shall be on a parity with any reserve fund established by the Council under the trust indenture for any other series of the Council's bonds approved by the Surety Bond Provider and for which the Surety Bond Provider has delivered to the Trustee at the time of issuance of such other series of the Council's bonds an endorsement to the Surety Bond listing such bonds and the respective reserve requirement therefor; provided, however, prior to any other approved series of the Council's bonds being listed in an endorsement to the Surety Bond, such bonds shall have a reserve requirement at least equal to five percent (5%) of the original par amount of such bonds and the aggregate limit of the Surety Bond shall be increased by an amount equal to such reserve requirement. The aggregate limit of the Surety Bond shall be automatically reduced from time to time by the reserve requirement attributable to a series of the Council's bonds listed in the endorsement to the Surety Bond upon the earlier of (i) the final maturity date of such series of bonds and (ii) the date on which such series of bonds are no longer outstanding under the applicable trust indenture. To the extent that the Surety Bond has been endorsed to include any other series of the Council's bonds, the aggregate limit of the Surety Bond will be available to satisfy any shortfalls in the payment of the principal of and interest on each series of bonds listed in the endorsement to the Surety Bond, including the Bonds, on account of a payment default by any borrower under its respective loan agreement or agreements related to the respective series of bonds secured by the Surety Bond.

If the Surety Bond Provider has made a payment under the Surety Bond following a submittal by the Trustee of a notice of nonpayment in respect of the Bonds in accordance with subsection (b)(i) below and the terms of the Surety Bond, the Council shall pay to the Trustee amounts received from the Borrower then in default pursuant to Section 5.03(c) of the respective Loan Agreement which are sufficient to repay the principal of and interest on the Bonds paid by the Surety Bond Provider from such withdrawal within twelve (12) months, commencing on the



first day of the month following such withdrawal, together with any interest or other expenses due from the Council to the Surety Bond Provider under the Insurance Agreement. The Surety Bond shall be payable to the Trustee on any Interest Payment Date on which a deficiency exists in the Principal Fund or Revenue Fund, which cannot be cured by funds in any other Fund or Account held pursuant to this Indenture and available for such purpose. If at any time the Reserve Fund contains both a Surety Bond and cash, the cash shall be drawn down completely before any demand is made on the Surety Bond. Reimbursement of amounts with respect to the Surety Bond shall be made prior to replenishment of any cash drawn from the Reserve Fund. If at any time the Surety Bond is replaced by cash, in whole or in part, prior written consent of the Bond Insurer will be required.

The Surety Bond shall secure and satisfy the Reserve Requirement and any other reserve requirement related to the Council's bonds as listed in an endorsement to the Surety Bond. The Trustee may deliver a notice of nonpayment in an amount less than or equal to the limit of the Surety Bond. If a notice of nonpayment is made by the Trustee, on behalf of a Borrower which has (i) an outstanding Loan Agreement relating to the Bonds due to a failure of the Borrower to pay its Basic Payments and (ii) any other outstanding loan agreements relating to the other series of the Council's bonds listed in an endorsement to the Surety Bond due to a failure of the Borrower to pay its basic payments due under such other loan agreements, then the Council's reimbursement, from the payments received by such Borrower under each such loan agreement, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other series of the Council's bonds. Further, if the demand for payment relates to one or more reserve funds from more than one series of bonds, and such demand for payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower then in default.

The Trustee shall ascertain the necessity for a claim upon the Surety Bond in accordance with the provisions of the Insurance Agreement and provide notice to the Surety Bond Provider in accordance with the terms of the Surety Bond at least five (5) Business Days prior to each date upon which interest or principal is due on the Bonds, or as soon thereafter as the Trustee is aware that funds are required from the Surety Bond. The Trustee shall be responsible for maintaining records of withdrawals from the Reserve Fund and the reinstatement thereof. In addition, the Trustee shall be responsible for maintaining records of all withdrawals from the Reserve Fund and other reserve funds which are covered by the Surety Bond.

If a disbursement is made from the Surety Bond, the Council shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement, from amounts received from the Borrower then in default pursuant to Section 5.03(c) of the respective Loan Agreement. The Trustee is required to reimburse the Surety Bond Provider with interest from the Loan Repayments or the Liquidation Proceeds until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund.

(b) Moneys on deposit in the Reserve Fund shall be applied as follows (unless otherwise provided herein):

(i) On the date of each required payment of principal of or interest in respect to the Bonds, moneys in the Reserve Fund or received from a draw on the Surety Bond shall be applied to cure any deficiency in the Principal Fund and the Revenue Fund. The Council agrees that any transfer from the Reserve Fund to the Principal Fund and the Revenue Fund or any proceeds from the Surety Bond deposited into such Funds pursuant to this paragraph shall not be construed as preventing, waiving, or curing any nonpayment of any Loan Repayments required under each Loan Agreement until the amount of such deficiency has been restored; and

(ii) In each month during the twelve-month period preceding the final maturity date of the Bonds, so long as no Event of Default has occurred and is continuing, if moneys are then held in the Reserve Fund, such moneys shall be credited against the payment of principal of and interest on the Bonds and shall be transferred to the Principal Fund and the Revenue Fund for the payment of such principal and interest.

(c) The Council may issue additional bonds and, in lieu of establishing separate reserve funds therefor, the Reserve Fund may serve as the reserve fund for such additional bonds or may be combined with the reserve funds for such additional bonds with the prior written consent of the Bond Insurer; provided, however, that such combined reserve funds shall only be permitted if the Surety Bond is then in effect and has been endorsed by the Surety Bond Provider to include such other reserve funds. The Trustee is hereby authorized to accept from time to time an Alternate Surety Bond with the prior written consent of the Bond Insurer.

(d) If the Surety Bond Provider becomes insolvent, the Surety Bond Provider defaults in its payment obligations under the Surety Bond, or the claims paying ability of the Surety Bond Provider fails to maintain any of the top three ratings of S&P (without regard to gradation or modifiers), the Council, the Trustee, or the Borrowers shall not be required to (i) deposit into the Reserve Fund cash in an amount equal to the Reserve Requirement, or (ii) replace the Surety Bond with an Alternate Surety Bond or letter of credit.

**SECTION 4.09. Claims Upon the Bond Insurance Policy and Payments by the Bond Insurer.** Notwithstanding anything to the contrary in this Indenture or the Bond Insurance Policy, so long as the Bond Insurance Policy is in full force and effect and the Bond Insurer has not defaulted in its payment obligations thereunder, the following provisions shall apply:

(a) If, on the third Business Day prior to each Interest Payment Date or Principal Payment Date (the "Payment Date") on the Bonds, there is not on deposit with the Trustee, after

making all transfers and deposits required under this Indenture, moneys sufficient to pay all principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent, if any (the "Bond Insurer's Fiscal Agent"), by telephone, teletype or electronic mail of the amount of any deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any, by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any, by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy. If the deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the Bond Insurer or its designee.

(b) The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity, or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC, its nominee, or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Council on any Bond or on the subrogation rights of the Bond Insurer.

(c) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Fund (as defined below) and the allocation of such funds to payment of principal of and interest on any Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust fund for the benefit of Holders of Bonds (the "Policy Payments Fund") and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Holders of Bonds and shall deposit any such amount in such Policy Payments Fund and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Holders of Bonds in the same manner as principal and interest payments are to be made with respect to the Bonds under the Indenture regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to

the contrary, the Council agrees to pay to the Bond Insurer, but only from funds provided by the Borrowers under the Loan Agreements (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Bond Insurer Advances"); and (ii) to the extent permitted by law, interest on such Bond Insurer Advances from the date paid by the Bond Insurer until the date such Insurer Advances are paid in full, payable to the Bond Insurer at the Late Payment Rate (as defined herein) per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (1) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (B) the then applicable highest rate of interest on the Bonds, and (2) the maximum rate legally permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. Notwithstanding anything to the contrary set forth in this Indenture, the Bond Insurer Reimbursement Amounts shall be payable solely from and secured by a lien on and pledge of Revenues and payable from such Revenues, to the extent permitted by law, on a parity with debt service on the Bonds.

(e) Funds held in the Policy Payments Fund shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses, or liabilities of the Trustee. Any funds remaining in the Policy Payments Fund following a Payment Date shall promptly be remitted to the Bond Insurer.

(f) Amount paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of this Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Council in accordance with this Indenture (and the Bond Insurer shall be subrogated to the rights of the Holders of the Bonds paid by the Bond Insurer). This Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

(g) The Bond Insurer shall be entitled to pay principal of or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Council (as such terms are defined in the Bond Insurance Policy), whether or not the Bond Insurer has received a Notice of Nonpayment (as such term is defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

**SECTION 4.10. Rebate Fund.** In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. Such Fund shall be held by the Trustee. The Rebate Fund need not be maintained if the Council and the Trustee shall have received an opinion of Bond Counsel to the effect that failure to maintain the Rebate Fund or such Account therein shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the

Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

**SECTION 4.11. Moneys To Be Held in Trust.** With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee, in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as otherwise provided in Section 2.10 hereof, shall, while held by the Trustee, constitute part of the Trust Estate.

**SECTION 4.12. Reports From Trustee.** Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer, and to any Borrower, upon written request, on the twentieth (20th) day of the month following the month in which the Bonds are delivered, and on the twentieth (20th) day of each month thereafter, a report on the status of each of the Funds and Accounts established under this Article IV which are held by the Trustee, showing at least the balance in each such Fund or Account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such Fund or Account, the dates of such deposits and disbursements, and the balance in each such Fund or Account on the last day of the preceding month.

**SECTION 4.13. Certain Verifications.** The Council, the Trustee, and/or the Bond Insurer from time to time may, but shall have no obligation to, cause a firm of Accountants to supply the Council, the Trustee, and the Bond Insurer with such information as the Council, the Trustee, or the Bond Insurer may request in order to determine in a manner reasonably satisfactory to the Council, the Trustee, and the Bond Insurer all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements on the Loans and Funds described herein to pay the principal of and interest on the Bonds, (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code, and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(c) hereof.

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## ARTICLE V

### PROJECT LOANS

**SECTION 5.01. Terms and Conditions of Loans.** The Council will make the Loans to the Borrowers in order to (a) finance the acquisition, installation, construction, and/or equipping of the Projects, and (b) refund or refinance debt incurred by the Borrowers, or reimburse funds previously expended by Borrowers, to acquire, install, construct, and/or equip Projects by the Borrowers, all in accordance with provisions more fully set forth in the Loan Agreements.

**SECTION 5.02. Loan Closing Submission.** No Loan shall be made by the Council unless and until the documents required by Section 4.03 of the Loan Agreements are submitted to the Council.

**SECTION 5.03. Disbursement to Borrower From Project Loan Fund.** The moneys in the Project Loan Fund shall be applied in accordance with written requisitions provided to the Trustee by the applicable Borrower in the form attached to its Loan Agreement. After initial disbursements for payment of eligible Costs (whether from the Project Loan Fund or other Bond proceeds), disbursement to or at the direction of the applicable Borrower will be made only if such Borrower is not then in default under this Indenture, its Loan Agreement, or the other Bond documents and only in accordance with such requisitions.

Except for an initial draw on the date the Bonds are issued and the final draw under the terms of this Indenture, a Borrower shall not make more than two (2) requests for a construction or project draw per calendar month. Each draw request must be in writing and received by the Trustee at least four (4) days prior to the date the requested draw is to be made. The draw dates upon which funds may be released pursuant to the written request shall be on the first Business Day of the month and the second Business Day of the month following the fifteenth (15th) day of the month.

Each draw request by the applicable Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and its Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or its Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to exclusively rely on such representations and shall be fully indemnified by such Borrower from any liability resulting from such reliance, and shall have no liability to any other party, unless the Trustee is notified in writing to the contrary prior to the disbursement of the requested Project Loan Fund draw. All requisitions received by the Trustee shall be substantially in the form attached to the Loan Agreements as Exhibit E, as required in this Article as conditions of payment from the Project Loan Fund, shall be conclusively relied upon by the Trustee as to the matters set forth therein and shall be retained in the possession of the Trustee, subject at all

times to the inspection by the Council, the applicable Borrower, and their agents and representatives thereof.

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## ARTICLE VI

### SERVICING OF LOANS

**SECTION 6.01. Loan Servicing.** The Trustee shall be responsible for calculating payments due in respect of the Loans, holding collateral pledged in respect of the Loans, if any, and enforcing the Loans; provided, however, that the Trustee shall have no duty to take notice of any default in respect of any Loan (other than a payment default) unless a Responsible Officer of the Trustee shall be notified of such default in a written instrument.

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## ARTICLE VII

### INVESTMENT OF MONEYS

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the written direction of the Council through its Program Administrator. The Trustee shall conclusively rely upon such written investment instructions as to both the suitability and legality of all investments directed under this Indenture. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades. In the absence of written investment instructions as provided herein, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. The Trustee shall not be liable for any loss from any directed investments. Broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Moneys in the Funds and Accounts shall be invested at the written direction of the Council through its Program Administrator in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes specified in this Indenture. Investment Securities acquired pursuant to this Section under a repurchase agreement with the seller thereof may be deemed to mature on the dates on and in the amounts (that is, for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement.

Investment Securities acquired as an investment of moneys in any Fund or Account shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to any such Fund or Account shall be valued at market value on the date of determination; provided, however, that repurchase agreements shall be valued at the aggregate repurchase price of the securities remaining to be repurchased pursuant to such agreements and investment agreements shall be valued at the aggregate amount remaining invested therein (in each case exclusive of accrued interest after the first payment of interest following purchase). With respect to all Funds and Accounts, valuation by the Program Administrator shall occur annually and immediately upon a withdrawal from the Reserve Fund.

All interest, profits, and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund and the Project Loan Fund) shall be deposited when received in the Revenue Fund, except that an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund or Account from

which such accrued interest was paid. Interest earned on the Accounts in the Project Loan Fund shall be credited to such Accounts.

Subject to Section 13.08 hereof and except as provided herein, investments in any and all Funds and Accounts may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds and Accounts of amounts received or held by the Trustee hereunder, provided that, notwithstanding any such commingling, the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Investment Securities. The Trustee may sell, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the Fund or Account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

All amounts representing accrued and capitalized interest, if any, shall be invested at the written direction of the Council through its Program Administrator only in Governmental Obligations maturing at such times, and in such amounts as are necessary to match the interest payments on the Bonds.

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## ARTICLE VIII

### DISCHARGE OF INDENTURE; DEFEASANCE OF BONDS

If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owner of any Bond secured hereby the principal of and interest due and payable, and thereafter to become due and payable, upon such Bond, or any portion of such Bond in the principal amount of \$5,000 or any integral multiple thereof, such Bond or portion thereof shall cease to be entitled to any lien, benefit, or security under this Indenture. If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owners of all the Bonds secured hereby the principal of and interest due and payable, and thereafter to become due and payable thereon, and shall pay or cause to be paid (other than by the Bond Insurer) all other sums payable hereunder, under the Loan Agreements, the Bond Insurance Policy, or the Insurance Agreement, then, and in that case, the right, title, and interest of the Trustee in the related Trust Estate shall thereupon cease, terminate, and become void. In such event, the Trustee shall assign, transfer, and turn over to the Council the Trust Estate and, at the written direction of the Council, cancel any outstanding Loans related to the Bonds; provided that if the Bonds are paid from the proceeds of refunding bonds, the Loans shall at the written direction of the Council not be canceled but shall be transferred and pledged as security and a source of payment for the refunding bonds.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of, premium, if any, and interest on such Bond to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made (other than by the Bond Insurer) in accordance with the terms thereof, or (ii) shall have been provided for (other than by the Bond Insurer) by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment, and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation, and expenses of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of the Bonds as aforesaid until the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by this Indenture);

(b) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (a) hereof;

(c) (i) if all the Bonds are not to be redeemed within thirty (30) days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice of defeasance to the Owners of the Bonds that the deposit required by (a)(ii) of the immediately preceding paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article VIII and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of the Bonds as specified in (a) hereof, or (ii) if any Bonds are to be redeemed within the next thirty (30) days, until proper notice of redemption of those Bonds has been given.

Any moneys so deposited with the Trustee as provided in the two foregoing paragraphs may at the written direction of the Council also be invested and reinvested in Governmental Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all such Governmental Obligations in the hands of the Trustee pursuant to this Article VIII which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be paid to the Council as and when realized if not needed to pay any fees or expenses provided for hereunder.

To accomplish a defeasance, pursuant to this Article VIII, the Council shall cause to be delivered to the Trustee and the Bond Insurer: (a) in the event of a net defeasance (unless otherwise required by the Council), a report of an Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification Report"); (b) an escrow deposit agreement (which shall be acceptable in form and substance to the Trustee and the Bond Insurer), (c) an opinion of Bond Counsel to the effect that (i) the pledge of the Trust Estate and all covenants, agreements, and other obligations of the Council to the holders of the Bonds have ceased, terminated, and become void and been discharged and satisfied, and the Bonds are no longer secured by or entitled to the benefits of this Indenture, and (ii) the deposit under this Article VIII and use of such deposit to defease and redeem the Bonds would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code (the "Defeasance Opinion"). The Verification Report and Defeasance Opinion shall be acceptable in form and substance, and addressed, to the Council, the Trustee, and the Bond Insurer.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of the Bonds and interest

thereon shall be applied to and used solely for the payment of the particular Bonds and interest thereon with respect to which such moneys or obligations have been so set aside in trust.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or obligations have been deposited or set aside with the Trustee pursuant to this Article VIII for the payment of the Bonds and interest thereon when due and such Bonds and interest shall not have in fact been actually paid in full when due, no amendment to the provisions of this Article VIII shall be made without the consent of the Owner of each Bond affected thereby.

Anything to the contrary provided elsewhere in this Indenture notwithstanding, this Indenture shall not be discharged as long as any amounts are owing to the Bond Insurer or the Surety Bond Provider and no Bond shall be deemed paid under this Indenture if the Bond Insurer or Surety Bond Provider shall have made any payment under the Bond Insurance Policy or Surety Bond, respectively, in respect of the principal of or interest on such Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the Bonds on past-due principal and interest, shall have been paid to the Bond Insurer or the Surety Bond Provider. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Bond Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, and the duties, rights and protections of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

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## ARTICLE IX

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

**SECTION 9.01. Defaults; Events of Default.** If any of the following events occur with respect to the Bonds, it is hereby defined as and declared to be and to constitute an "Event of Default" with respect to the Bonds:

(a) Default in the payment of the principal of or interest on any Bond after the same has become due, whether at maturity or upon call for redemption.

(b) Default in the performance or observance of any covenant, agreement, or condition on the part of the Council contained in this Indenture or in the Bonds (other than defaults mentioned in Section 9.01(a) and (c)) and failure to remedy the same after notice of the default pursuant to Section 9.10 hereof.

(c) If the Council shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State, or the Council declares any act of bankruptcy, or there is adjudication of the Council as a bankrupt, or an assignment by the Council for the benefit of its creditors or the approval by a court of competent jurisdiction of a petition applicable to the Council in any proceeding for its reorganization instituted under federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

**SECTION 9.02. Remedies; Rights of Bondholders.** Upon the occurrence of an Event of Default with respect to the Bonds, the Trustee shall have the following rights and remedies:

(a) Subject to the approval of the Bond Insurer, the Trustee may, and in the case of Event of Default under Section 9.01(c) above shall, pursue any available remedy at law or in equity or by statute, including the federal bankruptcy laws or other applicable law or statute of the United States of America or of the State, to enforce the payment of principal of and interest on the Bonds then Outstanding, including enforcement of any rights of the Council or the Trustee under the related Loan Agreements, and including the right to mandamus proceedings.

(b) Subject to the approval of the Bond Insurer, the Trustee may by action or suit in equity require the Council to account as if it were the trustee of an express trust for the Owners of the Bonds and may then take such action with respect to the related Loan Agreements as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the related Loan Agreements, including the sale of part or all of the related Loan Agreements.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the related Trust Estate and of the Revenues, issues, earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

If an Event of Default shall have occurred, and if requested so to do in writing by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and the Trustee is indemnified as provided in Section 10.01(k) hereof, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by subsections (a) through (c) of this Section 9.02 as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders or the Bond Insurer) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee, the Bond Insurer, or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission in exercising any right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee, the Bond Insurer, or by the Bondholders, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon. No waiver of any default or Event of Default hereunder by the Trustee shall be effective without the approval of the Bond Insurer.

When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**SECTION 9.03. Right of Bondholders to Direct Proceedings.** Anything in this Indenture to the contrary notwithstanding, the Bond Insurer or, with consent of the Bond Insurer, the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and

place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

**SECTION 9.04. Appointment of Receivers.** Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 9.05. Application of Moneys.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, including by virtue of action taken under provisions of any Loan Agreement, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees (including reasonable Trustee's fees), expenses, liabilities, and advances payable to, incurred or made by the Trustee (including reasonable fees and disbursements of its counsel), be applied, along with any other moneys available for such purposes, as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST -- To the payment to the Persons entitled thereto of all amounts payable pursuant to Section 4.05(a) or Section 4.05(b) and, as to installments of interest, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND -- To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at stated maturity or pursuant to a call for redemption (other than such Bonds called for redemption for the payment of which moneys are held pursuant to the other provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege;

THIRD -- To payment to the Persons entitled thereto of all amounts payable pursuant to Section 4.05(c); and



FOURTH -- To be held as provided in Article IV hereof for the payment to the Persons entitled thereto as the same shall become due of the amounts payable pursuant to this Indenture (including principal of such Bonds due upon call for redemption) and, if the amount available shall not be sufficient to pay in full amounts due on any particular date, payment shall be made ratably according to the priorities set forth in subparagraphs FIRST, SECOND, and THIRD above.

(b) [Reserved].

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date, interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue. Defaulted interest on a Bond shall be payable to the Person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not more than fifteen (15) days preceding such Special Record Date. Such notice shall be mailed to the person in whose name the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The Trustee shall not be required to make payment of principal of any Bond to the Owner of such Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider have been paid, any balance remaining in the Funds and Accounts shall be transferred to the Council as provided in Article VIII hereof.

**SECTION 9.06. Remedies Vested in Trustee.** All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of all the Outstanding Bonds.

**SECTION 9.07. Rights and Remedies of Bondholders.** No Owner of any Bond or the Bond Insurer shall have any right to institute any suit, action, or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred, (b) such default shall have become an Event of Default and the Owners of not less than 25% in

aggregate principal amount of Outstanding Bonds affected thereby, with the consent of the Bond Insurer, or the Bond Insurer shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name, (c) such Owners of Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit, or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture by its, his, or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, and from the source and in the manner in this Indenture and in the Bonds expressed.

**SECTION 9.08. Termination of Proceedings.** In case the Trustee or any Owner of any Bonds or the Bond Insurer shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Council, the Trustee, the Bond Insurer, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies, and powers of the Trustee, the Bond Insurer, and Owners of Bonds shall continue as if no such proceedings had been taken.

**SECTION 9.09. Waivers of Events of Default.** The Trustee may, upon the advice of Counsel, with the consent of the Bond Insurer, at its discretion waive any Event of Default hereunder (other than an Event of Default specified in 9.01(c) above) and its consequences and shall do so upon the written request of the Bond Insurer or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds with the consent of the Bond Insurer in the case of default in the payment of principal or interest, or (b) more than one-half in aggregate principal amount of all Outstanding Bonds affected thereby with the consent of the Bond Insurer, in the case of any other default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any such Outstanding Bond at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any

such Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all fees, costs and expenses of the Trustee (including reasonable attorney's fees, costs and expenses) in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Council, the Trustee, the Bond Insurer, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties to payment of amounts provided for hereunder.

**SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council To Cure Such Defaults.** Anything herein to the contrary notwithstanding, no default under Section 9.01(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Council by the Trustee, the Bond Insurer, or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds affected thereby and the Council shall have had thirty (30) days after receipt of such notice to correct the default or cause the default to be corrected, and shall not have corrected the default or caused the default to be corrected within the applicable period; provided, however, if the default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Council within the applicable period and diligently pursued until the default is corrected and the Bond Insurer has consented to any extension of the applicable period beyond sixty (60) days.

With regard to any alleged default concerning which notice is given to the Council under the provisions of this Section, the Council hereby grants the Trustee full authority for the account of the Council to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Council with full power to do any and all things and acts to the same extent that the Council could do and perform any such things and acts and with power of substitution.

The Council and the Trustee shall notify the Bond Insurer within five (5) days after each has received notice or has actual knowledge of (a) an Event of Default specified in Section 9.01 hereof; (b) the withdrawal of amounts on deposit in the Reserve Fund, or (c) the failure to make any required deposit to the Principal Fund or the Revenue Fund to pay principal or interest when due.

Any notice that is required to be given to the Bondholders or the Trustee pursuant to this Indenture or any Supplemental Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to the Bond Insurer at the address specified in Section 2.04 hereof.

**SECTION 9.11. Bond Insurer to be Deemed Bondholder; Rights of Bond Insurer.**

(a) Notwithstanding any provisions of this Indenture to the contrary, unless the Bond Insurer is in default under the Bond Insurance Policy, the Bond Insurer shall at all times be deemed the exclusive Owner of all Bonds for all purposes except for the purpose of payment of the principal of, premium, if any, and interest on the Bonds prior to the payment by the Bond Insurer of the principal of and interest on the Bonds. The Bond Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture and the Loan Agreements, and no event of default shall be waived, without the Bond Insurer's consent.

(b) Except as otherwise provided in Section 11.02 hereof, the Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Bonds insured by the Bond Insurer at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change, or modification of the Loan Agreements or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholder's request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change, or modification of any Loan Agreement shall be required.

(c) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall at all times be deemed the exclusive owner of all Bonds for all purposes and shall be entitled to grant consents on behalf of and to control and direct the enforcement of all rights and remedies granted to the Bondholders for the benefit of the Bondholders under this Indenture. In furtherance thereof and as a term of this Indenture and each Bond, each Holder of the Bonds appoints the Bond Insurer as its agent and attorney-in-fact with respect to the Bonds and agrees that the Bond Insurer may at any time during the continuation of any proceeding by or against the Council or any Borrower under the United States Bankruptcy Code or any other applicable Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation, (i) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas, or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, each Holder of the Bonds delegates and assigns to the Bond Insurer, to the fullest extent permitted by law, the rights of each Holder of the Bonds with respect to the Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation, and assignment by each Holder of the Bonds for the Bond Insurer's benefit, and agrees to cooperate with the Bond Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment.

(d) The rights granted to the Bond Insurer under this Indenture or the Loan Agreements to request, consent to, or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer.

(e) No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(f) All provisions in this Indenture regarding consents, approvals, directions, appointments, or requests by the Bond Insurer shall be deemed to not require or permit such consents, directions, appointments, or requests by the Bond Insurer and shall be read as if the Bond Insurer were not mentioned therein during any time in which (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy, (b) the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer, or shall be declared to be null and void by final and conclusive judicial determination, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer or any governmental agency or authority, or if the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy, or (c) a final determination against the Bond Insurer, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of the State of New York, whether now or hereafter in effect.

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## ARTICLE X

### THE TRUSTEE

**SECTION 10.01. Acceptance of the Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, or employees appointed with due care, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Council, the Bond Insurer, or a Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of the execution by the Council of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of the Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless a Responsible Officer of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council, the Bond Insurer, a court of law, or any Owner of Bonds. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Designated Office of the Trustee and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no

default except as aforesaid. The Trustee shall provide copies of any such notices as soon as practicable to the Council, the Bond Insurer, and the Borrowers.

(f) The Trustee shall conclusively rely upon and shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. The Trustee shall not withhold unreasonably its consent, approval, or action to any reasonable request of the Council. Any action taken by the Trustee pursuant to this Indenture upon the request, authority, or consent of any Person who at the time of making such request or giving such authority or consent is the registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon the Bonds issued in exchange therefor or in place thereof.

(g) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper, or proceeding, the Trustee shall be entitled in good faith to conclusively rely upon a certificate signed by an authorized officer of the Council or by an authorized officer of the Program Administrator as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which a Responsible Officer of the Trustee has actual knowledge, or is deemed to have notice pursuant to Section 10.01(e), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an authorized officer of the Council under its seal to the effect that a resolution in the form therein set forth has been adopted by the Council as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(h) All moneys received by the Trustee hereunder, until used or applied as herein provided, shall be held in trust for the purposes for which they were received.

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers, and records of the Council pertaining to the Revenues and receipts under the Loan Agreements and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Before taking the action referred to in Sections 9.02, 9.07, or 10.04 hereof, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability relating to such action, except liability which is adjudicated to have resulted from its negligence or willful default.

(l) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(m) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(n) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(o) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(p) The Trustee shall have the right to accept and act upon directions or instructions given pursuant to this Indenture, any Loan Agreement or any other document reasonably relating to the Bonds and delivered using Electronic Means (defined below); provided, however, that the Council or a Borrower, as the case may be, shall provide to the Trustee an incumbency certificate listing Authorized Representatives and containing specimen signatures of such Authorized Representatives, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Council or a Borrower elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The Council and each Borrower understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Representative. The Council and each Borrower, as the case may be, shall each be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with



such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The Council and each Borrower agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

**SECTION 10.02. Fees, Charges, and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees, costs and expenses (including in connection with any appeal or bankruptcy proceedings and other expenses reasonably and necessarily made or incurred by the Trustee), but solely from moneys available therefor pursuant to Section 4.05 hereof or Section 9.05 hereof and pursuant to the Loan Agreements.

**SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture.** If the Trustee becomes aware of an Event of Default through a notice provided pursuant to Section 14.05 hereof, then the Trustee shall promptly give written notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

**SECTION 10.04. Intervention by Trustee.** In any judicial proceeding to which the Council is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by (a) the Bond Insurer, or (b) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer; provided, however, the Trustee shall have no duty to act under this Section 10.04 unless it has received indemnification satisfactory to it.

**SECTION 10.05. Successor Trustee.** Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto shall be and become, to the extent

permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that written notice shall be provided to the Bond Insurer, the Council, and the Bondholders.

Any successor Trustee appointed pursuant to this Section or through consolidation, sale, or merger shall be a trust company or bank in good standing located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or State authority, having a reported capital and surplus of not less than \$50,000,000 and acceptable to the Bond Insurer.

**SECTION 10.06. Resignation by Trustee.** The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the Council and the Bond Insurer and by first-class mail to the registered Owner of each Bond, and such resignation shall take effect upon the appointment of a successor Trustee as hereinafter provided and the acceptance of such appointment by such successor. No such acceptance shall be effective unless the Bond Insurer has consented in writing to such appointment.

**SECTION 10.07. Removal of Trustee.** The Council may remove the Trustee at any time without cause with thirty (30) days written notice, by an instrument or concurrent instruments in writing delivered to the Trustee so removed and consented to by the Bond Insurer or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, with consent of the Bond Insurer, for any breach of trust set forth herein, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal. The Trustee may be removed at any time with thirty (30) days written notice for cause by the Bond Insurer, with notice to the Council.

**SECTION 10.08. Appointment of Successor Trustee.** In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by a resolution of the Council, with the consent of the Bond Insurer, or if the Council shall not have appointed a successor Trustee, by filing with the Council an instrument or concurrent instruments in writing signed by Owners of not less than a majority in principal amount of Bonds outstanding, or by their attorneys in fact, duly authorized. Nevertheless, in case of such vacancy, the Bond Insurer may appoint a temporary Trustee to fill such vacancy until a successor to the Trustee shall be appointed in the manner above prescribed; and any such temporary Trustee so appointed by the Bond Insurer shall immediately and without further act be superseded by any Trustee so appointed. Notice of the appointment of a successor Trustee shall be given by the successor Trustee in the same manner as provided by

Section 10.06 hereof with respect to the resignation of a Trustee. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing having a corporate trust office in the State, having a reported capital and surplus of not less than \$50,000,000 and subject to examination by federal or State authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. The Bond Insurer shall be notified immediately upon the resignation or termination of the Trustee and the appointment of a successor Trustee.

Notwithstanding anything to the contrary, if no successor Trustee shall have been appointed and accepted appointment within sixty (60) days of the resignation, removal, or other vacancy in the office of Trustee in the manner herein provided, the Trustee or any bond owner may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

**SECTION 10.09. Concerning Any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Council and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Council, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents, and other property held by it as the Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Council be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers, and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged, and delivered by the Council. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. Such successor Trustee shall give notice of such successors to S&P.

**SECTION 10.10. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Council and the Bond Insurer, during the Trustee's normal business hours and under reasonable conditions.

**SECTION 10.11. [Reserved].**

**SECTION 10.12. Paying Agent.** The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and

the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

(a) to hold all sums received by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of the Bonds until such sums shall be paid to such Owners of the Bonds or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Council and the Trustee at all reasonable times; and

(c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

**SECTION 10.13. Registrar.** The Council hereby appoints the Trustee as Registrar for the Bonds. The Registrar shall designate to the Trustee its principal office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Council and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Council and the Trustee at all reasonable times.

The Council shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Council and authenticated by the Registrar or any authenticating agent, shall be made available for exchange, registration, and registration of transfer at the principal office of the Registrar. The Council shall cooperate with the Trustee to cause the necessary agreements to be made and thereafter continued whereby the Registrar shall be furnished such records and other information at such times as shall be required to enable the Registrar to perform the duties and obligations imposed upon it hereunder.

**SECTION 10.14. Effect on Bondholders of Certain Actions.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee, or Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

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## ARTICLE XI

### SUPPLEMENTAL INDENTURES

**SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to any of the Bondholders, but only with the consent of the Bond Insurer, enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) to cure or correct any ambiguity, omission, or formal defect in this Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which is not to the material prejudice of the Bondholders;
- (c) to subject to this Indenture additional revenues, properties, or collateral;
- (d) to modify, amend, or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions, and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or
- (e) to change, evidence, or give effect to the delivery of an Alternate Surety Bond.

**SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders.** Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Council and the Trustee of such other indenture or indentures supplemental hereto for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section shall permit, or be construed as permitting (a) without the consent of the Owners of all then Outstanding Bonds affected thereby: (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (v) except to the extent necessary to implement Section 4.08(c) hereof, the creation of any lien hereunder other than a

lien ratably securing all of the Bonds at any time Outstanding hereunder, or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities, and privileges of the Trustee without the written consent of the Trustee.

If at any time the Council shall request the Trustee in writing to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to each Owner of a Bond affected thereby at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Designated Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Council, following the mailing of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Council from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that in no event shall the Bond Insurer's consent to the actions listed in subsection (a)(i) through (v) of this Section 11.02 constitute consent of the Owners.

Prior to entering into any indenture or indentures supplemental to this Indenture under this Article XI, the Trustee shall be entitled to receive and conclusively rely upon an opinion of Counsel to the effect that such indenture or indentures supplemental to this Indenture is authorized or permitted pursuant to this Article XI. The Trustee may, but shall not be obligated to, enter into any indenture or indentures supplement to this Indenture that adversely affects its rights, duties and protections under and pursuant to this Indenture.

**SECTION 11.03. Notice to S&P.** The Trustee shall give notice to the Bond Insurer and S&P of any supplemental indentures or any amendments to any Loan Agreement.

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## ARTICLE XII

### AMENDMENT OF LOAN AGREEMENTS

**SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change, or modification of any Loan Agreement that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds, or (e) in connection with the delivery of an Alternate Surety Bond.

**SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders.** Except for amendments, changes, or modifications provided for in Section 12.01 hereof, neither the Council nor the Trustee shall consent to any amendment, change, or modification of any Loan Agreement without the mailing of notice and the written approval or consent of the Bond Insurer and Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given and procured pursuant to this Section. If at any time the Council and a Borrower shall request in writing the consent of the Trustee to any such proposed amendment, change, or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds the Owners of which are required to consent to any amendment, change, or modification of a Loan Agreement, a reduction in, or a postponement of, the payments under any Loan Agreement or any changes that affect the exclusion of interest on the Bonds from the gross income of the Holders thereof for purposes of federal income taxation, without the consent of the Owners of all of the Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds; provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Bondholders or any change that affects the exclusion of interest on the Bonds from gross income of the Holders thereof for purposes of federal income taxation.

Prior to consenting to any amendment, change or modification of any Loan Agreement, the Trustee shall be entitled to receive and conclusively rely upon an opinion of Counsel to the effect that such amendment, change or modification is authorized or permitted pursuant to this Article XII. The Trustee may, but shall not be obligated to, enter into any amendment, change or modification of a Loan Agreement that adversely affects its rights, duties and protections thereunder.

Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Council and the Bond Insurer, from settling a default under any Loan Agreement on such terms as the Trustee may determine to be in the best interests of the Owners of the Bonds.

[Remainder of page intentionally left blank]



## ARTICLE XIII

### GENERAL COVENANTS

**SECTION 13.01. Payment of Principal and Interest.** The Council covenants that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates, and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Council solely from the Trust Estate as provided in this Indenture, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Council other than such Trust Estate.

**SECTION 13.02. Performance of Covenants; the Council.** The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Indenture, in any and every Bond executed, authenticated, and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver the Loan Agreements, to assign the Loan Agreements and collateral documents and amounts payable thereunder, and to pledge the Revenues and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Council according to the terms thereof and hereof.

**SECTION 13.03. Instruments of Further Assurance.** The Council agrees that the Trustee may defend its rights to the payments of the Revenues for the benefit of the Owners of the Bonds, against the claims and demands of all persons whomsoever. The Council covenants that it will do, execute, acknowledge, and deliver, or cause to be done, executed, acknowledged, and delivered, such indentures supplemental hereto and such further acts, instruments, and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning, and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds. The Council covenants and agrees that, except as provided herein or in the Loan Agreements, it will not sell, convey, assign, pledge, encumber, or otherwise dispose of any part of the Revenues or the proceeds of the Bonds or its rights under the Loan Agreements.

**SECTION 13.04. Rights Under the Loan Agreements.** The Loan Agreements, the form of which has been filed with the Trustee and duly executed counterparts of each of which will be retained by the Trustee, as required by Section 13.05 hereof, set forth the covenants and obligations of the Council and the Borrowers, including provisions that the Loan Agreements may not be effectively amended without the concurring written consent of the Trustee, as provided in Article XII hereof, and reference is hereby made to the Loan Agreements for a

detailed statement of said covenants and obligations of the Borrowers under the Loan Agreements, and the Council agrees that the Trustee in its name or to the extent permitted by law, in the name of the Council, may enforce all rights of the Council and all obligations of the Borrowers under the Loan Agreements (and waive the same except for rights expressly granted to the Council) on behalf of the Bondholders whether or not the Council is in default hereunder.

**SECTION 13.05. Possession and Inspection of Loan Agreements.** The Trustee shall retain possession of an executed copy of each Loan Agreement to which it is a party or in which it has an interest and release them only in accordance with the provisions of this Indenture. The Council and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreements and to the distribution of proceeds thereof shall at all times during the normal business hours of the Trustee be open to inspection by such accountants or other agencies or Persons as the other party or the Bond Insurer may from time to time designate.

**SECTION 13.06. Provision of Documents to Bondholders.** If any Bondholder shall request of the Council or Trustee in writing a copy of the Indenture, the Bond Insurance Policy, the Insurance Agreement, or any Loan Agreement, the Trustee shall, at the expense of the Bondholder, provide such Bondholder with a photocopy or other copy of any such document requested.

**SECTION 13.07. Tax Covenants.**

(a) The Council shall not use or permit the use of any proceeds of the Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not knowingly use or permit the use of any amounts received by the Council or Trustee with respect to the Loan Agreements in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148, or "federally guaranteed" within the meaning of the Code. If at any time the Council is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee under this Indenture, the Council shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The Council shall not use or permit the use of any proceeds of Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as a "private activity bond," as defined in Section 141 of the Code.

(c) The Council and the Trustee (if directed by the Council) shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxation and shall take no action that would result in such interest not being excluded from federal gross income.

(d) The Council covenants that it will maintain adequate accounting records, and rebate investment income from the investment of proceeds of the Bonds to the United States Treasury within the time allowed and in the manner specified by the Code and regulations and will otherwise comply with such laws and regulations.

**SECTION 13.08. Security Interest.**

(a) This Indenture creates a valid and binding assignment of, and lien on the Trust Estate in favor of the Trustee as security of payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) The Council has not heretofore made a pledge of, granted a lien on, or made an assignment or sale of such collateral that ranks on a parity with (except the Reserve Fund) or prior to the lien or assignment granted hereby. The Council has not described such collateral in a Uniform Commercial Code financing statement. The Council shall not hereafter make or suffer to exist any pledge or assignment of, or lien on, such collateral that ranks prior to or on a parity with (except the Reserve Fund) the assignment or lien, granted hereby, or file any financing statement describing any such pledge, assignment, or lien, except as expressly permitted hereby.

[Remainder of page intentionally left blank]

## ARTICLE XIV

### MISCELLANEOUS

**SECTION 14.01. Consents, etc., of Bondholders.** Any consent, request, direction, approval, objection, or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Council, the Trustee, and any subsequent Owners of the Bonds with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of the Bonds and the amount or amounts, numbers and other identification of the Bonds, and the date of owning the same shall be proved by the registration books of the Council maintained by the Registrar pursuant to Section 2.07 hereof.

**SECTION 14.02. Limitation of Rights.** With the exception of rights herein expressly conferred or as otherwise provided herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds, any legal or equitable right, remedy, or claim under or in respect to this Indenture or any covenants, conditions, and provisions herein contained; this Indenture and all of the covenants, conditions, and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy, or claim conferred, given, or granted hereunder.

**SECTION 14.03. [Reserved].**

**SECTION 14.04. Severability.** If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative, or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

**SECTION 14.05. Notices.** Any notice, request, complaint, demand, communication, or other paper shall be sufficiently given and shall be deemed given when delivered or mailed

by registered or certified mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street, Suite 300  
Tallahassee, Florida 32301

Bond Insurer: Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019  
Attention: Managing Director-Surveillance

Trustee: The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway North  
Jacksonville, Florida 32256

For purposes of presentation of Bonds for transfer, exchange, or payment:

The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway N.  
Jacksonville, FL 32256

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent.

**SECTION 14.06. Payments Due on Saturdays, Sundays, and Holidays.** In any case where the date of payment of principal of or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day which is not a Business Day, then payment of interest or principal shall be made on the succeeding Business Day with the same force and effect as if made on the interest payment date or the date of maturity or the date fixed for redemption.

**SECTION 14.07. Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 14.08. Applicable Provisions of Law.** This Indenture shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the Council has caused this Indenture to be executed on its behalf by its Chairman and the seal of the Council to be hereunto affixed and duly attested by its Executive Director and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_

Name: Isaac Salver

Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,

Program Administrator

By: \_\_\_\_\_

Name: Michael Sittig

Title: Executive Director

TRUST INDENTURE

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Name: Janalee R. Scott  
Title: Vice President

**EXHIBIT A**

**FORM OF BOND**

No. R-\_\_\_\_\_

\$\_\_\_\_\_

**FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BOND,  
SERIES 2017B**

Maturity Date:

Interest Rate:

Dated Date:

CUSIP

Registered Owner: CEDE & CO.

Principal Amount: \_\_\_\_\_ DOLLARS

FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity duly created and existing under the Constitution and laws of the State of Florida (the "Council"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Dated Date identified above, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on April 1, 2018, and on each April 1 and October 1 thereafter (each an "Interest Payment Date"), unless interest on this Bond is in default, in which event it shall bear interest from the last date to which interest has been paid until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned. The principal (or Redemption Price) hereof is payable upon presentation hereof at the designated office of The Bank of New York Mellon Trust Company, N.A., as Paying Agent and Registrar (together with any successor thereto, respectively, the "Paying Agent" and the "Registrar"). Interest hereon is payable by check mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books maintained by the Registrar as the Registered Owner hereof as of the close of business on the fifteenth (15th) day of the calendar month preceding each Interest Payment Date, at such Person's address as it appears on such registration books.

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B" (the "Bonds"), issued in the aggregate principal amount of Six Million Seven Hundred Ninety Thousand Dollars (\$6,790,000), pursuant to the provisions of Chapter 163, Part I, Florida



Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of September 1, 2016, between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make loans to The Downtown Cocoa Beach Community Redevelopment Agency, the City of Valparaiso, Florida, and the Town of Melbourne Beach, Florida (collectively, the "Borrowers") to finance, refinance, or reimburse the costs of various capital projects, pursuant to loan agreements between the Council and such Borrowers (together with any supplements or amendments thereto, the "Loan Agreements").

Capitalized terms used but not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at the Designated Office of the Trustee) and to the Act for a description of the rights and remedies thereunder (and limitations thereon) of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties, and immunities of the Trustee, and of the rights and obligations of the Council thereunder, to all the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues and are secured by a pledge and assignment of said Revenues and of amounts held in certain Funds and Accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title, and interest of the Council in the Loan Agreements to the Trustee, to the extent and as more particularly described in the Indenture.

**Optional Redemption of the Bonds.** The Bonds maturing on or before October 1, 2027 are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 2027 are subject to redemption at the option of the Council on or after October 1, 2027, as a whole or in part at any time, in any manner determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the Redemption Price, equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

**Mandatory Redemption of Bonds.** The Bonds maturing on October 1, 2033 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2032 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2032	\$90,000
2033*	90,000

---

\*Maturity, not a redemption.

The Bonds maturing on October 1, 2035 are subject to **mandatory** redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2034 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2034	\$95,000
2035*	95,000

---

\*Maturity, not a redemption.

The Bonds maturing on October 1, 2037 are subject to **mandatory** redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2036 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$100,000
2037*	105,000

---

\*Maturity, not a redemption.

In the case of every redemption, the Registrar shall cause notice of such redemption to be given to the Registered Owner of any Bonds designated for redemption in whole or in part as provided in the Indenture. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. On the redemption date, the principal amount and premium, if any, of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; from and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be outstanding under the Indenture, and the Council shall be under no further liability in respect thereof.

In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy, and the Bonds are redeemed pursuant to the terms of the Indenture or Loan Agreements, the Bond Insurer

may pay all or a portion of amounts due under the Bonds to the Owners thereof prior to the stated maturity dates thereof.

The Indenture and the rights and obligations of the Council, the Bondholders, and Trustee may be modified or amended from time to time and at any time, without consent of the Bondholders in the manner, to the extent, and upon the terms provided in the Indenture.

The Bonds are limited obligations of the Council and are not a lien or charge upon the funds or property of the Council, except to the extent of the herein mentioned pledge and assignment. Neither the State of Florida nor the Council shall be obligated to pay the principal of the Bonds, nor the interest thereon, except from Revenues received by the Council, and neither the faith and credit nor the taxing power of the State of Florida or of any political subdivision or any municipal corporation thereof is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not a debt of the State of Florida and the State of Florida or any political subdivision or any municipal corporation thereof are not liable for the payment thereof.

It is hereby certified and recited that any and all conditions, things, and acts required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by the Act, and by the Constitution and laws of the State of Florida, and that the amount of this Bond, together with all other indebtedness of the Council, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Florida, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Registrar.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, FLORIDA MUNICIPAL LOAN COUNCIL has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the manual or facsimile signature of its Executive Director all as of the date of the Bonds.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Executive Director

VALIDATION CERTIFICATE

This Bond is one of a series of Bonds which were validated and confirmed by judgment of the Circuit Court for Leon County, Florida, rendered on February 13, 2003.

By: \_\_\_\_\_  
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Registrar

Date of Authentication:

September 28, 2017

By: \_\_\_\_\_  
Authorized Signer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_

\_\_\_\_\_ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature guaranteed:  
\_\_\_\_\_

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Bonds to The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, or its successor, as paying agent for the Bonds (the "Trustee"). The Policy is on file and available for inspection at the principal office of the Trustee and a copy thereof may be obtained from AGM or the Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

**EXHIBIT B**

**BORROWERS**

The Downtown Cocoa Beach Community Redevelopment Agency  
City of Valparaiso, Florida  
Town of Melbourne Beach, Florida

**APPENDIX D**

**FORM OF THE LOAN AGREEMENTS**

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LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

TOWN OF MELBOURNE BEACH, FLORIDA

Dated as of September 1, 2017

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B

---

This Instrument Prepared By:

JoLinda Herring, Esquire  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

and

Jason M. Breth, Esquire  
Bryant Miller Olive P.A.  
101 North Monroe Street, Suite 900  
Tallahassee, Florida 32301

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## LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement"), is dated as of September 1, 2017, and entered into by and between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "State"), and the TOWN OF MELBOURNE BEACH, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State.

### WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance, or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Loan Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State organized and existing under and by virtue of that certain Interlocal Agreement by and among, initially, the City of DeLand, Florida, the City of Rockledge, Florida, and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance or refinance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that a covenant to budget and appropriate legally available non-ad valorem revenues, as described herein, shall be pledged to secure this Loan Agreement; and

WHEREAS, the Borrower has determined that there is a substantial need for the refinancing of all or a portion of the Refunded Loan (as hereinafter defined) in order to take advantage of lower interest rates and realize debt service savings; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Loan Agreement and that certain Trust Indenture, dated as of September 1, 2017, by and between the Council and the Trustee (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), relating to the issuance of the Bonds (as hereinafter defined), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities, and programs and will promote the most efficient and economical development of such services, facilities, and programs in the State; and

WHEREAS, neither the Council, the Borrower, the State, nor any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated the "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly, or contingently obligate the Council, the Borrower, the State, or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Loan Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

**SECTION 1.01. Definitions.** Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts established pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Adjusted Essential Expenditures" means Essential Expenditures less any revenues derived from ad valorem taxation on real and personal property that are legally available to pay for such expenditures.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and when used with reference to a Borrower which is a special district means the person performing the function of the Chairman or Vice Chairman of the board of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Balloon Indebtedness" means Debt, 25% or more of the original principal of which matures during any one Fiscal Year.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council.

"Bondholder" or "Holder," "holder of Bonds," "Owner," or "owner of Bonds," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto.

"Bonds" means the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B, issued pursuant to Article II of the Indenture.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, the Borrower and the other local governmental units receiving loans from the Council made from proceeds of the Bonds.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition," or "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting or Vice Mayor, or Chairman or Vice Chairman, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof,

includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Debt" means, collectively, the Non-Ad Valorem Revenue Debt and the Governmental Revenue Debt.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Escrow Account" means the Escrow Account held for the benefit of the holders of the Refunded Bonds by the Escrow Agent under the Escrow Deposit Agreement.

"Escrow Agent" means the current trustee for the Refunded Bonds, which is a qualifying bank or trust company, and which shall execute the Escrow Deposit Agreement with the Council prior to the issuance of the Bonds.



"Escrow Deposit Agreement" means the Escrow Deposit Agreement, which shall be executed and delivered by and between the Council and the Escrow Agent, which agreement shall be in substantially the form approved by the parties thereto.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Essential Expenditures" means essential expenditures for general government and public safety as shown in the Borrower's audited financial statements.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Loan Agreement.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds established pursuant to Section 4.02 of the Indenture.

"Governmental Funds Revenues" shall mean total revenues of the Borrower derived from any source whatsoever and that are allocated to and accounted for in the Borrower's general fund, special funds, debt service funds, capital projects funds, or any other funds described and identified in the audited financial statements of the Borrower as a government fund; provided, however, (a) grants and other onetime items, including, but not limited to, insurance proceeds, and (b) the proceeds of any Governmental Revenue Debt, do not constitute Governmental Funds Revenues.

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P, or (vi) any combination of the foregoing, unless the Bond Insurer otherwise approves.

"Governmental Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Governmental Funds Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all

obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Governmental Funds Revenues.

"Indenture" means the Trust Indenture dated as of September 1, 2017, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2018.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Loan" means the Loan made to the Borrower from proceeds of the Bonds in order to refund the Refunded Bonds attributable to the Refunded Loan and thereby refinance the Costs of the Project in the amount specified in Section 3.01 herein.

"Loans" mean all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means March 20, 2018, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Maximum Annual Governmental Debt Service" means the maximum annual debt service on all existing and additional Governmental Revenue Debt.

"Maximum Annual Non-Ad Valorem Debt Service" means the maximum annual debt service on all existing and additional Non-Ad Valorem Revenue Debt.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Non-Ad Valorem Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Non-Ad Valorem Revenues. Unless the Borrower has actually used the Non-Ad Valorem Revenues to satisfy such obligation during the immediately preceding Fiscal Year or reasonably expects to use the Non-Ad Valorem Revenues to satisfy such obligation in the current or immediately succeeding Fiscal Year, the following shall not be considered "Non-Ad Valorem Revenue Debt" for purposes of this Loan Agreement: (i) any obligation contemplated in (a), (b), or (c) above, if the Borrower has covenanted to budget and appropriate sufficient Non-Ad Valorem Revenues to satisfy such obligation, but has not secured such obligation with a lien on or pledge of any Non-Ad Valorem Revenues; or (ii) any obligation contemplated in (d) above. After an obligation is considered "Non-Ad Valorem Revenue Debt" as a result of (a), (b), (c), and (d) set forth above, it shall continue to be considered "Non-Ad Valorem Revenue Debt" until the Borrower has not used any Non-Ad Valorem Revenues to satisfy such obligation for two consecutive Fiscal Years.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 of the Indenture.

"Person" or "person" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Project detailed on Exhibit A hereof.

"Proportionate Share" means, with respect to the Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of the Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Refunded Bonds" means the Borrower's portion of the Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005B, maturing on and after November 1, 2020, and attributable to the principal loan payments as set forth in the Refunded Loan Agreement.

"Refunded Loan" means the loan from the Council to the Borrower funded from the proceeds of the Refunded Bonds and secured by the Refunded Loan Agreement.

"Refunded Loan Agreement" means the Loan Agreement dated as of May 1, 2005, by and between the Borrower and the Council.

"Reserve Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption or at maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"State" means the State of Florida.

"Surety Bond" means the municipal bond debt service reserve insurance policy issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee, or any successor thereto under the Indenture.

**SECTION 1.02. Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Owner," and "person" shall include the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

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## ARTICLE II

### REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER AND COUNCIL

**SECTION 2.01. Representations, Warranties, and Covenants.** The Borrower represents, warrants, and covenants on the date hereof for the benefit of the Council, the Trustee, the Borrower, the Bond Insurer, and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to refinance the Refunded Loan, to covenant to budget and appropriate the Non-Ad Valorem Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting the State municipalities generally, that will materially affect adversely the properties, activities, prospects, or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Loan Agreement.

The financial statements, including, but not limited to the financial statements for the Borrower's Fiscal Year ended September 30, 2016, balance sheets, and any other written statement furnished by the Borrower to the Council, the Bond Insurer, Wells Fargo Bank, National Association, as underwriter of the Bonds (the "Underwriter"), and the Bond Insurer were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Underwriter, and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Loan Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Underwriter, and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects, or condition (financial or otherwise) of

the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Loan Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Loan Agreement and the consummation of the transactions provided for in this Loan Agreement and compliance by the Borrower with the provisions of this Loan Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement, or other agreement or instrument (other than this Loan Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties, or operations are bound as of the date of this Loan Agreement, or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge, or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Loan Agreement or the Borrower's ability to perform fully its obligations under this Loan Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations, or court orders to which the Borrower, its properties, or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Loan Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer, and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties, or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) [Reserved].

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, and governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances, or status as a municipal corporation.

(h) Use of Proceeds.

(1) The Borrower has heretofore issued and has presently outstanding and unpaid the Refunded Loan. The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower that the Refunded Loan be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness. The refunding of the Refunded Loan in the manner herein provided is hereby authorized. The Borrower will apply a portion of the proceeds of the Loan from the Council, together with other legally available revenues of the Borrower, for the refinancing of the Refunded Loan and thereby the refinancing of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a sufficient portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.03 hereof, be transferred by the Underwriter directly to the Escrow Agent for deposit by the Escrow Agent into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding of the Refunded Loan by providing for the payment of the principal of, premium, if any, and interest on the Refunded Loan as provided in the Escrow Deposit Agreement. If any component of the Refunded Loan to be refunded is not paid for out of the proceeds of the Loan at the Closing of the Loan, the Borrower shall on or before September 28, 2017, pay the remaining cost of the Refunded Loan to be refunded directly to the Escrow Agent for deposit by the Escrow Agent into the Escrow Account.

(2) [Reserved].

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium and less any discount in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, net original issue premium, and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.



(i) Project. All items constituting the Project are permitted to be refinanced with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. The Council hereby covenants and represents that all agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

**SECTION 2.02. Covenants of Borrower.** The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for the Loan and Loan Repayment. Subject to the provisions of Section 2.02(k) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit directly into the appropriate Fund or Account established in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated, and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances, and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable State law.

(d) Anti-Dilution Test.

(1) While the Loan is outstanding hereunder, as a condition to the Borrower issuing any additional Non-Ad Valorem Revenue Debt, the Borrower shall certify to the Council and the Bond Insurer that (i) the Non-Ad Valorem Revenues less the Adjusted Essential Expenditures shall cover projected Maximum Annual Non-Ad Valorem Debt Service on the Non-Ad Valorem Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) by at least 1.75x; and (ii) the Maximum Annual Governmental Debt Service on the Governmental Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) shall not exceed 20% of the Governmental Funds Revenues.

(2) The calculations required by this Section 2.02(d)(1) shall be determined using the average of actual Non-Ad Valorem Revenues and Governmental Funds Revenues, respectively, for the prior two Fiscal Years based on the audited financial statements of the Borrower.

(3) For purposes of the calculations required by Section 2.02(d)(1) hereof, the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service shall be done on an aggregate basis whereby the annual debt service for each is combined and the overall maximum is determined.

(4) For purposes of calculating the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service the following shall apply: (i) with respect to the Debt (including Balloon Indebtedness) that bears interest at a fixed interest rate, the maximum annual debt service on such Debt shall be the actual maximum annual debt service; and (ii) with respect to the Debt (including Balloon Indebtedness) that bears interest at a variable rate, maximum annual debt service on such Debt shall be determined assuming that interest accrues on such Debt at the average annual interest rate paid over the last three years plus 150 basis points, or, if such Debt has not been outstanding for at least three years, the average annual interest rate paid for the period such Debt has been outstanding plus 150 basis points.

(5) For purposes of the calculation required by Section 2.02(d)(1) hereof, if the Non-Ad Valorem Revenue Debt also includes a pledge of additional revenues, the Maximum Annual Non-Ad Valorem Debt Service shall be discounted by the amount that will be covered by such additional revenues.

(6) Notwithstanding anything herein to the contrary, the provisions of this Section 2.02(d) may be amended, supplemented, or waived from time to time only with the written consent of the Council, the Borrower, and the Bond Insurer.

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve, and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations, and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects, or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds be excludable from the gross income of the Holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excludable from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bond Counsel to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

The covenants of the Council and the Borrower contained in this subsection shall survive the termination of this Loan Agreement.

(j) Information Reports. The Borrower covenants to provide the Council with all materials and information it possesses or has the ability to possess, which is necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations.

(1) Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer, or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory, or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, the Bondholders nor any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge the Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Loan Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any

of the activities of the Borrower which generate user service charges, regulatory fees, or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Borrower. The Council, the Borrower, and the Bond Insurer mutually agree and understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(2) It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments, and the Borrower shall have no joint liability with the other Borrowers or the Council for any of their respective liabilities, except to the extent expressly provided herein.

(l) Reporting Requirements.

(1) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by Non-Ad Valorem Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(2) The Borrower agrees to provide to the Council and the Bond Insurer, not later than December 31st of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

(m) Indemnity. To the full extent permitted under the laws of the State, the Borrower will pay, and will protect, indemnify, save, and hold harmless, the Council, the Trustee, each member, officer, commissioner, employee, and agent of any of the Council, the Trustee, and each other person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Council, harmless from and against, any and all liabilities, losses, damages, costs, and expenses (including reasonable attorneys' fees, costs, and expenses), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the Project) in any manner arising out of or in connection with the acceptance or administration of

the trusts established pursuant to the Indenture or the action or failure to act of the Borrower, its successors and assigns, or the agents, contractors, employees, licensees, or otherwise of the Borrower or its successors and assigns in connection with, the Projects refinanced with the proceeds of the Loan, or the breach or violation of any agreement, covenant, representation, or warranty of the Borrower set forth in this Loan Agreement or any document delivered pursuant hereto or thereto or in connection herewith or therewith. Such indemnification shall not apply to any actions caused by the gross negligence or willful misconduct of the party seeking such indemnification.

Such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable under any workers' compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws but may be limited by State law relating to the ability of governmental units to indemnify parties for the actions of such governmental units, including but not limited to Section 768.28, Florida Statutes.

An indemnified person shall promptly notify the Borrower in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Borrower, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Borrower will promptly assume the defense thereof with its in-house counsel or, at its election, the employment of competent outside counsel reasonably satisfactory to such indemnified person and the payment of all expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Borrower unless such employment has been specifically authorized by the Borrower, which such authorization shall not be unreasonably withheld, or unless such employment was occasioned by conflicts of interest between and among indemnified persons and/or the Borrower. If the Borrower shall fail to assume the defense of any action as required hereunder, or, within a reasonable time after commencement of such action, to retain outside counsel, if it so elects or if it becomes necessary due to conflict, reasonably satisfactory to the indemnified person, the fees, costs, and expenses of counsel to such indemnified person hereunder shall be paid by the Borrower.

The provisions of this Section 2.03(m) shall survive the termination of this Loan Agreement or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

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## ARTICLE III

### THE LOAN

**SECTION 3.01. The Loan.** The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$1,050,000.00, which after adding the net premium of \$134,761.90 results in \$1,184,761.90 of Loan proceeds. This amount includes an amount equal to \$64,761.90, which reflects the Borrower's share of the costs of issuance, the Bond Insurance Premium, the premium for the Surety Bond, and the Underwriter's discount. The amounts advanced to the Borrower net of the costs of the initial issuance are to be used by the Borrower for the purpose refunding the Refunded Bonds attributable to the Refunded Loan and thereby refinancing the Costs of the Project, in accordance with the provisions of this Loan Agreement and the Escrow Deposit Agreement.

**SECTION 3.02. Evidence of Loan.** The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

**SECTION 3.03. Loan for Purpose of Refunding.** The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$1,120,000.00, together with \$99,750.00 of other legally available funds of the Borrower, each as set forth and as directed by the terms of the Escrow Deposit Agreement, in order to pay the Refunded Bonds at maturity or upon redemption, as applicable. The Borrower covenants that it will direct no other use of such portion of the Loan proceeds, agrees to the disbursement of such portion of the Loan proceeds in such manner, and further acknowledges that such portion of the Loan proceeds are to be held irrevocably by the Escrow Agent for such purpose. An additional \$485.92 of other legally available funds of the Borrower will be deposited with the Trustee for payment of the Council's administration fee related to the Refunded Loan.

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## ARTICLE IV

### LOAN TERM AND LOAN CLOSING REQUIREMENTS

**SECTION 4.01. Commencement of Loan Term.** The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

**SECTION 4.02. Termination of Loan Term.** The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed to the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

**SECTION 4.03. Loan Closing Submissions.** Concurrently with the execution and delivery of this Loan Agreement, the Council or the Borrower are providing to the Trustee the following documents each dated the date of such execution and delivery, except all opinions and certificates shall be dated the date of Closing:

- (a) A certified copy of the resolution of the Borrower substantially in the form of Exhibit B attached hereto authorizing the Loan and this Loan Agreement;
- (b) An opinion of the Borrower's Counsel substantially in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Borrower's Counsel;
- (c) A certificate of the officials of the Borrower to the effect that the representations and warranties of the Borrower are true and correct;
- (d) [Reserved];
- (e) This executed Loan Agreement;
- (f) An executed Escrow Deposit Agreement;



(g) A standard opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that (i) the resolution of the Council constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms; (ii) the Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms; (iii) the Bonds have been duly authorized, executed, and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture; and (iv) the interest on the Bonds is excludable from gross income for federal income tax purposes;

(h) An opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that the refinancing from the proceeds of the Loan pursuant to this Loan Agreement is permitted under the Act, the Indenture and the resolution of the Borrower, and will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes, or adversely affect the validity, due authorization for, or legality of the Bonds;

(i) An opinion of Council's Counsel (addressed to the Council, the Trustee, the Bond Insurer, and the Underwriter) to the effect that the Loan Agreement and Indenture are valid and binding obligations of the Council and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Council's Counsel;

(j) An opinion of Disclosure Counsel (addressed to the Council and the Underwriter) to the effect that based upon their participation in the preparation of the official statement, but without having undertaken to determine independently the accuracy, completeness, or fairness of the statements contained therein, they have no reason to believe that the official statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(k) Such other certificates, documents, opinions, and information as the Council, the Bond Insurer, the Trustee, or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

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## ARTICLE V

### LOAN REPAYMENTS

**SECTION 5.01. Payment of Basic Payments.** The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D.

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2018, and extending through September 20, 2029, unless the Loan is prepaid pursuant to terms of Section 5.07 hereof.

**SECTION 5.02. Payment of Surety Bond Costs; Funding of Reserve Fund.** The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee, on behalf of the Borrower, or any other Borrowers whose loans were funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Trustee, on behalf of the Borrower, on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

**SECTION 5.03. Payment of Additional Payments.** In addition to Basic Payments, the Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

- (a) (i) the Borrower's Proportionate Share of: the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations, the Bond

Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund), the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) the Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

- (1) the cost of reproducing this Loan Agreement;
- (2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee, the Bond Insurer, and the Surety Bond Provider, in connection with the Loan, this Loan Agreement and the enforcement thereof;
- (3) reasonable extraordinary fees and expenses of the Trustee and the Council following an Event of Default hereunder;
- (4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer, the Surety Bond Provider, and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;
- (5) all taxes (including any recording, documentary stamp taxes, intangible taxes, and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title, and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, costs and expenses, relating to any amendments, waivers, consents, or collection or enforcement proceedings pursuant to the provisions hereof;
- (6) all reasonable fees and expenses of the Bond Insurer and the Surety Bond Provider relating directly to the Loan;
- (7) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;
- (8) fees and costs of maintaining a rating on the Loan; and
- (9) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities, or claims (or actions in respect thereof), to which the

Council may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, all as caused by or arising out of or based upon this Loan Agreement, the Loan, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

(c) For repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Trustee, on behalf of the Borrower, from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

#### **SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.**

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in Default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

**SECTION 5.05. Obligations of Borrower Unconditional.** Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event, or cause whatsoever. This Loan Agreement shall be deemed

and construed to be a "net contract," and the Borrower shall pay the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer, or any other party or parties.

**SECTION 5.06. Refunding Bonds.** In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but the Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Loan Agreement without the prior written consent of the Authorized Representative of the Borrower.

**SECTION 5.07. Prepayment.** The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Council sixty (60) days' notice of any prepayment of its Loan.

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## ARTICLE VI

### DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Trustee, or the Bond Insurer, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have paid, or shall have made provision for payment of, prepayment premium, if any, and interest on the Loan, with respect to the Bonds, and shall have paid all other amounts due under this Loan Agreement, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the Holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations owed on the Bonds) shall survive the termination of this Loan Agreement and the payment in full of principal, premium, if any, and interest hereunder. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, in respect to which such cash and/or Governmental Obligations, the principal and interest on which, will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal of, prepayment premium, if any, and interest on the Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except for such amounts then outstanding and as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least sixty (60) days' notice by mail, with receipt confirmed, to the Council.

## ARTICLE VII

### ASSIGNMENT AND PAYMENT BY THIRD PARTIES

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices, and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer, and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

**SECTION 7.04. Payments by the Surety Bond Provider.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**SECTION 8.01. Events of Default Defined.** The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition, or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer, and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer, or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer, and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation, or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and consents to the filing of any petition against it under such law;



(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator, or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than sixty (60) days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing, or otherwise respecting any indebtedness of the Borrower outstanding in the principal amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree, or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree, or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) it has not been determined by a court of competent jurisdiction from which appeal may not be taken or from which appeal has been taken but has been finally denied that the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

**SECTION 8.02. Notice of Default.** The Borrower agrees to give the Trustee, the Bond Insurer, and the Council prompt written notice if any petition, assignment, appointment, or possession referred to in Section 8.01(e), 8.01(f), and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

**SECTION 8.03. Remedies on Default.** Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the written direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, to take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

**SECTION 8.04. [Reserved].**

**SECTION 8.05. No Remedy Exclusive; Waiver, Notice.** No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy, or power shall be construed to be a waiver thereof, but any such right, remedy, or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

**SECTION 8.06. Application of Moneys.** Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any outstanding fees of the Trustee and the Council, and any reasonable attorney's fees, costs or expenses, or any other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof; (b) second, to pay interest due on the Loan; (c) third, to pay principal due on the Loan; (d) fourth, to pay any other amounts due hereunder; and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Notices.** All notices, certificates, or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street, Suite 300  
Tallahassee, Florida 32301

Bond Insurer: Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019  
Attention: Managing Director-Surveillance

Trustee: The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway North  
Jacksonville, Florida 32256

Borrower: Town of Melbourne Beach, Florida  
507 Ocean Avenue  
Melbourne Beach, Florida 32951  
Attention: Town Manager

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.02. Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

**SECTION 9.03. Severability.** In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 9.04. Amendments, Changes and Modifications.** This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

**SECTION 9.05. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.06. Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

**SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements, and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof.

The rights granted to the Bond Insurer under the Indenture or this Loan Agreement to request, consent, to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 9.08. Consents and Approvals.** Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

**SECTION 9.09. Immunity of Officers, Employees, and Members of Council and Borrower.** No recourse shall be had for the payment of the principal of, premium, if any, or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant, or agreement in this Loan Agreement against any past, present, or future official officer, member, counsel, employee, director, or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such

officers, members, counsels, employees, directors, or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

**SECTION 9.10. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of sections of this Loan Agreement.

**SECTION 9.11. No Pecuniary Liability of Council.** No provision, covenant, or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income, and all other property as derived herefrom, as hereinabove provided.

**SECTION 9.12. Payments Due on Holidays.** With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**SECTION 9.13. Calculations.** Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

**SECTION 9.14. Time of Payment.** Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the Town of Melbourne Beach, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_  
Name: Isaac Salver  
Title: Chairman

ATTEST:

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

LOAN AGREEMENT

TOWN OF MELBOURNE BEACH,  
FLORIDA

(SEAL)

By: \_\_\_\_\_  
Name: James D. Simmons  
Title: Mayor

ATTESTED BY:

By: \_\_\_\_\_  
Name: Nancy Wilson  
Title: Town Clerk

Approved as to form and correctness  
this 28th day of September, 2017.

By: \_\_\_\_\_  
Name: Cliff Repperger, Jr.  
Title: Town Attorney

EXHIBIT A

TOWN OF MELBOURNE BEACH, FLORIDA  
USE OF LOAN PROCEEDS

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE REFINANCED</u>
Refund the Refunded Bonds attributable to the Refunded Loan and thereby refinance the Costs of the capital improvements consisting of the acquisition and construction of a municipal complex	\$1,120,000



EXHIBIT B

CERTIFIED RESOLUTION OF THE BORROWER

See Document No. 65

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

September 28, 2017

Florida Municipal Loan Council  
c/o Florida League of Cities, Inc.  
301 Bronough Street, Suite 300  
Tallahassee, Florida 32301

The Bank of New York Mellon Trust  
Company, N.A.  
10161 Centurion Parkway  
Jacksonville, Florida 32256

Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

Wells Fargo Bank, National Association  
2363 Gulf-to-Bay Boulevard  
Mail Code: WS7517  
Clearwater, Florida 33765

Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019

Ladies and Gentlemen:

We are counsel to the Town of Melbourne Beach, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Issuer") to the Borrower of funds to refinance all or a portion of the Costs of the Project, as described in Exhibit A of the Loan Agreement, dated as of September 1, 2017, by and between the Issuer and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, the Charter of the Borrower, the Loan Agreement, the Trust Indenture dated as of September 1, 2017 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), Resolution No. 2017-04 adopted by the Borrower on June 25, 2017 (the "Resolution"), the Continuing Disclosure Agreement, dated as of September 28, 2017 (the "Continuing Disclosure Agreement"), by and among the Borrower and the Florida League of Cities, Inc., the final Official Statement with respect to the Bonds dated September 20, 2017 (the "Official Statement"), and the Bond Purchase Contract dated September 20, 2017, between the Issuer, Wells Fargo Bank, National Association (the "Underwriter"), and the Borrowers (the "Bond Purchase Contract"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to covenant to budget and appropriate Non-Ad Valorem Revenues to the payment of the Loan, to adopt the Resolution, consummate the transactions contemplated in the Loan Agreement and the Resolution, and otherwise to carry on its activities and own its property.

(b) The Borrower has duly adopted the Resolution, and authorized, executed, and delivered the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Resolution, the Continuing Disclosure Agreement, the Bond Purchase Contract, and the Loan Agreement; the consummation of the transactions contemplated thereby; the refinancing of the Refunded Loan; and the fulfillment of or compliance with the terms and conditions of the Resolution, the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions, or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry, or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Issuer and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Resolution, the Loan Agreement, the Bond Purchase Contract, or the Continuing Disclosure Agreement.

(e) The indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended, to finance the Cost of the Project.

(f) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS – General," "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Trust Estate," "–The Covenants to Budget and Appropriate," "LITIGATION," and "CONTINUING DISCLOSURE" (in each case only with respect to those matters specific to the Borrower) are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical, or tax matters or projections.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date*</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest Amounts</u>	<u>Total Amounts</u>
10/1/2018	\$70,000	4.000%	\$49,307.50	\$119,307.50
10/1/2019	70,000	4.000	46,100.00	116,100.00
10/1/2020	75,000	5.000	43,300.00	118,300.00
10/1/2021	80,000	5.000	39,550.00	119,550.00
10/1/2022	85,000	5.000	35,550.00	120,550.00
10/1/2023	85,000	5.000	31,300.00	116,300.00
10/1/2024	90,000	5.000	27,050.00	117,050.00
10/1/2025	90,000	5.000	22,550.00	112,550.00
10/1/2026	90,000	5.000	18,050.00	108,050.00
10/1/2027	100,000	5.000	13,550.00	113,550.00
10/1/2028	105,000	5.000	8,550.00	113,550.00
10/1/2029	110,000	3.000	3,300.00	113,300.00

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\* Loan repayments are due March 20th and September 20th of each year.

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LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

CITY OF VALPARAISO, FLORIDA

Dated as of September 1, 2017

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B

---

This Instrument Prepared By:

JoLinda Herring, Esquire  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

and

Jason M. Breth, Esquire  
Bryant Miller Olive P.A.  
101 North Monroe Street, Suite 900  
Tallahassee, Florida 32301

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## LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement"), is dated as of September 1, 2017, and entered into by and between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "State"), and the CITY OF VALPARAISO, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State.

### WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance, or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Loan Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State organized and existing under and by virtue of that certain Interlocal Agreement by and among, initially, the City of DeLand, Florida, the City of Rockledge, Florida, and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance or refinance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that a covenant to budget and appropriate legally available non-ad valorem revenues, as described herein, shall be pledged to secure this Loan Agreement; and

WHEREAS, the Borrower has determined that there is a substantial need for the financing of the Project (as hereinafter defined) in order to take advantage of lower interest rates and realize debt service savings; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Loan Agreement and that certain Trust Indenture, dated as of September 1, 2017, by and between the Council and the Trustee (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), relating to the issuance of the Bonds (as hereinafter defined), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities, and programs and will promote the most efficient and economical development of such services, facilities, and programs in the State; and

WHEREAS, neither the Council, the Borrower, the State, nor any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated the "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly, or contingently obligate the Council, the Borrower, the State, or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Loan Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

**SECTION 1.01. Definitions.** Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts established pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Adjusted Essential Expenditures" means Essential Expenditures less any revenues derived from ad valorem taxation on real and personal property that are legally available to pay for such expenditures.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and when used with reference to a Borrower which is a special district means the person performing the function of the Chairman or Vice Chairman of the board of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Balloon Indebtedness" means Debt, 25% or more of the original principal of which matures during any one Fiscal Year.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council.

"Bondholder" or "Holder," "holder of Bonds," "Owner," or "owner of Bonds," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto.

"Bonds" means the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B, issued pursuant to Article II of the Indenture.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, the Borrower and the other local governmental units receiving loans from the Council made from proceeds of the Bonds.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition," or "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting or Vice Mayor, or Chairman or Vice Chairman, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof,

includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Debt" means, collectively, the Non-Ad Valorem Revenue Debt and the Governmental Revenue Debt.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Essential Expenditures" means essential expenditures for general government and public safety as shown in the Borrower's audited financial statements.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Loan Agreement.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds established pursuant to Section 4.02 of the Indenture.

"Governmental Funds Revenues" shall mean total revenues of the Borrower derived from any source whatsoever and that are allocated to and accounted for in the Borrower's general fund, special funds, debt service funds, capital projects funds, or any other funds described and identified in the audited financial statements of the Borrower as a government fund; provided, however, (a) grants and other onetime items, including, but not limited to, insurance proceeds, and (b) the proceeds of any Governmental Revenue Debt, do not constitute Governmental Funds Revenues.

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P, or (vi) any combination of the foregoing, unless the Bond Insurer otherwise approves.

"Governmental Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Governmental Funds Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Governmental Funds Revenues.

"Indenture" means the Trust Indenture dated as of September 1, 2017, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2018.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Loan" means the Loan made to the Borrower from proceeds of the Bonds in order to finance the Project in the amount specified in Section 3.01 herein.

"Loans" mean all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means March 20, 2018, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Maximum Annual Governmental Debt Service" means the maximum annual debt service on all existing and additional Governmental Revenue Debt.

"Maximum Annual Non-Ad Valorem Debt Service" means the maximum annual debt service on all existing and additional Non-Ad Valorem Revenue Debt.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenue Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from any Non-Ad Valorem Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Non-Ad Valorem Revenues. Unless the Borrower has



actually used the Non-Ad Valorem Revenues to satisfy such obligation during the immediately preceding Fiscal Year or reasonably expects to use the Non-Ad Valorem Revenues to satisfy such obligation in the current or immediately succeeding Fiscal Year, the following shall not be considered "Non-Ad Valorem Revenue Debt" for purposes of this Loan Agreement: (i) any obligation contemplated in (a), (b), or (c) above, if the Borrower has covenanted to budget and appropriate sufficient Non-Ad Valorem Revenues to satisfy such obligation, but has not secured such obligation with a lien on or pledge of any Non-Ad Valorem Revenues; or (ii) any obligation contemplated in (d) above. After an obligation is considered "Non-Ad Valorem Revenue Debt" as a result of (a), (b), (c), and (d) set forth above, it shall continue to be considered "Non-Ad Valorem Revenue Debt" until the Borrower has not used any Non-Ad Valorem Revenues to satisfy such obligation for two consecutive Fiscal Years.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 of the Indenture.

"Person" or "person" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Projects detailed on Exhibit A hereof.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to the Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of the Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Reserve Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption or at maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"State" means the State of Florida.

"Surety Bond" means the municipal bond debt service reserve insurance policy issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee, or any successor thereto under the Indenture.

**SECTION 1.02. Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Owner," and "person" shall include the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

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## ARTICLE II

### REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER AND COUNCIL

**SECTION 2.01. Representations, Warranties, and Covenants.** The Borrower represents, warrants, and covenants on the date hereof for the benefit of the Council, the Trustee, the Borrower, the Bond Insurer, and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to finance the Project, to covenant to budget and appropriate the Non-Ad Valorem Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting the State municipalities generally, that will materially affect adversely the properties, activities, prospects, or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Loan Agreement.

The financial statements, including, but not limited to the financial statements for the Borrower's Fiscal Year ended September 30, 2016, balance sheets, and any other written statement furnished by the Borrower to the Council, the Bond Insurer, Wells Fargo Bank, National Association, as underwriter of the Bonds (the "Underwriter"), and the Bond Insurer were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Underwriter, and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Loan Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Underwriter, and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects, or condition (financial or otherwise) of

the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Loan Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Loan Agreement and the consummation of the transactions provided for in this Loan Agreement and compliance by the Borrower with the provisions of this Loan Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement, or other agreement or instrument (other than this Loan Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties, or operations are bound as of the date of this Loan Agreement, or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge, or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Loan Agreement or the Borrower's ability to perform fully its obligations under this Loan Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations, or court orders to which the Borrower, its properties, or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Loan Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer, and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties, or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals, and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, the financing or refinancing thereof, or the reimbursement of the Borrower therefor, or the use of the Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals, and findings as may be necessary for the

foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing, or registration with any agency or other governmental body or officer in connection with the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, financing or refinancing thereof, or reimbursement of the Borrower therefor. Any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order, or other action which is applicable thereto. No further consent, approval, or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, and governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances, or status as a municipal corporation.

(h) Use of Proceeds.

(1) The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower to finance the acquisition, construction, and/or equipping of the Project. The financing of the Project in the manner herein provided is hereby authorized. The Borrower will apply a portion of the proceeds of the Loan from the Council for the financing of the Costs of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.04 hereof, be transferred by the Underwriter directly to the Trustee for deposit by the Trustee into the Project Loan Fund established pursuant to the Indenture. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to September 28, 2020, use the remainder of the proceeds of the Loan listed in Exhibit A and any investment earnings thereon to pay the Costs of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee. The Borrower may amend Exhibit A to provide for the financing of different or additional Projects if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of the Project or the Costs of the Project prove to be less than the amounts listed on Exhibit A and the investment earnings thereon, without the consent of the Council or the Trustee (but with notice thereto); provided, however, the Borrower must obtain an opinion of Bond Counsel to the effect that such an amendment and the completion of the revised Project

will not adversely affect the validity or tax-exempt status of the Bonds regarding the amended Exhibit A. Notwithstanding the foregoing all such proceeds of the Loan shall be expended prior to September 28, 2020.

(2) Costs of the Project which may be financed include, but are not limited to, all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction, installation, or equipping of the Project, including operational expenses during the construction period which would qualify for capitalization under GAAP, the incidental costs of placing the same in use, and financing expenses (including the application or origination fees, if any, of the Bond Insurer, the Council, and the Borrower's Counsel fees. Costs of the Project shall not include operating expenses.

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium and less any discount in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, net original issue premium, and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be financed with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. The Council hereby covenants and represents that all agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

**SECTION 2.02. Covenants of Borrower.** The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for the Loan and Loan Repayment. Subject to the provisions of Section 2.02(k) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit directly into the appropriate Fund or Account established in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated, and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances, and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable State law.

(d) Anti-Dilution Test.

(1) While the Loan is outstanding hereunder, as a condition to the Borrower issuing any additional Non-Ad Valorem Revenue Debt, the Borrower shall certify to the Council and the Bond Insurer that (i) the Non-Ad Valorem Revenues less the Adjusted



Essential Expenditures shall cover projected Maximum Annual Non-Ad Valorem Debt Service on the Non-Ad Valorem Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) by at least 1.75x; and (ii) the Maximum Annual Governmental Debt Service on the Governmental Revenue Debt (including the proposed Non-Ad Valorem Revenue Debt) shall not exceed 20% of the Governmental Funds Revenues.

(2) The calculations required by this Section 2.02(d)(1) shall be determined using the average of actual Non-Ad Valorem Revenues and Governmental Funds Revenues, respectively, for the prior two Fiscal Years based on the audited financial statements of the Borrower.

(3) For purposes of the calculations required by Section 2.02(d)(1) hereof, the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service shall be done on an aggregate basis whereby the annual debt service for each is combined and the overall maximum is determined.

(4) For purposes of calculating the Maximum Annual Non-Ad Valorem Debt Service and the Maximum Annual Governmental Debt Service the following shall apply: (i) with respect to the Debt (including Balloon Indebtedness) that bears interest at a fixed interest rate, the maximum annual debt service on such Debt shall be the actual maximum annual debt service; and (ii) with respect to the Debt (including Balloon Indebtedness) that bears interest at a variable rate, maximum annual debt service on such Debt shall be determined assuming that interest accrues on such Debt at the average annual interest rate paid over the last three years plus 150 basis points, or, if such Debt has not been outstanding for at least three years, the average annual interest rate paid for the period such Debt has been outstanding plus 150 basis points.

(5) For purposes of the calculation required by Section 2.02(d)(1) hereof, if the Non-Ad Valorem Revenue Debt also includes a pledge of additional revenues, the Maximum Annual Non-Ad Valorem Debt Service shall be discounted by the amount that will be covered by such additional revenues.

(6) Notwithstanding anything herein to the contrary, the provisions of this Section 2.02(d) may be amended, supplemented, or waived from time to time only with the written consent of the Council, the Borrower, and the Bond Insurer.

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve, and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations, and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects, or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds be excludable from the gross income of the Holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excludable from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bond Counsel to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

The covenants of the Council and the Borrower contained in this subsection shall survive the termination of this Loan Agreement.

(j) Information Reports. The Borrower covenants to provide the Council with all materials and information it possesses or has the ability to possess, which is necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations.

(1) Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer, or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory, or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, the Bondholders nor any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge the Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Loan Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees, or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Borrower. The Council, the Borrower, and the Bond Insurer mutually agree and understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(2) It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments, and the Borrower shall have no joint liability with the other Borrowers or the Council for any of their respective liabilities, except to the extent expressly provided herein.

(l) Reporting Requirements.

(1) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by Non-Ad Valorem Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(2) The Borrower agrees to provide to the Council and the Bond Insurer, not later than December 31st of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

(m) Indemnity. To the full extent permitted under the laws of the State, the Borrower will pay, and will protect, indemnify, save, and hold harmless, the Council, the Trustee, each member, officer, commissioner, employee, and agent of any of the Council, the Trustee, and each other person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Council, harmless from and against, any and all liabilities, losses, damages, costs, and expenses (including reasonable attorneys' fees, costs, and expenses), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the Project) in any manner arising out of or in connection with the acceptance or administration of the trusts established pursuant to the Indenture or the action or failure to act of the Borrower, its successors and assigns, or the agents, contractors, employees, licensees, or otherwise of the Borrower or its successors and assigns in connection with, the Projects financed with the proceeds of the Loan, or the breach or violation of any agreement, covenant, representation, or warranty of the Borrower set forth in this Loan Agreement or any document delivered pursuant hereto or thereto or in connection herewith or therewith. Such indemnification shall not apply to any actions caused by the gross negligence or willful misconduct of the party seeking such indemnification.

Such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable under any workers' compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws but may be

limited by State law relating to the ability of governmental units to indemnify parties for the actions of such governmental units, including but not limited to Section 768.28, Florida Statutes.

An indemnified person shall promptly notify the Borrower in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Borrower, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Borrower will promptly assume the defense thereof with its in-house counsel or, at its election, the employment of competent outside counsel reasonably satisfactory to such indemnified person and the payment of all expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Borrower unless such employment has been specifically authorized by the Borrower, which such authorization shall not be unreasonably withheld, or unless such employment was occasioned by conflicts of interest between and among indemnified persons and/or the Borrower. If the Borrower shall fail to assume the defense of any action as required hereunder, or, within a reasonable time after commencement of such action, to retain outside counsel, if it so elects or if it becomes necessary due to conflict, reasonably satisfactory to the indemnified person, the fees, costs, and expenses of counsel to such indemnified person hereunder shall be paid by the Borrower.

The provisions of this Section 2.03(m) shall survive the termination of this Loan Agreement or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

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## ARTICLE III

### THE LOAN

**SECTION 3.01. The Loan.** The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$1,495,000.00, which after adding the net bond premium of \$83,326.85 results in \$1,578,326.85 of Loan proceeds. This amount includes an amount equal to \$78,326.85, which reflects the Borrower's share of the costs of issuance, the Bond Insurance Premium, the premium for the Surety Bond, and the Underwriter's discount. The amounts advanced to the Borrower net of the costs of the initial issuance are to be used by the Borrower for the purposes of financing the Costs of the Project.

**SECTION 3.02. Evidence of Loan.** The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

**SECTION 3.03. [Reserved].**

**SECTION 3.04. Loan for Purpose of Financing the Project.** The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$1,500,000.00, as set forth and as directed by the terms of the Indenture, into the Project Loan Fund in order to finance the acquisition, construction, and/or equipping of the Project. The Borrower will provide the Trustee with a requisition in substantially the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund.

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## ARTICLE IV

### LOAN TERM AND LOAN CLOSING REQUIREMENTS

**SECTION 4.01. Commencement of Loan Term.** The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

**SECTION 4.02. Termination of Loan Term.** The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed to the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

**SECTION 4.03. Loan Closing Submissions.** Concurrently with the execution and delivery of this Loan Agreement, the Council or the Borrower are providing to the Trustee the following documents each dated the date of such execution and delivery, except all opinions and certificates shall be dated the date of Closing:

(a) A certified copy of the resolution of the Borrower substantially in the form of Exhibit B attached hereto authorizing the Loan and this Loan Agreement;

(b) An opinion of the Borrower's Counsel substantially in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower to the effect that the representations and warranties of the Borrower are true and correct;

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to September 28, 2020, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.

(e) This executed Loan Agreement;

(f) [Reserved];

(g) A standard opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that (i) the resolution of the Council constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms; (ii) the Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms; (iii) the Bonds have been duly authorized, executed, and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture; and (iv) the interest on the Bonds is excludable from gross income for federal income tax purposes;

(h) An opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that the financing from the proceeds of the Loan pursuant to this Loan Agreement is permitted under the Act, the Indenture and the resolution of the Borrower, and will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes, or adversely affect the validity, due authorization for, or legality of the Bonds;

(i) An opinion of Council's Counsel (addressed to the Council, the Trustee, the Bond Insurer, and the Underwriter) to the effect that the Loan Agreement and Indenture are valid and binding obligations of the Council and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Council's Counsel;

(j) An opinion of Disclosure Counsel (addressed to the Council and the Underwriter) to the effect that based upon their participation in the preparation of the official statement, but without having undertaken to determine independently the accuracy, completeness, or fairness of the statements contained therein, they have no reason to believe that the official statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(k) Such other certificates, documents, opinions, and information as the Council, the Bond Insurer, the Trustee, or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.



## ARTICLE V

### LOAN REPAYMENTS

**SECTION 5.01. Payment of Basic Payments.** The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D.

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2018, and extending through September 20, 2037, unless the Loan is prepaid pursuant to terms of Section 5.07 hereof.

**SECTION 5.02. Payment of Surety Bond Costs; Funding of Reserve Fund.** The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee, on behalf of the Borrower, or any other Borrowers whose loans were funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Trustee, on behalf of the Borrower, on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

**SECTION 5.03. Payment of Additional Payments.** In addition to Basic Payments, the Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

- (a) (i) the Borrower's Proportionate Share of: the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations, the Bond

Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund), the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) the Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

- (1) the cost of reproducing this Loan Agreement;
- (2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee, the Bond Insurer, and the Surety Bond Provider, in connection with the Loan, this Loan Agreement and the enforcement thereof;
- (3) reasonable extraordinary fees and expenses of the Trustee and the Council following an Event of Default hereunder;
- (4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer, the Surety Bond Provider, and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;
- (5) all taxes (including any recording, documentary stamp taxes, intangible taxes, and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title, and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, costs and expenses, relating to any amendments, waivers, consents, or collection or enforcement proceedings pursuant to the provisions hereof;
- (6) all reasonable fees and expenses of the Bond Insurer and the Surety Bond Provider relating directly to the Loan;
- (7) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;
- (8) fees and costs of maintaining a rating on the Loan; and
- (9) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities, or claims (or actions in respect thereof), to which the

Council may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, all as caused by or arising out of or based upon this Loan Agreement, the Loan, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

(c) For repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Trustee, on behalf of the Borrower, from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

#### **SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.**

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in Default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

**SECTION 5.05. Obligations of Borrower Unconditional.** Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event, or cause whatsoever. This Loan Agreement shall be deemed

and construed to be a "net contract," and the Borrower shall pay the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer, or any other party or parties.

**SECTION 5.06. Refunding Bonds.** In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but the Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Loan Agreement without the prior written consent of the Authorized Representative of the Borrower.

**SECTION 5.07. Prepayment.** The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Council sixty (60) days' notice of any prepayment of its Loan.

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## ARTICLE VI

### DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Trustee, or the Bond Insurer, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have paid, or shall have made provision for payment of, prepayment premium, if any, and interest on the Loan, with respect to the Bonds, and shall have paid all other amounts due under this Loan Agreement, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the Holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations owed on the Bonds) shall survive the termination of this Loan Agreement and the payment in full of principal, premium, if any, and interest hereunder. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, in respect to which such cash and/or Governmental Obligations, the principal and interest on which, will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal of, prepayment premium, if any, and interest on the Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except for such amounts then outstanding and as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least sixty (60) days' notice by mail, with receipt confirmed, to the Council.

## ARTICLE VII

### ASSIGNMENT AND PAYMENT BY THIRD PARTIES

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices, and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer, and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

**SECTION 7.04. Payments by the Surety Bond Provider.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**SECTION 8.01. Events of Default Defined.** The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition, or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer, and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer, or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer, and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation, or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and consents to the filing of any petition against it under such law;

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator, or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than sixty (60) days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing, or otherwise respecting any indebtedness of the Borrower outstanding in the principal amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree, or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree, or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) it has not been determined by a court of competent jurisdiction from which appeal may not be taken or from which appeal has been taken but has been finally denied that the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

**SECTION 8.02. Notice of Default.** The Borrower agrees to give the Trustee, the Bond Insurer, and the Council prompt written notice if any petition, assignment, appointment, or possession referred to in Section 8.01(e), 8.01(f), and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.



**SECTION 8.03. Remedies on Default.** Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the written direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, to take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

**SECTION 8.04. [Reserved].**

**SECTION 8.05. No Remedy Exclusive; Waiver, Notice.** No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy, or power shall be construed to be a waiver thereof, but any such right, remedy, or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

**SECTION 8.06. Application of Moneys.** Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any outstanding fees of the Trustee and Council, and any reasonable attorney's fees, costs or expenses, or any other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof; (b) second, to pay interest due on the Loan; (c) third, to pay principal due on the Loan; (d) fourth, to pay any other amounts due hereunder; and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Notices.** All notices, certificates, or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street, Suite 300  
Tallahassee, Florida 32301

Bond Insurer: Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019  
Attention: Managing Director-Surveillance

Trustee: The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway North  
Jacksonville, Florida 32256

Borrower: City of Valparaiso, Florida  
465 Valparaiso Parkway  
Valparaiso, Florida 32580  
Attention: Finance Director

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.02. Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

**SECTION 9.03. Severability.** In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 9.04. Amendments, Changes and Modifications.** This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

**SECTION 9.05. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.06. Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

**SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements, and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including, but not limited to the investment of the Borrower's Project Loan Fund.

The rights granted to the Bond Insurer under the Indenture or this Loan Agreement to request, consent, to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 9.08. Consents and Approvals.** Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

**SECTION 9.09. Immunity of Officers, Employees, and Members of Council and Borrower.** No recourse shall be had for the payment of the principal of, premium, if any, or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant, or agreement in this Loan Agreement against any past, present, or future official officer, member, counsel, employee, director, or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such

officers, members, counsels, employees, directors, or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

**SECTION 9.10. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of sections of this Loan Agreement.

**SECTION 9.11. No Pecuniary Liability of Council.** No provision, covenant, or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income, and all other property as derived herefrom, as hereinabove provided.

**SECTION 9.12. Payments Due on Holidays.** With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**SECTION 9.13. Calculations.** Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

**SECTION 9.14. Time of Payment.** Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of Valparaiso, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_  
Name: Isaac Salver  
Title: Chairman

ATTEST:

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

LOAN AGREEMENT

CITY OF VALPARAISO, FLORIDA

(SEAL)

By: \_\_\_\_\_

Name: Heyward H. Strong, Jr.

Title: Mayor

ATTESTED BY:

By: \_\_\_\_\_

Name: Tammy Johnson, CMC

Title: City Clerk

Approved as to form and correctness  
this 28th day of September, 2017.

By: \_\_\_\_\_

Name: Hayward Dykes

Title: City Attorney

EXHIBIT A

CITY OF VALPARAISO, FLORIDA  
USE OF LOAN PROCEEDS

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE FINANCED</u>
Acquisition, construction, and/or equipping of certain qualifying projects, including, but not limited to, upgrading the utility meter reading system, relocating certain utilities, paving certain streets, and improvements to certain parks	\$1,500,000.00

EXHIBIT B

CERTIFIED RESOLUTION OF THE BORROWER

See Document No. 75



EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

September 28, 2017

Florida Municipal Loan Council  
c/o Florida League of Cities, Inc.  
301 Bronough Street, Suite 300  
Tallahassee, Florida 32301

The Bank of New York Mellon Trust  
Company, N.A.  
10161 Centurion Parkway  
Jacksonville, Florida 32256

Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

Wells Fargo Bank, National Association  
2363 Gulf-to-Bay Boulevard  
Mail Code: WS7517  
Clearwater, Florida 33765

Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019

Ladies and Gentlemen:

We are counsel to the City of Valparaiso, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance all or a portion of the Costs of the Project, as described in Exhibit A of the Loan Agreement, dated as of September 1, 2017, by and between the Council and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, the Charter of the Borrower, the Loan Agreement, the Trust Indenture dated as of September 1, 2017 (the "Indenture"), by and between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), Resolution No. 09-06-12-17 2017, adopted by the Borrower on June 12, 2017 (the "Resolution"), the Continuing Disclosure Agreement, dated as of September 28, 2017 (the "Continuing Disclosure Agreement"), by and among the Borrower and the Florida League of Cities, Inc., the final Official Statement with respect to the Bonds dated September 20, 2017 (the "Official Statement"), and the Bond Purchase Contract dated September 20, 2017, between the Council, Wells Fargo Bank, National Association (the "Underwriter"), and the Borrowers (the "Bond Purchase Contract"). Based on

such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to covenant to budget and appropriate Non-Ad Valorem Revenues to the payment of the Loan, to adopt the Resolution, consummate the transactions contemplated in the Loan Agreement and the Resolution, and otherwise to carry on its activities and own its property.

(b) The Borrower has duly adopted the Resolution, and authorized, executed, and delivered the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Resolution, the Continuing Disclosure Agreement, the Bond Purchase Contract, and the Loan Agreement; the consummation of the transactions contemplated thereby; the acquisition or construction of the Project; and the fulfillment of or compliance with the terms and conditions of the Resolution, the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions, or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry, or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Resolution, the Loan Agreement, the Bond Purchase Contract, or the Continuing Disclosure Agreement.

(e) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official

Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS – General," "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Trust Estate," "–The Covenants to Budget and Appropriate," "LITIGATION," and "CONTINUING DISCLOSURE" (in each case only with respect to those matters specific to the Borrower) are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical, or tax matters or projections.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date*</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest Amounts</u>	<u>Total Amounts</u>
10/1/2018	\$50,000	4.000%	\$59,932.81	\$109,932.81
10/1/2019	50,000	4.000	57,437.50	107,437.50
10/1/2020	50,000	5.000	55,437.50	105,437.50
10/1/2021	55,000	5.000	52,937.50	107,937.50
10/1/2022	55,000	5.000	50,187.50	105,187.50
10/1/2023	60,000	5.000	47,437.50	107,437.50
10/1/2024	65,000	5.000	44,437.50	109,437.50
10/1/2025	65,000	5.000	41,187.50	106,187.50
10/1/2026	70,000	5.000	37,937.50	107,937.50
10/1/2027	75,000	5.000	34,437.50	109,437.50
10/1/2028	75,000	5.000	30,687.50	105,687.50
10/1/2029	80,000	3.000	26,937.50	106,937.50
10/1/2030	85,000	3.000	24,537.50	109,537.50
10/1/2031	85,000	3.000	21,987.50	106,987.50
10/1/2032	90,000	3.250	19,437.50	109,437.50
10/1/2033	90,000	3.250	16,512.50	106,512.50
10/1/2034	95,000	3.375	13,587.50	108,587.50
10/1/2035	95,000	3.375	10,381.26	105,381.26
10/1/2036	100,000	3.500	7,175.00	107,175.00
10/1/2037	105,000	3.500	3,675.00	108,675.00

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\* Loan repayments are due March 20th and September 20th of each year.

EXHIBIT E TO LOAN AGREEMENT

FORM OF REQUISITION CERTIFICATE

TO: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE  
FROM: CITY OF VALPARAISO, FLORIDA (THE "BORROWER")  
SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF SEPTEMBER, 2017

This represents Requisition Certificate No. \_\_\_ in the total amount of \$\_\_\_\_\_ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans therefor.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

CITY OF VALPARAISO, FLORIDA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

DOWNTOWN COCOA BEACH COMMUNITY REDEVELOPMENT AGENCY

Dated as of September 1, 2017

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017B

---

This Instrument Prepared By:

JoLinda Herring, Esquire  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

and

Jason M. Breth, Esquire  
Bryant Miller Olive P.A.  
101 North Monroe Street, Suite 900  
Tallahassee, Florida 32301

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## LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement"), is dated as of September 1, 2017, and entered into by and between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "State"), and the DOWNTOWN COCOA BEACH COMMUNITY REDEVELOPMENT AGENCY (the "Borrower"), a duly constituted public body corporate and politic under the laws of the State.

### WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance, or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Loan Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State organized and existing under and by virtue of that certain Interlocal Agreement by and among, initially, the City of DeLand, Florida, the City of Rockledge, Florida, and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance or refinance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that the Pledged Revenues (as hereinafter defined) shall be pledged to secure this Loan Agreement; and

WHEREAS, to further secure the Loan, the City of Cocoa Beach, Florida (the "City") and the Borrower have entered into an Interlocal Agreement pursuant to which the City will covenant to budget and appropriate the Non-Ad Valorem Revenues (as hereinafter defined) if the Pledged Revenues are ever insufficient to pay the Loan Repayments; and

WHEREAS, the Borrower has determined that there is a substantial need for the financing of the Project (as hereinafter defined) in order to take advantage of lower interest rates and realize debt service savings; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Loan Agreement and that certain Trust Indenture, dated as of September 1, 2017, by and between the Council and the Trustee (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), relating to the issuance of the Bonds (as hereinafter defined), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities, and programs and will promote the most efficient and economical development of such services, facilities, and programs in the State; and

WHEREAS, neither the Council, the Borrower, the State, nor any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated the "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly, or contingently obligate the Council, the Borrower, the State, or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Loan Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

[Remainder of page intentionally left blank]

## ARTICLE I

### DEFINITIONS

**SECTION 1.01. Definitions.** Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts established pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 163, Part III, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and when used with reference to a Borrower which is a special district means the person performing the function of the Chairman or Vice Chairman of the board of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Balloon Indebtedness" means Debt, 25% or more of the original principal of which matures during any one Fiscal Year.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council.

"Bondholder" or "Holder," "holder of Bonds," "Owner," or "owner of Bonds," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto.

"Bonds" means the \$6,790,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2017B, issued pursuant to Article II of the Indenture.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, the Borrower and the other local governmental units receiving loans from the Council made from proceeds of the Bonds.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"CBA Interlocal Agreement" means the Interlocal Agreement dated September 28, 2017, between the City and the Borrower pursuant to which the City has covenanted to budget and appropriate Non-Ad Valorem Revenues if the Pledged Revenues are ever insufficient to pay the Loan Repayments.

"Certificate," "Statement," "Request," "Requisition," or "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a

written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting or Vice Mayor, or Chairman or Vice Chairman, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"City" means the City of Cocoa Beach, Florida, a duly constituted municipality under the laws of the State.

"Closing" means the closing of a Loan pursuant to the Indenture and this Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Debt" means at any date (without duplication) all of the following to the extent that they are secured by or payable in whole or in part from the Pledged Revenues: (a) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes, or other similar instruments; (b) all obligations of the Borrower to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (c) all obligations of the Borrower as lessee under capitalized leases; and (d) all indebtedness of other Persons to the extent guaranteed by, or secured by, the Pledged Revenues.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Loan Agreement.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds established pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P, or (vi) any combination of the foregoing, unless the Bond Insurer otherwise approves.

"Indenture" means the Trust Indenture dated as of September 1, 2017, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2018.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Loan" means the Loan made to the Borrower from proceeds of the Bonds in order to finance the Project in the amount specified in Section 3.01 herein.

"Loans" mean all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means March 20, 2018, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Maximum Annual Debt Service" means the maximum annual debt service on all existing and additional Debt.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenues" means all revenues and taxes of the City derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments pursuant to the CBA Interlocal Agreement.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:



- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 of the Indenture.

"Person" or "person" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Pledged Revenues" means the revenues generated from the tax increment as described in Section 163.387, Florida Statutes, received annually by the Borrower and deposited to the Trust Fund.

"Principal Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Project detailed on Exhibit A hereof.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to the Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of the Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Reserve Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption or at maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"State" means the State of Florida.

"Surety Bond" means the municipal bond debt service reserve insurance policy issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means Assured Guaranty Municipal Corp., a New York stock insurance company, and any successors or assigns thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trust Fund" means the redevelopment trust fund established pursuant to Ordinance 1547, enacted on May 17, 2012, by the City.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee, or any successor thereto under the Indenture.

**SECTION 1.02. Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Owner," and "person" shall include

the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

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## ARTICLE II

### REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER AND COUNCIL

**SECTION 2.01. Representations, Warranties, and Covenants.** The Borrower represents, warrants, and covenants on the date hereof for the benefit of the Council, the Trustee, the Borrower, the Bond Insurer, and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing public body corporate and politic of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to finance the Project, to pledge the Pledged Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting the State community redevelopment agencies generally, that will materially affect adversely the properties, activities, prospects, or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Loan Agreement.

The financial statements, including, but not limited to the financial statements for the Borrower's Fiscal Year ended September 30, 2016, balance sheets, and any other written statement furnished by the Borrower to the Council, the Bond Insurer, Wells Fargo Bank, National Association, as underwriter of the Bonds (the "Underwriter"), and the Bond Insurer were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Underwriter, and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Loan Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Underwriter, and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects, or condition (financial or otherwise) of

the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Loan Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Loan Agreement and the consummation of the transactions provided for in this Loan Agreement and compliance by the Borrower with the provisions of this Loan Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement, or other agreement or instrument (other than this Loan Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties, or operations are bound as of the date of this Loan Agreement, or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge, or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Loan Agreement or the Borrower's ability to perform fully its obligations under this Loan Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations, or court orders to which the Borrower, its properties, or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Loan Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer, and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties, or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals, and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, the financing or refinancing thereof, or the reimbursement of the Borrower therefor, or the use of the Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals, and findings as may be necessary for the

foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing, or registration with any agency or other governmental body or officer in connection with the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, financing or refinancing thereof, or reimbursement of the Borrower therefor. Any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order, or other action which is applicable thereto. No further consent, approval, or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, and governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances, or status as a community redevelopment agency.

(h) Use of Proceeds.

(1) The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower to finance the acquisition, construction, and/or equipping of the Project. The financing of the Project in the manner herein provided is hereby authorized. The Borrower will apply a portion of the proceeds of the Loan from the Council for the financing of the Costs of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.04 hereof, be transferred by the Underwriter directly to the Trustee for deposit by the Trustee into the Project Loan Fund established pursuant to the Indenture. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to September 28, 2020, use the remainder of the proceeds of the Loan listed in Exhibit A and any investment earnings thereon to pay the Costs of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee. The Borrower may amend Exhibit A to provide for the financing of different or additional Projects if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of the Project or the Costs of the Project prove to be less than the amounts listed on Exhibit A and the investment earnings thereon, without the consent of the Council or the Trustee (but with notice thereto); provided, however, the Borrower must obtain an opinion of Bond Counsel to the effect that such an amendment and the completion of the revised Project

will not adversely affect the validity or tax-exempt status of the Bonds regarding the amended Exhibit A. Notwithstanding the foregoing all such proceeds of the Loan shall be expended prior to September 28, 2020.

(2) Costs of the Project which may be financed include, but are not limited to, all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction, installation, or equipping of the Project, including operational expenses during the construction period which would qualify for capitalization under GAAP, the incidental costs of placing the same in use, and financing expenses (including the application or origination fees, if any, of the Bond Insurer, the Council, and the Borrower's Counsel fees. Costs of the Project shall not include operating expenses.

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium and less any discount in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, net original issue premium, and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be financed with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. The Council hereby covenants and represents that all agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

(k) Non-Ad Valorem Revenues. The Borrower has entered into the CBA Interlocal Agreement whereby the City has covenanted to budget and appropriate Non-Ad Valorem Revenues in an amount necessary to satisfy the Loan Repayments if and when the Pledged Revenues are ever insufficient.

**SECTION 2.02. Covenants of Borrower.** The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for the Loan and Loan Repayment. The Borrower agrees to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee amounts of the Pledged Revenues of the Borrower sufficient to satisfy the Loan Repayments as required under this Loan Agreement. The Borrower does hereby irrevocably pledge the Pledged Revenues to the payment of the Loan Repayments. Further, pursuant to the CBA Interlocal Agreement, the City has covenanted to budget and appropriate Non-Ad Valorem Revenues to satisfy the Loan Repayments if and when the Pledged Revenues are ever insufficient.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances, and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year. Notwithstanding the foregoing, such audited financial statements may be part of the financial statements of the City, which shall be submitted as aforesaid.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable State law.

(d) Additional Bonds Test.

(1) While the Loan is outstanding hereunder, as a condition to the Borrower issuing any additional Debt, the Borrower shall certify to the Council and the Bond Insurer that: the Pledged Revenues shall cover projected Maximum Annual Debt Service on the Debt (including the proposed Debt) by at least 1.5x.

(2) The calculation required by this Section 2.02(d)(1) shall be determined using the average of actual Pledged Revenues for the prior two Fiscal Years based on the audited financial statements of the Borrower.



(3) For purposes of the calculation required by this Section 2.02(d)(1), if the Debt of the Borrower also includes a pledge of additional revenues, the Maximum Annual Debt Service shall be discounted by the amount that will be covered by such additional revenues.

(4) For purposes of calculating the Maximum Annual Debt Service the following shall apply: (i) with respect to the Debt (including Balloon Indebtedness) that bears interest at a fixed interest rate, the maximum annual debt service on such Debt shall be the actual maximum annual debt service; and (ii) with respect to the Debt (including Balloon Indebtedness) that bears interest at a variable rate, maximum annual debt service on such Debt shall be determined assuming that interest accrues on such Debt at the average annual interest rate paid over the last three years plus 150 basis points, or, if such Debt has not been outstanding for at least three years, the average annual interest rate paid for the period such Debt has been outstanding plus 150 basis points.

(5) Notwithstanding anything herein to the contrary, the provisions of this Section 2.02(d) may be amended, supplemented, or waived from time to time only with the written consent of the Council, the Borrower, and the Bond Insurer.

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve, and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations, and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects, or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds be excludable from the gross income of the Holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excludable from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bond Counsel to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

The covenants of the Council and the Borrower contained in this subsection shall survive the termination of this Loan Agreement.

(j) Information Reports. The Borrower covenants to provide the Council with all materials and information it possesses or has the ability to possess, which is necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations.

(1) Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable from and secured by the Pledged Revenues as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or

constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer, or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory, or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, the Bondholders nor any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge the Pledged Revenues or any revenues or taxes of the Borrower for other legally permissible purposes.

(2) It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments, and the Borrower shall have no joint liability with the other Borrowers or the Council for any of their respective liabilities, except to the extent expressly provided herein.

(l) Reporting Requirements.

(1) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured Pledged Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(2) The Borrower agrees to provide to the Council and the Bond Insurer, not later than December 31st of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

(m) Indemnity. To the full extent permitted under the laws of the State, the Borrower will pay, and will protect, indemnify, save, and hold harmless, the Council, the Trustee, each member, officer, commissioner, employee, and agent of any of the Council, the Trustee, and each other person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Council, harmless from and against, any and all liabilities, losses, damages, costs, and expenses (including reasonable attorneys' fees, costs, and expenses), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the

Project) in any manner arising out of or in connection with the acceptance or administration of the trusts established pursuant to the Indenture or the action or failure to act of the Borrower, its successors and assigns, or the agents, contractors, employees, licensees, or otherwise of the Borrower or its successors and assigns in connection with, the Projects financed with the proceeds of the Loan, or the breach or violation of any agreement, covenant, representation, or warranty of the Borrower set forth in this Loan Agreement or any document delivered pursuant hereto or thereto or in connection herewith or therewith. Such indemnification shall not apply to any actions caused by the gross negligence or willful misconduct of the party seeking such indemnification.

Such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable under any workers' compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws but may be limited by State law relating to the ability of governmental units to indemnify parties for the actions of such governmental units, including but not limited to Section 768.28, Florida Statutes.

An indemnified person shall promptly notify the Borrower in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Borrower, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Borrower will promptly assume the defense thereof with its in-house counsel or, at its election, the employment of competent outside counsel reasonably satisfactory to such indemnified person and the payment of all expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Borrower unless such employment has been specifically authorized by the Borrower, which such authorization shall not be unreasonably withheld, or unless such employment was occasioned by conflicts of interest between and among indemnified persons and/or the Borrower. If the Borrower shall fail to assume the defense of any action as required hereunder, or, within a reasonable time after commencement of such action, to retain outside counsel, if it so elects or if it becomes necessary due to conflict, reasonably satisfactory to the indemnified person, the fees, costs, and expenses of counsel to such indemnified person hereunder shall be paid by the Borrower.

The provisions of this Section 2.03(m) shall survive the termination of this Loan Agreement or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

(n) No Impairment. The pledging of the Pledged Revenues in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the Borrower. The Borrower is presently entitled to receive tax increment revenues to be deposited in the Trust Fund, and has taken all action required by law to entitle it to receive such revenues, and the Borrower will diligently enforce the obligation

of any "taxing authority," as defined in Section 163.340(24), Florida Statutes, as amended, to appropriate its proportionate share of the tax increment revenues and will not take, or consent to or adversely permit, any action which will impair or adversely affect the obligation of each such taxing authority to appropriate its proportionate share of such revenues, impair or adversely affect in any manner the deposit of such revenues in the Trust Fund, or the pledge of the Pledged Revenues hereby. The Borrower shall be unconditionally and irrevocably obligated so long as the Loan is outstanding to take all lawful action necessary or required in order to ensure that each such taxing authority shall appropriate its proportionate share of the tax increment revenues as now or later required by law, and to make or cause to be made any deposits of tax increment revenues or other funds required by this Loan Agreement.

(o) Redevelopment Area Boundaries. The Borrower will not permit the boundaries of the current redevelopment area to be reduced without the prior written approval of the Council and the Bond Insurer.

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## ARTICLE III

### THE LOAN

**SECTION 3.01. The Loan.** The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$4,245,000.00, which after adding the net bond premium of \$429,291.30 results in \$4,674,291.30 of Loan proceeds. This amount includes an amount equal to \$174,291.30, which reflects the Borrower's share of the costs of issuance, the Bond Insurance Premium, the premium for the Surety Bond, and the Underwriter's discount. The amounts advanced to the Borrower net of the costs of the initial issuance are to be used by the Borrower for the purposes of financing the Costs of the Project.

**SECTION 3.02. Evidence of Loan.** The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

**SECTION 3.03. [Reserved].**

**SECTION 3.04. Loan for Purpose of Financing the Project.** The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$4,500,000.00, as set forth and as directed by the terms of the Indenture, into the Project Loan Fund in order to finance the acquisition, construction, and/or equipping of the Project. The Borrower will provide the Trustee with a requisition in substantially the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund.

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## ARTICLE IV

### LOAN TERM AND LOAN CLOSING REQUIREMENTS

**SECTION 4.01. Commencement of Loan Term.** The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

**SECTION 4.02. Termination of Loan Term.** The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed to the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

**SECTION 4.03. Loan Closing Submissions.** Concurrently with the execution and delivery of this Loan Agreement, the Council or the Borrower are providing to the Trustee the following documents each dated the date of such execution and delivery, except all opinions and certificates shall be dated the date of Closing:

(a) A certified copy of the resolution of the Borrower substantially in the form of Exhibit B attached hereto authorizing the Loan and this Loan Agreement;

(b) An opinion of the Borrower's Counsel substantially in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower to the effect that the representations and warranties of the Borrower are true and correct;

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to September 28, 2020, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.

(e) This executed Loan Agreement;

(f) The executed CBA Interlocal Agreement;

(g) A standard opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that (i) the resolution of the Council constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms; (ii) the Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms; (iii) the Bonds have been duly authorized, executed, and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture; and (iv) the interest on the Bonds is excludable from gross income for federal income tax purposes;

(h) An opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that the financing from the proceeds of the Loan pursuant to this Loan Agreement is permitted under the Act, the Indenture and the resolution of the Borrower, and will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes, or adversely affect the validity, due authorization for, or legality of the Bonds;

(i) An opinion of Council's Counsel (addressed to the Council, the Trustee, the Bond Insurer, and the Underwriter) to the effect that the Loan Agreement and Indenture are valid and binding obligations of the Council and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Council's Counsel;

(j) An opinion of Disclosure Counsel (addressed to the Council and the Underwriter) to the effect that based upon their participation in the preparation of the official statement, but without having undertaken to determine independently the accuracy, completeness, or fairness of the statements contained therein, they have no reason to believe that the official statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) An opinion of Counsel to the City to the effect that the Interlocal Agreement is a valid and binding obligation of the City and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Counsel to the City; and



(l) Such other certificates, documents, opinions, and information as the Council, the Bond Insurer, the Trustee, or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

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## ARTICLE V

### LOAN REPAYMENTS

**SECTION 5.01. Payment of Basic Payments.** The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D.

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2018, and extending through September 20, 2032, unless the Loan is prepaid pursuant to terms of Section 5.07 hereof or accelerated pursuant to the terms of Section 8.03 hereof.

**SECTION 5.02. Payment of Surety Bond Costs; Funding of Reserve Fund.** The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee, on behalf of the Borrower, or any other Borrowers whose loans were funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Trustee, on behalf of the Borrower, on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

**SECTION 5.03. Payment of Additional Payments.** In addition to Basic Payments, the Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) the Borrower's Proportionate Share of: the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations, the Bond Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund), the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) the Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee, the Bond Insurer, and the Surety Bond Provider, in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees and expenses of the Trustee and the Council following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer, the Surety Bond Provider, and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording, documentary stamp taxes, intangible taxes, and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title, and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, costs and expenses, relating to any amendments, waivers, consents, or collection or enforcement proceedings pursuant to the provisions hereof;

(6) all reasonable fees and expenses of the Bond Insurer and the Surety Bond Provider relating directly to the Loan;

(7) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(8) fees and costs of maintaining a rating on the Loan; and

(9) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities, or claims (or actions in respect thereof), to which the Council may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, all as caused by or arising out of or based upon this Loan Agreement, the Loan, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

(c) For repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Trustee, on behalf of the Borrower, from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

#### **SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.**

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in Default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

**SECTION 5.05. Obligations of Borrower Unconditional.** Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever,

while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event, or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer, or any other party or parties.

**SECTION 5.06. Refunding Bonds.** In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but the Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Loan Agreement without the prior written consent of the Authorized Representative of the Borrower.

**SECTION 5.07. Prepayment.** The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Council sixty (60) days' notice of any prepayment of its Loan.

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## ARTICLE VI

### DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Trustee, or the Bond Insurer, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have paid, or shall have made provision for payment of, prepayment premium, if any, and interest on the Loan, with respect to the Bonds, and shall have paid all other amounts due under this Loan Agreement, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the Holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations owed on the Bonds) shall survive the termination of this Loan Agreement and the payment in full of principal, premium, if any, and interest hereunder. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, in respect to which such cash and/or Governmental Obligations, the principal and interest on which, will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal of, prepayment premium, if any, and interest on the Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except for such amounts then outstanding and as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least sixty (60) days' notice by mail, with receipt confirmed, to the Council.

## ARTICLE VII

### ASSIGNMENT AND PAYMENT BY THIRD PARTIES

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices, and expenses), and the CBA Interlocal Agreement and the obligations of the City to make payments thereunder, have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act under the Loan Agreement, the CBA Interlocal Agreement, and the Indenture in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer, and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

**SECTION 7.04. Payments by the Surety Bond Provider.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**SECTION 8.01. Events of Default Defined.** The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower (or the City pursuant to the CBA Interlocal Agreement) to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition, or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer, and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer, or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer, and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation, or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and consents to the filing of any petition against it under such law;



(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator, or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than sixty (60) days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing, or otherwise respecting any indebtedness of the Borrower outstanding in the principal amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree, or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree, or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) it has not been determined by a court of competent jurisdiction from which appeal may not be taken or from which appeal has been taken but has been finally denied that the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

**SECTION 8.02. Notice of Default.** The Borrower agrees to give the Trustee, the Bond Insurer, and the Council prompt written notice if any petition, assignment, appointment, or possession referred to in Section 8.01(e), 8.01(f), and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

**SECTION 8.03. Remedies on Default.** Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the written direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, to take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

**SECTION 8.04. [Reserved].**

**SECTION 8.05. No Remedy Exclusive; Waiver, Notice.** No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy, or power shall be construed to be a waiver thereof, but any such right, remedy, or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

**SECTION 8.06. Application of Moneys.** Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any outstanding fees of the Trustee and Council, and any reasonable attorney's fees, costs or expenses, or any other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof; (b) second, to pay interest due on the Loan; (c) third, to pay principal due on the Loan; (d) fourth, to pay any other amounts due hereunder; and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Notices.** All notices, certificates, or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council  
c/o Florida League of Cities  
301 South Bronough Street, Suite 300  
Tallahassee, Florida 32301

Bond Insurer: Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019  
Attention: Managing Director-Surveillance

Trustee: The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway North  
Jacksonville, Florida 32256

Borrower: Downtown Cocoa Beach Community Redevelopment Agency  
2 South Orlando Avenue  
Cocoa Beach, Florida 32931  
Attention: Chief Finance Officer

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.02. Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

**SECTION 9.03. Severability.** In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**SECTION 9.04. Amendments, Changes and Modifications.** This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

**SECTION 9.05. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.06. Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

**SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements, and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including, but not limited to the investment of the Borrower's Project Loan Fund.

The rights granted to the Bond Insurer under the Indenture or this Loan Agreement to request, consent, to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 9.08. Consents and Approvals.** Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

**SECTION 9.09. Immunity of Officers, Employees, and Members of Council and Borrower.** No recourse shall be had for the payment of the principal of, premium, if any, or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant, or agreement in this Loan Agreement against any past, present, or future official officer, member, counsel, employee, director, or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such

officers, members, counsels, employees, directors, or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

**SECTION 9.10. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of sections of this Loan Agreement.

**SECTION 9.11. No Pecuniary Liability of Council.** No provision, covenant, or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income, and all other property as derived herefrom, as hereinabove provided.

**SECTION 9.12. Payments Due on Holidays.** With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**SECTION 9.13. Calculations.** Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

**SECTION 9.14. Time of Payment.** Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the Downtown Cocoa Beach Redevelopment Agency, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_  
Name: Isaac Salver  
Title: Chairman

ATTEST:

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

LOAN AGREEMENT

DOWNTOWN COCOA BEACH  
REDEVELOPMENT AGENCY

(SEAL)

By: \_\_\_\_\_  
Name: Ben Malik  
Title: Chairperson

ATTESTED BY:

By: \_\_\_\_\_  
Name: Loredana Kalaghchy, CMC  
Title: Clerk

Approved as to form and correctness  
this 28th day of September, 2017.

By: \_\_\_\_\_  
Name: Wade C. Vose  
Title: Agency Attorney

EXHIBIT A

DOWNTOWN COCOA BEACH REDEVELOPMENT AGENCY  
USE OF LOAN PROCEEDS

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE FINANCED</u>
Acquisition, construction, and/or equipping of certain qualifying projects, including, but not limited to, a parking structure adjacent to the new police facility	\$4,500,000



EXHIBIT B

CERTIFIED RESOLUTION OF THE BORROWER

See Document No. 50

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

September 28, 2017

Florida Municipal Loan Council  
c/o Florida League of Cities, Inc.  
301 Bronough Street, Suite 300  
Tallahassee, Florida 32301

The Bank of New York Mellon Trust  
Company, N.A.  
10161 Centurion Parkway  
Jacksonville, Florida 32256

Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, Florida 33131

Wells Fargo Bank, National Association  
2363 Gulf-to-Bay Boulevard  
Mail Code: WS7517  
Clearwater, Florida 33765

Assured Guaranty Municipal Corp.  
1633 Broadway  
New York, New York 10019

Ladies and Gentlemen:

We are counsel to the Downtown Cocoa Beach Community Redevelopment Agency (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Issuer") to the Borrower of funds to finance all or a portion of the Costs of the Project, as described in Exhibit A of the Loan Agreement, dated as of September 1, 2017, by and between the Issuer and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, ordinances, and resolutions adopted by the City Council of the City of Cocoa Beach, Florida (the "City") and the Borrower; the Loan Agreement; the Trust Indenture, dated as of September 1, 2017 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); Resolution CRA 2017-02, adopted by the Borrower on June 15, 2017 (the "Resolution"); the Continuing Disclosure Agreement, dated as of September 28, 2017 (the "Continuing Disclosure Agreement"), by and among the Borrower and the Florida League of Cities, Inc.; the final Official Statement with respect to the Bonds, dated September 20, 2017 (the "Official Statement"); the Bond Purchase Contract, dated

September 20, 2017, between the Issuer, Wells Fargo Bank, National Association (the "Underwriter"), and the Borrowers (the "Bond Purchase Contract"); and the Interlocal Agreement, dated September 28, 2017, between the City and the Borrower (the "CBA Interlocal Agreement"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a public body corporate and politic duly organized and validly existing as a community redevelopment agency under the Constitution and the laws of the State of Florida, including Chapter 163, Part III, Florida Statutes. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, the Bond Purchase Contract, the Continuing Disclosure Certificate, and the CBA Interlocal Agreement, to receive the Pledged Revenues, to pledge the Pledged Revenues to the payment of the Loan, to adopt the Resolution, consummate the transactions contemplated in the Loan Agreement and the Resolution, and otherwise to carry on its activities and own its property.

(b) The Borrower has duly adopted the Resolution, and authorized, executed, and delivered the CBA Interlocal Agreement, the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Resolution, the Continuing Disclosure Agreement, the Bond Purchase Contract, the CBA Interlocal Agreement, and the Loan Agreement; the consummation of the transactions contemplated thereby; the acquisition or construction of the Project; and the fulfillment of or compliance with the terms and conditions of the Resolution, the CBA Interlocal Agreement, the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions, or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry, or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Issuer and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the

Resolution, the CBA Interlocal Agreement, the Loan Agreement, the Bond Purchase Contract, or the Continuing Disclosure Agreement.

(e) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS – General," "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Trust Estate," "– Downtown Cocoa Beach CRA Loan Agreement," "LITIGATION," and "CONTINUING DISCLOSURE" (in each case only with respect to those matters specific to the Borrower) are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical, or tax matters or projections.

(f) The City approved and adopted the community redevelopment plan on or about May 17, 2012. The final maturity of the Borrower's portion of the Bonds is October 1, 2031, which is within 40 years after the end of the fiscal year in which the initial community redevelopment plan was approved and is no later than the end of the expiration of the plan in effect at the time the Bonds were issued.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date*</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest Amounts</u>	<u>Total Amounts</u>
10/1/2018	\$220,000	4.000%	\$186,289.58	\$406,289.58
10/1/2019	230,000	4.000	175,950.00	405,950.00
10/1/2020	240,000	5.000	166,750.00	406,750.00
10/1/2021	250,000	5.000	154,750.00	404,750.00
10/1/2022	265,000	5.000	142,250.00	407,250.00
10/1/2023	280,000	5.000	129,000.00	409,000.00
10/1/2024	290,000	5.000	115,000.00	405,000.00
10/1/2025	305,000	5.000	100,500.00	405,500.00
10/1/2026	320,000	5.000	85,250.00	405,250.00
10/1/2027	340,000	5.000	69,250.00	409,250.00
10/1/2028	355,000	5.000	52,250.00	407,250.00
10/1/2029	370,000	3.000	34,500.00	404,500.00
10/1/2030	385,000	3.000	23,400.00	408,400.00
10/1/2031	395,000	3.000	11,850.00	406,850.00

---

\* Loan repayments are due March 20th and September 20th of each year.

EXHIBIT E TO LOAN AGREEMENT

FORM OF REQUISITION CERTIFICATE

TO: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

FROM: DOWNTOWN COCOA BEACH COMMUNITY REDEVELOPMENT AGENCY  
(THE "BORROWER")

SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF SEPTEMBER, 2017

This represents Requisition Certificate No. \_\_\_ in the total amount of \$\_\_\_\_\_ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans therefor.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this \_\_\_ day of \_\_\_\_\_, 20\_\_.

DOWNTOWN COCOA BEACH COMMUNITY  
REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**APPENDIX E**

**FORM OF OPINION OF BOND COUNSEL**

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*Upon delivery of the Bonds in definite form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its opinion with respect to the Bonds in substantially the following form:*

September 28, 2017

Florida Municipal Loan Council  
Tallahassee, Florida

\$6,790,000  
Florida Municipal Loan Council  
Refunding and Improvement Revenue Bonds, Series 2017B

Ladies and Gentlemen:

We have acted as bond counsel to the Florida Municipal Loan Council (the "Council") in connection with the issuance by the Issuer of its \$6,790,000 Refunding and Improvement Revenue Bonds, Series 2017B (the "Bonds"), pursuant to and under the authority of the Constitution of the State of Florida, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes and, each as amended, and other applicable provisions of law, a Trust Indenture, dated as of September 1, 2017 (the "Indenture"), by and between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and Resolution No. 2017-03, adopted by the Council on August 17, 2017 (the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to The Downtown Cocoa Beach Community Redevelopment Agency, the City of Valparaiso, Florida, and the Town of Melbourne Beach, Florida (collectively, the "Borrowers") for the purpose of financing, refinancing, or reimbursing the cost of qualified projects of such Borrowers, and to pay certain costs of issuing the Bonds pursuant to separate Loan Agreements, each dated as of September 1, 2017, by and between the Council and each such Borrower.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and representations of the Borrowers contained in the Loan Agreements and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. We have assumed the proper authorization, execution, and delivery of the Loan Agreements by each Borrower and the validity of such Loan Agreements, and in rendering this opinion are not passing upon such matters.

The Bonds are payable from Revenues, which consist primarily of the payments of principal and interest and other payments payable by the Borrowers pursuant to the provisions of each respective Loan Agreement, and are secured by a pledge and assignment of said Revenues and of amounts held in certain Funds and Accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title, and interest of the Council in the Loan Agreements to the Trustee, to the extent and as more particularly described in the Indenture.

The Bonds do not constitute a general obligation or indebtedness of the Council or the Borrowers within the meaning of any constitutional, statutory, or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Council or the Borrowers or taxation in any form of any real or personal property for the payment of the principal of or interest on the Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion, that, under existing law:

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution, and delivery by the Trustee, constitutes a valid and binding limited obligation of the Council enforceable upon the Council in accordance with its terms.

3. The Bonds are valid and binding limited obligations of the Council enforceable in accordance with their terms, and payable solely from the sources and in the manner and to the extent provided for in the Indenture.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Council has covenanted in the Indenture and the Borrowers have covenanted in the Loan Agreements to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the Revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Florida Municipal Loan Council  
September 28, 2017  
Page 4

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

**APPENDIX F**

**FINANCIAL INFORMATION REGARDING CITY OF COCOA BEACH**

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# City of Cocoa Beach, Florida

## Comprehensive Annual Financial Report

Fiscal Year Ended  
September 30, 2016



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2 S. Orlando Avenue, Cocoa Beach, Florida 32931

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Cocoa Beach, Florida

For the Fiscal Year Ended  
September 30, 2016



Prepared by:  
Finance Department

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- City Officials and Management Staff
- City Organization Chart
- Certificate of Achievement

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**City of Cocoa Beach**  
P.O. Box 322430, 2 South Orlando Avenue  
Cocoa Beach, Florida 32932-2430  
[www.cityofcocoabeach.com](http://www.cityofcocoabeach.com)



March 10, 2017

To the City Manager, Citizens and Board of City Commissioners  
City of Cocoa Beach  
2 South Orlando Avenue  
Cocoa Beach, FL 32931



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The Comprehensive Annual Financial Report (CAFR) of the City of Cocoa Beach, Florida for the fiscal year ended September 30, 2016 is submitted pursuant to Florida Statutes Chapters 11.45 and 218.39, and Section 3.03(4) of the City Charter.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We consider the enclosed data to be accurate in all material respects and it is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The report complies in all material respects with the authoritative promulgations by the Governmental Accounting Standards Board (GASB). An explanation of the City's accounting policies is contained in the Notes to Financial Statements, which are an integral part of this Report. These Notes explain the basis of accounting, funds and accounts used, and other significant accounting information.

**Internal Controls**

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure is intended to provide reasonable, but not absolute, assurance that these objectives are met. The inherent limitations of internal control are that:

1. Cost considerations will prevent management from ever installing a "perfect" system. Management will properly and deliberately choose to run certain risks because the cost of preventing such risks cannot be justified, (i.e. costs should not exceed benefits);
2. Control related policies and procedures are subject to management override; and
3. Internal controls may be circumvented by collusion between employees.

**Independent Audit**

Chapter 218.39, Florida Statutes requires that the financial statements of the City be audited by an independent Certified Public Accountant, licensed to practice in Florida. This audit has been completed by the City's independent Certified Public Accountants, Moore Stephens Lovelace, P.A., and their opinion is included in their report.

**Management Discussion and Analysis**

Generally Accepted Accounting Principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This information is referred to as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Cocoa Beach's MD&A can be found immediately following the independent auditor's report.

**Profile of the Government**

The City of Cocoa Beach has a Commission/Manager form of government. The five member Commission consists of a Mayor and four Commissioners who are elected at large and serve for a period of four years. In the governance of the City, the Commission is charged with the responsibility of establishing policies and enacting ordinances and resolutions. The City Manager is appointed by the Commission, and is charged with the responsibility of administering daily operations and implementing Commission directives. The City provides a range of services normally associated with a municipality, including police, fire, emergency medical services, parks and recreational activities, streets and parks maintenance, traffic engineering and parking, sanitation, wastewater treatment, stormwater improvements, community redevelopment, code enforcement, planning and zoning, and general administration. Wastewater treatment services are also provided to the adjacent unincorporated areas and to Patrick Air Force Base. The City also operates a twenty-seven hole golf course. All monies required to support these services are reflected in this report.

**Budgeting Process and Controls**

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body. Annual budgets are prepared for those funds that require them. Budgetary integration is established in the accounting records with a uniform chart of accounts as required by the state.

The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management. Note C of the financial statements contains a more complete discussion of the budget process.

**Community Characteristics**

The City of Cocoa Beach was incorporated in 1925. With its six miles of highly accessible beaches and laid back beach style, the City is a popular family-oriented tourist destination as well as a residential and resort community situated on the narrow strip of land between the Banana River and the Atlantic Ocean. The small oceanfront community is characterized by a mixed economy of tourism and retirement living, which offers a desirable quality of life for residents and visitors alike. The base population (for state shared revenue purposes in Fiscal Year 2017) is 11,182 but the number of residents increases to about 30,000 during the tourist season when hotels, motels, timeshares and condominium rentals are full. There are over 5,700 hotel and motel rooms available. In addition, the City is the destination for another 2,400,000 day visitors per year. Most of these day visitors reside in the Orlando metro area, a drive of less than two hours. The preceding numbers were provided by an independent consultant.

Total land area in the City is approximately 2,700 acres of which about 900 acres is the area known as The Thousand Islands. A significant portion of The Thousand Islands located on the north side of the City was jointly purchased by the City, Brevard County and the State of Florida several years ago and leased to the City to conserve and protect these natural and historic resources. The islands on the City's southern side were owned by two private sector entities. The Brevard County Environmentally Endangered Lands (EEL) Program purchased one portion in Fiscal Year 2007 and the remaining portion was purchased in Fiscal Year 2008. The City Commission approved funds to assist in both purchases. Vacant lands, excluding The Thousand Islands comprise less than 5% of the City's land area. Land uses are primarily in the form of residential, commercial, public recreation, schools, and public or institutional uses. Industrial uses are not permitted.

**Economic Condition and Outlook**

The financial condition and economic vitality of the Cocoa Beach area are influenced by the activities at the Kennedy Space Center and Port Canaveral to the north, and Patrick Air Force Base to the south.

The Kennedy Space Center (KSC) is both a tourist attraction and a major employment center, with several space and defense contractors located there, supported by numerous local suppliers and support services. KSC was adversely impacted by the elimination of the space shuttle program. Facilities at KSC have since been reconfigured for private space endeavors. With rocket launches scheduled on an ongoing basis, KSC has reclaimed its status as the most active rocket launch facility in the world.

The economic outlook for Brevard County is slowly improving and the unemployment rate has steadily fallen from 11.8% (January 2010) to 4.9% (December 2016).<sup>1</sup>

As of the date of this writing, the economic outlook continues to steadily improve.

<sup>1</sup> FRED Economic Data, St. Louis Fed. <https://fred.stlouisfed.org/series/FLBREV3URN>

Port Canaveral has a favorable area impact with its growth in cruise ship services, port facilities, tonnage processed, and recreational activities. The Port is one of the busiest cruise ports in the world, with ten beautifully constructed terminals. The Port continues to add cruise ships and currently hosts ships from most major cruise lines. It has evolved into a major deep water port of entry with first-class berthing facilities, a marine commercial park and foreign trade zone. It is the world's first quadra-modal hub, interchanging freight among sea, land, air and space transportation modes. The Port continues to increase cargo ship activity, with the combined port costs for tug boats, piloting, line handling, dockage and water among the lowest in the Southeast. Annual cargo tonnage exceeds two million tons with two liquid bulk facilities and nine dry cargo berths with 6,976 feet of berthing space, including a Roll On/Roll Off ramp. The Exploration Tower, a recently completed seven story welcome center at the Port, is designed to serve as a focal point for the community and to enhance the cruise passenger experience while in port.

Patrick Air Force Base is one of the area's major employers, as well as a provider of services to the area's military veterans and retirees.

State shared revenues (sales tax and fuel tax) in general, have remained flat or declined. Since Fiscal Year 2008, revenues from these sources have fallen 3.5% overall. Low interest rates have reduced revenues earned by our pooled funds and investment accounts. With the Federal Reserve decision to lift its seven year near zero interest rate and move gradually in raising rates further in coming years, we should see corresponding slight increases in interest rate revenue. Fuel prices are currently increasing, a trend expected to continue in the near term (Fiscal Year 2017).

The Fiscal Year 2017 budget has a continued increase (7.82%) in City taxable property values and we hope this positive trend continues. Total ad valorem tax collections in Fiscal Year 2007 were \$7,341,256; in Fiscal Year 2017 they are projected to be \$8,659,954. Projected revenue in FY 2017 is \$ 1,376,354 or 17.96% more than ten years prior. But in constant dollars, the year over year cumulative revenue loss between FY 2017 and FY 2007 totals more than \$ 10,000,000; thereby reducing the purchasing power that otherwise would have been generated by collections. Property values are projected to continue to increase in Brevard County for 2017 (i.e., Fiscal Year 2018).

The coming session of the Legislature will consider some tax measures. Florida is one of the lowest tax states<sup>2</sup> already, and previous recessionary times will make tax increases or revenue enhancements politically difficult. At the county level a half-cent sales tax was approved by the voters in 2016 for the Brevard County school system and another half-cent sales tax for the Indian River Lagoon was approved by the voters for 2017. A gasoline tax increase failed.

A degree of uncertainty still exists regarding the continuing effects of the economic recovery on our community.

<sup>2</sup> Tax Foundation: Background Paper, October 2013, No. 68.

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Beginning in Fiscal Year 2009, loans from the General Fund were issued to the Golf Course, specifically for the loss of revenue associated with closing the course to replace the old greens with salt resistant greens and to cover administrative costs. In Fiscal Year 2013, the City Commission approved that the loans be forgiven and golf course accounts are now included in the General Fund.

The golf course continues to be a challenge and some issues were addressed. A comprehensive study by the National Golf Foundation proposed a series of rate increases and sunseting the annual memberships to encourage revenue generation. The Commission has adopted the study and the new rates were effective in December 2015.

Various options and phases for a downtown parking plan recommended in the parking study completed in Fiscal Year 2015 have been implemented. We also upgraded our existing metered parking program with the idea that multiple payment options (debit/credit/smartcards; cellphones) will increase revenue. The smart cards present a marketing opportunity for local businesses. In addition, we upgraded our parking enforcement system to a web-based model and are considering reset devices for parking spaces in high-volume areas.

The Strategic Plan has a goal (Task 2.11.3) to develop a master fee schedule for fees of similar topics to facilitate the review of fees each year to maintain appropriate fee levels. The comprehensive parking fee Resolution 2016-10 has been implemented and will be updated as part of the budget process.

In addition to the above, rate increases based on studies by outside consultants as well as in-house comparisons to surrounding communities have been adopted by the Commission. These include increases in golf rates, pool and other recreation fees, stormwater fees, sewer fees and fire inspection fees. It should be noted that most of the above fees had not been raised since 2004 – 2008 period. All of the parking fees were condensed into Resolution 2016-10. The above reviews and increases represent the initial step to develop a master fee schedule.

Other revenue enhancements will be required as our needs are better defined.

The financial position of the City has remained strong and sound with a stable economic base. It is influenced by the proximity of both the major tourist attractions such as the beaches and Port Canaveral, as well as the proximity to major employers such as the Kennedy Space Center and Patrick Air Force Base. The tourist business, affected by a declining economic environment, is expected to recover in the coming years. The extent of the increase in property values from the above activities will also be a factor.

#### **Fiduciary Funds - Pension Trust Funds and OPEB Trust Fund**

The City provides three separate pension plans: general employees, police, and firefighters. Each plan is a contributory defined benefit plan administered by its own Board of Trustees. Each plan maintains separate investment pools, although the same investment manager is used by the police and firefighters. Specific details are addressed in Note L of the financial statements and Required Supplementary Information.

In addition to providing pension benefits, the City provides other non-pension benefits, collectively referred to as other post-employment benefits (OPEB). Beginning in October 2008, a fiduciary trust fund is used to aid in accounting for these benefits. Specific details are addressed in Note M of the financial statements.

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#### **Long-term Financial Planning**

With a stable population base, the City does not face the problem of adding significant infrastructure and associated personnel to accommodate growth. Since the City is essentially fully developed, there is little potential for significant major additions to the tax roll. Such increases will come primarily from redevelopment and re-evaluations of existing properties. The stable (and slightly lower<sup>3</sup>) population base restricts growth in state shared revenue (allocated on a per capita basis).

The City Commission has an ambitious goal to develop Cocoa Beach by making the City a notable tourist destination as well as a desirable place to live. This development will require extensive planning as it must be accompanied by the revenues required to facilitate this development.

We also have the problems of an aging infrastructure. The Administrative Complex and Police and north area Fire Station date from the 1950s – 1960s and require extensive renovation and/or replacement. The main Fire Station construction was completed in the second quarter of Fiscal Year 2015, (see Note H of the financial statements for debt schedule). The order of magnitude (i.e. plus/minus thirty (± 30%) percent) estimate for the City Hall/Police facilities is \$19,500,000. An additional \$2,000,000 is estimated as the replacement cost for the north area fire station. Accumulating and setting aside funding sources for debt service in the face of rising operating costs while maintaining current service levels is challenging.

The current revenue shortfall is substantial. Prior to the Great Recession for Fiscal Year 2007 ad valorem tax collections were \$7.3 million dollars. As of Fiscal Year 2017, collections are projected to increase primarily because of the adoption of Resolution 2016 – 22 which commits \$1,000,000 in tax collections to fund construction of new municipal facilities. Page A – 24 of the Fiscal Year 2017 Budget has a detailed explanation of ten years of tax collection history.

The upcoming budgets must also address the shift in manpower generated by the Great Recession. In Fiscal Year 2006, we had 261 FTEs<sup>4</sup>. By Fiscal Year 2016, the FTEs have recovered to 258. The change in ratio between fulltime and part time positions that has arisen over the decade needs analysis to determine appropriate handling of workloads.

We completed a Public Works Complex (2004) and a tennis building (2010), both projects replacing 1950s – 1960s era facilities. The golf clubhouse building was renovated with a modern aluminum roof (2003) and some park bathrooms were renovated or replaced. We demolished two buildings to avoid renovation costs for outdated facilities no longer meeting our needs.

The wastewater treatment plant (a 1960s era facility) required extensive capital upgrades in Fiscal Year 2013 and Fiscal Year 2014 to comply with increased regulatory requirements. This project was funded with a state revolving fund (SRF) loan. A second SRF loan was necessary for the sewer system rehabilitation project. These projects are discussed in more detail in Note H of the financial statements.

<sup>3</sup> Population in Fiscal Year 2007 = 12,785; Population in Fiscal Year 2016 = 11,182; per state shared revenue allocations.

<sup>4</sup> FTE is 2,080 hours/year

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#### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cocoa Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the thirty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

For the sixteenth year, the City also received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2016 annual budget. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication medium. It is valid for a period of one year. We believe our current budget continues to conform to program requirements, and it has been submitted to GFOA to determine its eligibility for another award.

The City's debt policy adopted with Resolution 2014-09 was submitted to the Association of Public Treasurers of the United States and Canada (APT US&C) for their review and certification. The Certification is recognition that the governmental entity has developed and adopted policies that address the fundamental elements of debt issuance and management. The policy was reviewed and the Certificate of Excellence for Debt Policy was presented in 2015. The APT US&C recommends updates at five year intervals.

#### **Acknowledgements**

Preparation of this Comprehensive Annual Financial Report on a timely basis is made possible through the efficient, dedicated and professional efforts of the Finance Department staff. The significant amount of year-end closing procedures required prior to the audit would not have been accomplished without much hard work and personal sacrifice. I am grateful for the contributions they made in the preparation of this report and for their untiring efforts towards improving the Finance Department's operations.

Other City Departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Appreciation must also be expressed to the City's auditors whose suggestions and attention to detail enhanced the quality of this report. In closing, special thanks go to the Mayor and Commission for their unyielding support and steadfast commitment to maintaining the financial integrity of the City. We can all share in the success we have experienced.

Respectfully submitted,

  
Eileen A. Clark, CGFO  
Chief Financial Officer

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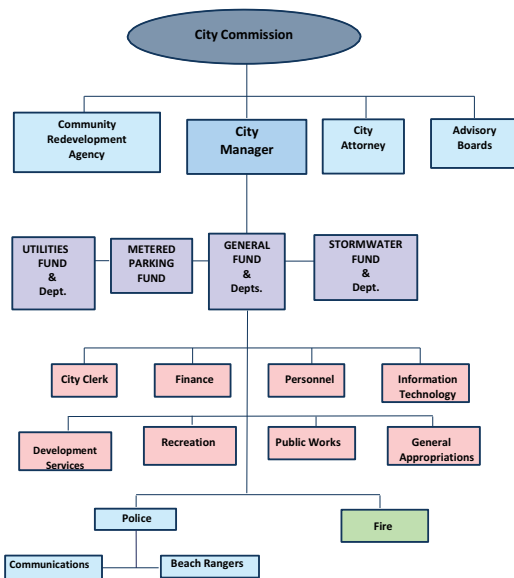


Mayor	Tim Tumulty
Vice Mayor	Michael Miller
Commissioners	Ben Malik
	Ed Martinez
	Skip Williams
Acting City Manager	Charles H. Holland, Jr.
Acting Asst. City Manager And Dir. Development Services	Zach Montgomery
Chief Financial Officer	Eileen Clark
City Clerk	Loredana Kalaghchy
Coordinator Stormwater Program	Joanie Regan
Director Information Technology	Gavin MacVicar
Director Leisure Services	Laird McLean
Director Marketing/CRA	Melissa Byron
Director Personnel	Natalie McClenahan
Director Public Works	Robert Torres
Director Water Reclamation	Jack Shelton
Fire Chief	Ryan Duckworth
Police Chief	Scott Rosenfeld

**Elected Officials**

Fiscal Year  
2016

**Management Staff**



Organization Chart



Government Finance Officers Association

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

Presented to  
**City of Cocoa Beach Florida**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**September 30, 2015**

*Jeffrey R. Enon*  
Executive Director/CEO



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- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information (RSI)
- Other Supplemental Information



INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cocoa Beach, Florida (the “City”) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT**  
(Concluded)

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Moore & Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 9, 2017

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**Management's Discussion and Analysis**

Management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of the report.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Cocoa Beach exceeded its liabilities as of September 30, 2016, by \$55,289,715 (net position). Of this amount, \$4,193,484 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Governmental and business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,207,311 and \$34,082,404, respectively.
- The City's total net position was increased by \$1,870,376 or 3.5%, in comparison to the prior year. The City's unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors, decreased by \$739,695, a 15% decrease over the prior year.
- At September 30, 2016, the City of Cocoa Beach's governmental fund balance sheet reported a combined ending fund balance of \$6,491,096, a decrease of \$477,686 from the Fiscal Year 2015 ending fund balance of \$6,968,782. Of this amount, \$3,714,213 remains in the General Fund of the City as unassigned fund balance.
- The General Fund reported a total fund balance of \$5,244,484 at year end, a decrease from last fiscal year of \$603,378. The ending fund balance in Fiscal Year 2015 was \$5,847,862. The decrease is primarily due to the completion of the construction of the new fire station and multiple capital replacements.
- Total external debt increased by \$1,974,446 in Fiscal Year 2016. The increase is primarily due to the State Revolving Fund Loan for the sewer system rehabilitation (see Note H to the financial statements).

**MAJOR INITIATIVES**

- The City received a "not to exceed" reimbursable grant in the amount of \$2,200,000 from the state to construct an upland seawall on the Golf Course to aid in controlling erosion caused by storm damage. The wall was completed prior to the required eligible funding date of June 30, 2016 and reimbursable project costs in the amount of \$1,924,775 in grant funding were received. The wall provided necessary shoreline protection to the Golf Course during Hurricane Matthew in October 2016 and will protect the shoreline during future storm events.
- The Minutemen Corridor Stormwater and Streetscape Low Impact Design (LID) project that began in FY 2014 is currently under construction. Project funding totals \$5,900,000. A Brevard County grant in the amount of \$189,344 was received in Fiscal Year 2015 for transportation impact fees. A combination of a State Revolving Fund (SRF) Loan, Florida Section 319, St. Johns River Water Management District (SRJWMD) and Local Agency Program (LAP) grants will also be sought for funding.

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- Dredging projects continue to be a priority:
  - A multi-year dredging project for the 200 Channel with a projected cost in excess of \$1,200,000 was approved by the Florida Inland Navigation District (FIN) in late Fiscal Year 2011. Spoil site construction, was completed in Fiscal Year 2014. The actual dredging will be completed in Fiscal Year 2017. Virtually all project costs are eligible for grant funding by FIN and those grants are expected to reimburse 50% of the project costs.
  - The City has an interlocal agreement with Brevard County for residential dredging services. The County has allotted \$2,000,000 of available state funding for Phase I of the City's Residential Muck Dredging Program. Phase I consists of dredging six (6) City canals north of State Road 520. The initial dredging began in January 2016 and is expected to be completed in March of 2017.
  - Funding in the amount of \$435,600 from Brevard County and \$244,400 from SJRWMD was approved in FY 2016 for Phase II of the Residential Muck Dredging Program. This phase of the project consists of dredging six (6) canals in the center portion of the City. Dredging is set to begin in January of 2017. Estimated completion of dredging is September of 2017.
- Rehabilitation of the sewer systems that began in Fiscal Year 2013 continued through Fiscal Year 2016. The project is funded with State Revolving Fund Loan Agreement WW050620 in the amount of \$4,170,162. The rehabilitation will keep ground water flows as well as sand and grit out of the sewer system. The benefit of the rehabilitation is reduced sewer treatment costs and extended life of major equipment units. See Note H to the financial statements for additional details.
- As the result of a comprehensive parking study, a number of changes and upgrades to the parking scene occurred in Fiscal Year 2016. Single spaced parking meters were replaced with multi-spaced kiosks capable of accepting debit, credit and smartcards, as well as cellphone payments. The new kiosks are complemented by an updated, web-based enforcement system. The new systems will facilitate the ability to change rates to optimize both City revenue and facilitate parking for downtown businesses.

**FINANCIAL STATEMENTS**

**Overview of the financial statements.** This discussion and analysis is intended to serve as an introduction to the City of Cocoa Beach's basic financial statements. The basic financial statements are comprised of three (3) components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. This supplementary information should be considered an integral part of the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges to external users (business-type activities). The governmental activities of the City include general government, planning and zoning, public safety, transportation, sanitation, street and park maintenance, public improvements and recreation. The business-type activities of the City include wastewater treatment/reuse and stormwater management.

The government-wide financial statements include only the City of Cocoa Beach itself (the primary government). The Cocoa Beach Public Library is funded through the Brevard County Free Public Library District, a separate taxing authority and is not included under the reporting entity definition in the City's financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cocoa Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cocoa Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

During Fiscal Year 2016, the City of Cocoa Beach maintained four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Community Redevelopment Agency (CRA) which are considered to be major funds. Since the Metered Parking Fund and Confiscated Property Fund are not considered to be major funds, data from those funds are combined into a single, aggregated presentation. The City of Cocoa Beach adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and CRA Fund to demonstrate compliance with this budget.

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**Proprietary Funds**

This category of funds includes both enterprise and internal service funds. However, the City does not use internal service funds. The City does maintain two funds which are considered enterprise funds. The City uses enterprise funds to account for the waste collection/disposal/reuse water system, and stormwater management system. Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the Utilities System Fund, and Stormwater Management Fund, each of which are considered to be major funds of the City.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The City has three pension trust funds (General Employees, Police, & Firefighters), and an OPEB trust fund. Financial information for these funds is provided in the notes to the financial statements.

**Notes to the Financial Statements**

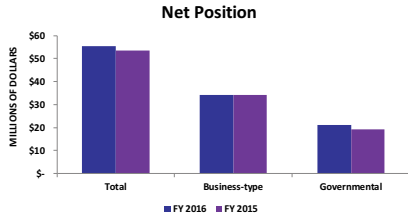
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial report represents the approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Cocoa Beach, the net position was \$55,289,715 at the close of the most recent fiscal year. This is a \$1,870,376 increase in net position over the \$53,419,339 reported in Fiscal Year 2015.

The increase is principally attributed to the rise in capital assets net of accumulated depreciation. Detailed information on capital asset activity can be found in Notes G-1 - G-5 in the Notes to the Financial Statements.



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The City's net position totaled \$55,289,715 at the end of Fiscal Year 2016. The largest portion of the City's net position reflects the investment in capital assets (e.g. land, buildings, machinery, and equipment). Although the City's investment in its capital assets (\$49,610,011) (89.7% of total net position) is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Schedule of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,599,800	\$ 8,796,399	\$ 9,426,665	\$ 10,834,772	\$ 17,026,465	\$ 19,631,171
Capital assets	28,719,584	26,133,906	50,491,688	48,085,632	79,211,272	74,219,538
Total assets	36,319,384	34,930,305	59,918,353	58,920,404	96,237,737	93,850,709
Deferred outflows of pension expenses	2,394,457	2,517,843	389,881	421,710	2,784,338	2,939,553
Total deferred outflows of resources	2,394,457	2,517,843	389,881	421,710	2,784,338	2,939,553
Long-term liabilities outstanding	14,665,290	15,483,729	24,428,661	23,142,690	39,093,951	38,626,419
Other liabilities	2,291,239	2,574,430	1,716,247	1,946,660	4,007,486	4,521,090
Total liabilities	16,956,529	18,058,159	26,144,908	25,089,350	43,101,437	43,147,509
Deferred inflows of pension earnings	549,801	200,531	80,800	22,883	630,701	223,414
Total deferred inflows of resources	549,801	200,531	80,800	22,883	630,701	223,414
Net investment in capital assets	24,182,508	22,249,281	25,427,503	24,343,465	49,610,011	46,592,746
Restricted	456,923	864,117	1,029,297	1,029,297	1,486,220	1,893,414
Unrestricted	(3,432,120)	(3,923,940)	7,625,604	8,857,119	4,193,484	4,933,179
Total net position	\$ 21,207,311	\$ 19,189,459	\$ 34,082,404	\$ 34,229,881	\$ 55,289,715	\$ 53,419,339

A portion of the City of Cocoa Beach's net position, \$1,486,220 (2.7% of total net position) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, \$4,193,484 (7.6% of total net position) may be used to meet the government's ongoing obligations to citizens and creditors within the respective governmental and business-type activities. At the end of the current fiscal year, the City of Cocoa Beach is able to report positive balances in all three categories of net position as a whole.

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The following display of Changes in Net Position shows the governmental and business-type activities during the fiscal year.

**Schedule of Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Programs revenues:						
Charges for services	\$ 8,120,748	\$ 8,039,585	\$ 7,089,172	\$ 6,395,176	\$ 15,189,920	\$ 14,434,761
Operating grants and contributions	283,881	-	-	-	283,881	-
Capital grants and contributions	1,844,670	660,802	208,794	558,212	2,053,464	1,219,014
General revenues:						
Property taxes	7,657,945	7,102,087	-	-	7,657,945	7,102,087
Other taxes	3,723,489	3,689,356	-	-	3,723,489	3,689,356
Intergovernmental	737,261	722,833	-	-	737,261	722,833
Investment earnings	42,569	78,118	47,365	73,088	89,934	152,206
Other	145,083	156,703	-	-	145,083	156,703
Total revenues	20,555,626	20,450,584	7,325,361	7,026,476	28,880,987	27,477,060
<b>Expenses:</b>						
General government	4,819,444	3,487,514	-	-	4,819,444	3,487,514
Public safety	7,726,733	8,632,350	-	-	7,726,733	8,632,350
Physical environment	1,468,270	1,441,963	-	-	1,468,270	1,441,963
Transportation/public works	3,368,439	3,744,760	-	-	3,368,439	3,744,760
Recreation	3,539,718	3,345,596	-	-	3,539,718	3,345,596
Interest on long-term debt	124,169	125,844	-	-	124,169	125,844
Utilities System	-	-	6,491,931	6,180,828	6,491,931	6,180,828
Stormwater Management	-	-	471,907	472,371	471,907	472,371
Total expenses	21,046,773	20,779,027	6,963,838	6,653,199	28,010,611	27,432,226
Increase (decrease) in net position before transfers	1,508,853	(328,443)	361,523	373,277	1,870,376	44,834
Transfers	589,000	599,000	(599,000)	(599,000)	-	-
Change in net position	2,097,853	169,557	(147,477)	(125,723)	1,870,376	44,834
Net position, beginning (as restated)	19,189,458	19,030,901	34,229,881	34,395,604	53,419,339	53,374,405
Net position, ending	\$ 21,207,311	\$ 19,189,459	\$ 34,082,404	\$ 34,229,881	\$ 55,289,715	\$ 53,419,339

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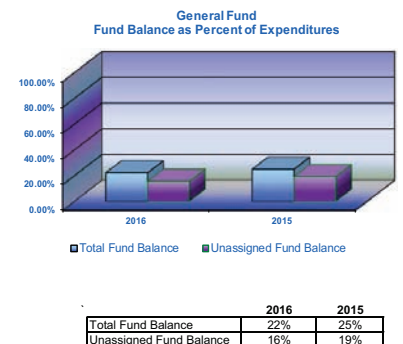
**FINANCIAL ANALYSIS OF COCOA BEACH'S FUNDS**

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

**Governmental Funds.** The City uses two governmental fund types (General & Special Revenue). The purpose of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2016, the City of Cocoa Beach's governmental funds reported a combined fund balance of \$6,491,096. This is a decrease of \$477,686 from the prior year balance of \$6,968,782.

The General Fund is the chief operating fund of the City. As of September 30, 2016, total fund balance in the General Fund was \$5,244,484 of which \$3,714,213 was unassigned. As a measure of liquidity, a comparison of total and unassigned fund balances to total expenditures for Fiscal Year 2016 (\$23,662,962) and Fiscal Year 2015 (\$23,421,412) shows percentages of 16% and 19%, respectively for unassigned fund balance.



**General Fund Budgetary Highlights.** A budget to actual statement is provided for the General Fund. A budget column for both the original budget adopted for Fiscal Year 2016 as well as the final budget is presented. A comparison of the final budget to the actual amounts for current expenditures shows a final difference of \$2,546,727. A portion of the difference is attributed to the carrying over of budgeted funds to the Fiscal Year 2017 budget in the amount of \$1,018,716 for capital projects that were not completed by the end of the fiscal year. Additionally, revenue actuals were less than original budgeted amounts by \$429,467. This is primarily due to the Upland Seawall grant amount being reduced as a result of project costs coming in under budget and the timeline extension for the 200 Channel project. Operating expenditure actuals were overall below budgeted amounts.

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**Special Revenue Funds.** Special Revenue Funds account for specific revenues and expenditures. The City has three special revenue funds.

**CRA Fund**

The CRA is a major governmental fund used to account for monies from the incremental increase in property tax revenue collected within the designated redevelopment area. Consistent with State law, revenues are utilized and expended in accordance with the community redevelopment plan. Fund balance at the end of Fiscal Year 2016 was (\$71,948). The first tax incremental financing was received in Fiscal Year 2014 and has continued in subsequent years as taxable values have risen.

**Community Redevelopment Agency Fund  
(CRA)  
Tax Increment Values and Payments**

	2016	2015	Increase (Decrease)
Taxable value	\$ 138,505,110	\$ 128,727,660	\$ 8,777,450
Less: Base year value	(119,086,930)	(119,086,930)	-
Net taxable value	\$ 19,418,180	\$ 10,640,730	\$ 8,777,450
County tax rate per \$1,000 of value	4.5500	4.6814	-
City tax rate per \$1,000 of value	4.9798	4.9798	-
Tax increment payments:			
County	\$ 86,219	\$ 45,810	\$ 40,409
City	94,370	48,730	45,640
Total tax increment payments	\$ 180,588	\$ 94,540	\$ 86,048

Tax incremental financing was not available prior to Fiscal Year 2014, so loans from the General Fund totaling \$261,230 were made to provide funds for the development of the CRA plan. A comprehensive repayment schedule was finalized in Fiscal Year 2015. The first payment was also made in Fiscal Year 2015 in the amount of \$21,230. Annual payments of \$20,000 are scheduled through Fiscal Year 2027 to repay the balance of the advance, which is \$220,000 at September 30, 2016.

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets.** The City of Cocoa Beach's investment in capital assets as of September 30, 2016 is \$79,211,250 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and work in progress. Governmental activities net investment in capital assets increased by \$2,585,678 and business-type activities increased by \$2,406,034. The primary reasons for the changes in the Governmental Activities Schedule are the completion of construction of the Upland Seawall at the golf course and installation of new parking kiosks and equipment replacements. The primary reason for the changes in the Business-type Activities Schedule is the Minutemen Streetscape and Stormwater project. Major changes in capital assets during the current fiscal year included the following:

**Schedule of Capital Assets (Net)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,950,653	\$ 7,950,653	\$ 1,691,599	\$ 1,691,599	\$ 9,642,252	\$ 9,642,252
Buildings	8,013,207	8,305,638	2,215,368	2,299,923	10,228,575	10,605,561
Improvements	7,831,402	5,243,030	17,808,942	19,325,391	25,640,344	24,568,421
Equipment	3,235,983	2,467,594	338,561	84,510	3,574,544	2,552,104
Infrastructure	663,530	680,969	25,310,908	24,261,341	25,974,437	24,942,310
Work in progress	1,024,809	1,486,022	3,126,289	422,868	4,151,098	1,908,890
Total	\$ 28,719,584	\$ 26,133,906	\$ 50,491,666	\$ 48,065,632	\$ 79,211,250	\$ 74,219,538

Major changes in governmental activities included the construction of the Upland Seawall at the golf course, the 200 Channel Dredging project and vehicle and specialty equipment replacements. The major acquisitions for the business-type activities in the equipment, infrastructure and work in progress categories are the vector replacement, sewer rehabilitation and Minutemen Stormwater/Streetscape projects. A detailed discussion of these projects is in Note H to the financial statements.

The City annually updates a five year Capital Improvements Program (CIP) and forecasts the funding requirements for necessary equipment and facilities. These requirements, as well as projected costs of operations and maintenance, are compared and adjusted based on forecasted sources of funding over that timeframe. Additional information on the City's capital assets can be found in Note G to the financial statements.

**Metered Parking Fund**

The entire fund balance of the Metered Parking Fund is considered committed fund balance and it increased by \$10,510 from the prior year. Previously deferred costs associated with capital equipment replacements and upgrades were recognized in FY 2016 and elements of the parking study were implemented to address parking needs. The efficiencies of the upgraded equipment and implementation of web-based enforcement contributed to revenues exceeding budget by \$306,361, a 7% increase. Committed fund balances are budgeted to replace and upgrade parking related equipment, replace dune crossovers, replace police vehicles and allocate to General Fund support services. See Note F to the financial statements for a detailed discussion of these transfers.

**Confiscated Property Fund**

The entire fund balance of the Confiscated Property Fund is considered restricted fund balance because it can only be used for certain enumerated law enforcement expenditures as defined by state statute. The fund increased by \$295 to \$192,287 for Fiscal Year 2016. A \$1,000 donation to a local youth organization was the only expenditure charged to this fund in Fiscal Year 2016.

**Proprietary Funds.** The City currently uses one of the two types of proprietary funds (Enterprise & Internal Service), and provides the same type of information found in the government-wide financial statements, but in more detail. The City does not use internal service funds.

**Enterprise Funds**

At September 30, 2016, total net position amounted to \$34,082,404 for enterprise funds as compared to \$34,229,881 at September 30, 2015. Net position changes are a result of operations, investment earnings, capital contributions and transfers in the Utilities System and Stormwater Management Funds.

The net operating income for all of the enterprise funds for fiscal years 2016 and 2015 is as follows:

**Enterprise Funds Net Operating Income**

	FY 2016	FY 2015
Utilities system	\$ 392,281	\$ 249,378
Stormwater management	360,593	159,053
Total	\$ 752,874	\$ 408,431

The operating income in the Utilities System was \$142,903 more than in Fiscal Year 2015 primarily due to increased charges for services revenue offsetting operating costs associated with salaries, materials and supplies. The installation of energy efficient technology as a part of the sewer plant upgrade aids in offsetting some operations cost increases.

The Stormwater Management operating income increase of \$201,540 from Fiscal Year 2015 is primarily a result of increased revenue generated by a rate increase. Year over year operating expenditures remained consistent due to the concentration on the Total Maximum Daily Load (TMDL) capital project.

**DEBT ADMINISTRATION**

**Long-Term Debt**

At the end of the current fiscal year, the City of Cocoa Beach had total long-term debt in the amount of \$29,601,239.

The City is participating in the State of Florida Revolving (SRF) Loan Program with twenty (20) year loans for utilities facility upgrades and sewer systems rehabilitation and stormwater improvements. The outstanding balance of the SRF loans is \$22,929,163. In Fiscal Year 2014, the 2004 SRF loan was refunded by a bank loan generating a savings of about \$20,000 per year for ten (10) years. The outstanding balance is \$2,135,000. A second bank loan was issued in Fiscal Year 2014 for the construction of the new fire station and has an outstanding balance of \$3,570,000. In Fiscal Year 2013 a capital lease agreement for golf carts was implemented and has an outstanding balance of \$95,716. In Fiscal Year 2016 the City entered into a Master Equipment Lease Agreement in the amount of \$878,703 for various equipment units and has an outstanding balance of \$871,360. See Note H to the financial statements for additional information.

**Schedule of Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
State Revolving Loan (#2)	\$ -	\$ -	\$ 18,759,001	\$ 19,607,982	\$ 18,759,001	\$ 19,607,982
State Revolving Loan (#3)	-	-	4,170,162	1,714,186	4,170,162	1,714,186
Revenue Note (Series 2014A)	3,570,000	3,715,000	-	-	3,570,000	3,715,000
Revenue Note (Series 2014B)	-	-	2,135,000	2,420,000	2,135,000	2,420,000
Capital Leases	967,076	169,625	-	-	967,076	169,625
Total	\$ 4,537,076	\$ 3,884,625	\$ 25,064,163	\$ 23,742,168	\$ 29,601,239	\$ 27,626,793

Total external debt increased by \$1,974,446 during Fiscal Year 2016. Additional information on the City's long-term debt can be found in Note H to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees to be charged for the business-type activities. In the past few years, the City has obligated significant dollars on new facilities, street resurfacing and infrastructure upgrades. The City has also managed to accumulate an acceptable level of unassigned reserves. Resolution 2016 - 25 amends formalized reserve policies to be in line with GASB 54 definitions and criteria for classifying fund balances. Bordering the ocean, the City wishes to hold reserve balances sufficient for those immediate expenditures associated with hurricanes, as well as expenditures required to maintain normal operations. Although a substantial portion of hurricane expenditures are typically reimbursed, this practice is considered necessary to avoid disruptions in operations.

Since the City is effectively built-out, new construction is not expected to produce large annual increases in property tax receipts. It is important to the City's future that property tax revenues be maintained or increased from year-to-year because it is the largest component of the General Fund's annual revenues. In addition, other revenues are not likely to increase significantly and since some of those sources (e. g. state shared revenues, grants) are beyond the City's control, property taxes were the most promising source of future funding. Developing new revenue sources and increasing existing ones are of increasing importance.

Although the City is challenged by increased costs for employee benefits (primarily health insurance, workers compensation), it does not face demands to add personnel in order to extend current levels of service into new areas. With staffing levels now equal to those of a decade ago, a review to determine how to appropriately handle our workloads is in order.

The five year CIP always presumes that operations and capital replacements are expected to be sufficiently funded without having to increase the ad valorem tax rate. We will have a real opportunity to test this presumption in the coming years.

The City's Golf Course continues to be challenged to sustain its operations and cover necessary equipment replacements. The high salt content in the area is extremely damaging to the equipment used for maintenance and funding the maintenance expense and replacement costs is an ongoing burden. The City has constructed a garage for equipment storage to aid in mitigating the salt issue and selectively purchases used equipment to lower capital costs. The course has been re-greened with a salt-resistant grass and play is slowly recovering as the economy improves.

The twenty-seven hole golf course is already actively used, particularly in the busy winter season, so strategies to increase play are marginally helpful, not a solution. The improvements and purchasing practices mentioned in the preceding paragraph are also helpful, but do not produce immediate, dramatic results.

The City Commission acted during 2005 to increase the rates and build in an automatic increase each year based on the consumer price index (CPI). However, the costs above are not linked to the CPI, so this rate increase was not effective.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Cocoa Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Eileen A. Clark, CGFO, Chief Financial Officer, 2 South Orlando Avenue, Cocoa Beach, Florida, 32931 or [eclark@cityofcocoa-beach.com](mailto:eclark@cityofcocoa-beach.com). The financial statements are included in the City's Comprehensive Annual Financial Report (CAFR) posted on the City's web site at [www.cityofcocoa-beach.com](http://www.cityofcocoa-beach.com).



**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)**

The Golf Course Fund was incorporated into the General Fund with the adoption of Resolution 2013 – 21, beginning in Fiscal Year 2014. Golf Course activity is presented in the category of Recreation in the General Fund. Play has still not returned to historical levels, but the number of rounds played continues to rise as the economic recovery continues. A comprehensive study by the National Golf Foundation proposed a series of rate increases and restructuring (i.e. sun setting) of annual memberships to encourage revenue generation. The study was adopted by Resolution 2015 – 33 in November 2015 and the new rates were adopted by Resolution 2015 – 34 and made effective in December 2015 (FY 2016).

The Utilities System enterprise fund is in a similar situation. Environmental standards for discharges into the Indian River Lagoon have become stricter. We commissioned a comprehensive study in Fiscal Year 2008 to address specific capital replacements and upgrades required to meet the new discharge requirements schedule. We enacted a rate increase and subsequent rate increases were adjusted each year by the percentage change in the Gross Domestic Product Implicit Price Deflator to secure the necessary debt service for capital items, as well as cover increased costs of operations and the new regulatory requirements. The most recent utility rate structure adopted by Resolution 2015 - 29 increased rates by 10% in FY 2016 and will increase rates by 3% percent in FY 2017.

Forecasts for the Stormwater Management enterprise fund show that large capital improvements, such as the Minutemen Stormwater and Streetscape Project, will have to be funded using grants or loans. Revenues are not sufficient to fund both operations and capital projects of any size. In addition to the budgetary challenges facing the Stormwater Fund, federal Clean Water Act legislation concerning the TMDL and National Pollutant Discharge Elimination System programs are unfunded mandates upon local government and require extensive staff resource time and effort. Operating costs continue to rise, so a rate increase is required in the near future. Resolution 2015 – 31 adopted a Stormwater rate schedule that increased the rate by 33.3% in Fiscal Year 2016 and additional lesser rate adjustments thereafter through Fiscal Year 2020.

The City's previous residential dredging program was suspended in 2012 as our permit expired and antiquated dredge equipment was retired. A new dredging permit was approved by the state and a residential dredging program and schedule was developed through an interlocal agreement with Brevard County as a part of the state funding made available to clean the Indian River Lagoon. Dredging for the first of six residential canals scheduled under this agreement began in January 2016 and the program continues as six more canals were added to the schedule.

All of these factors were considered in preparing the City's budget for Fiscal Year 2017. The Fiscal Year 2017 millage rate is 5.4798, the rollback rate is 4.6603. The rollback rate produces the same ad valorem tax revenue as the previous year and therefore is not a tax increase. See the economic outlook section of the letter of transmittal for additional details regarding economic conditions.



City of Cocoa Beach, Florida  
Statement of Net Position  
September 30, 2016



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	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,991,955	\$ 3,854,297	\$ 6,846,252
Investments	3,109,575	3,465,093	6,574,668
Accounts receivable, net of allowance for uncollectible accounts	380,962	1,053,115	1,434,077
Due from other governments	408,184	-	408,184
Inventory	97,018	-	97,018
Prepaid expenses	154,983	24,863	179,846
Restricted assets:			
Cash and cash equivalents	456,923	1,029,297	1,486,220
Capital assets not being depreciated:			
Land	7,950,653	1,691,599	9,642,252
Work-in-progress	1,024,809	3,126,289	4,151,098
Capital assets net of accumulated depreciation:			
Buildings	8,013,207	2,215,368	10,228,575
Infrastructure	663,530	25,310,907	25,974,437
Improvements other than buildings	7,831,402	17,808,943	25,640,345
Machinery and equipment	3,235,983	338,560	3,574,543
Total assets	<u>36,318,184</u>	<u>59,918,331</u>	<u>96,237,515</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	2,394,457	389,881	2,784,338
Total deferred outflows of resources	<u>2,394,457</u>	<u>389,881</u>	<u>2,784,338</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,000,169	416,429	1,416,598
Accrued interest payable	-	21,805	21,805
Unearned revenue	108,335	-	108,335
Noncurrent liabilities:			
Due within one year	1,182,735	1,278,013	2,460,748
Due in more than one year	6,476,283	24,271,476	30,747,759
Net pension liability due in more than one year	8,189,007	157,185	8,346,192
Total liabilities	<u>16,956,529</u>	<u>26,144,908</u>	<u>43,101,437</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	549,801	80,900	630,701
Total deferred inflows of resources	<u>549,801</u>	<u>80,900</u>	<u>630,701</u>
<b>NET POSITION</b>			
Net investment in capital assets	24,182,508	25,427,503	49,610,011
Restricted for:			
Debt service	264,636	1,029,297	1,293,933
Law enforcement	192,287	-	192,287
Unrestricted	(3,432,120)	7,625,604	4,193,484
Total net position	<u>\$ 21,207,311</u>	<u>\$ 34,082,404</u>	<u>\$ 55,289,715</u>

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

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City of Cocoa Beach, Florida  
Statement of Activities  
For the Fiscal Year Ended September 30, 2016

Function/Program	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 4,819,444	\$ 1,161,342	\$ -	\$ -
Public safety	7,726,733	981,899	272,267	-
Physical environment	1,468,270	1,763,280	-	-
Transportation/public works	3,368,439	1,874,144	11,594	1,844,670
Recreation	3,539,718	2,340,083	-	-
Interest on long-term debt	124,169	-	-	-
Total governmental activities	<u>21,046,773</u>	<u>8,120,748</u>	<u>283,861</u>	<u>1,844,670</u>
<b>Business-type activities:</b>				
Utility system	6,491,931	6,268,290	-	148,411
Stormwater	471,907	800,882	-	60,383
Total business-type activities	<u>6,963,838</u>	<u>7,069,172</u>	<u>-</u>	<u>208,794</u>
Total government	<u>\$ 28,010,611</u>	<u>\$ 15,189,920</u>	<u>\$ 283,861</u>	<u>\$ 2,053,464</u>

General Revenues:

Property taxes	7,657,945	-	7,657,945
Local option gas tax	461,652	-	461,652
Franchise taxes	1,272,155	-	1,272,155
Excise taxes	1,989,682	-	1,989,682
Unrestricted intergovernmental	737,261	-	737,261
Unrestricted investment earnings	42,569	47,395	89,964
Miscellaneous revenues	145,083	-	145,083
Transfers	509,000	(509,000)	-
Total general revenues and transfers	<u>12,815,347</u>	<u>(461,605)</u>	<u>12,353,742</u>

Change in net position

Net position - beginning	2,017,853	(147,477)	1,870,376
Net position - ending	<u>19,189,458</u>	<u>34,229,881</u>	<u>53,419,339</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (3,658,102)	\$ -	\$ (3,658,102)
(6,472,567)	-	(6,472,567)
295,010	-	295,010
361,969	-	361,969
(1,199,635)	-	(1,199,635)
(124,169)	-	(124,169)
<u>(10,797,494)</u>	<u>-</u>	<u>(10,797,494)</u>
-	(75,230)	(75,230)
-	389,358	389,358
-	314,128	314,128
<u>(10,797,494)</u>	<u>314,128</u>	<u>(10,483,366)</u>
7,657,945	-	7,657,945
461,652	-	461,652
1,272,155	-	1,272,155
1,989,682	-	1,989,682
737,261	-	737,261
42,569	47,395	89,964
145,083	-	145,083
509,000	(509,000)	-
<u>12,815,347</u>	<u>(461,605)</u>	<u>12,353,742</u>
2,017,853	(147,477)	1,870,376
<u>19,189,458</u>	<u>34,229,881</u>	<u>53,419,339</u>
<u>\$ 21,207,311</u>	<u>\$ 34,082,404</u>	<u>\$ 55,289,715</u>

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

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City of Cocoa Beach, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2016

City of Cocoa Beach, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2016

	General Fund	Community Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,376,290	\$ 169,181	\$ 903,407	\$ 3,448,878
Investments	2,689,076	-	420,499	3,109,575
Accounts receivable	380,292	-	670	380,962
Due from other funds	220,000	-	-	220,000
Due from other governments	408,184	-	-	408,184
Inventory	97,018	-	-	97,018
Prepayments	149,901	5,082	-	154,983
Total assets	\$ 6,320,761	\$ 174,263	\$ 1,324,576	\$ 7,819,600
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 724,699	\$ 26,211	\$ 6,016	\$ 756,926
Accrued liabilities	243,243	-	-	243,243
Due to other funds	-	220,000	-	220,000
Unearned revenue	108,335	-	-	108,335
Total liabilities	1,076,277	246,211	6,016	1,328,504
<b>Fund balances:</b>				
Non-spendable	246,919	5,082	-	252,001
Restricted	264,636	-	192,287	456,923
Committed	1,018,716	-	1,126,273	2,144,989
Unassigned	3,714,213	(77,030)	-	3,637,183
Total fund balances	5,244,484	(71,948)	1,318,560	6,491,096
Total liabilities and fund balances	\$ 6,320,761	\$ 174,263	\$ 1,324,576	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note G, Paragraph 1)	28,719,584
Pension related liabilities, deferred inflows and deferred outflows are not financial resources nor near-term obligations and, therefore, are not reported in the funds	(6,344,351)
Long-term liabilities, including OPEB obligation payable (Note B, Paragraph 1)	(7,659,018)
Net position of governmental activities	<u>\$ 21,207,311</u>

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



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	General Fund	Community Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 11,295,215	\$ 86,219	\$ -	\$ 11,381,434
Licenses and permits	452,942	-	-	452,942
Intergovernmental revenues	2,865,792	-	-	2,865,792
Charges for services	6,526,862	-	805,034	7,331,896
Fines and forfeitures	69,277	-	236,933	306,210
Investment earnings	38,575	-	3,994	42,569
Miscellaneous revenues	137,888	-	7,195	145,083
Total revenues	21,416,251	86,219	1,053,156	22,555,626
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	3,975,646	65,702	692,351	4,733,699
Public safety	8,593,542	-	-	8,593,542
Physical environment	1,488,270	-	-	1,488,270
Transportation/public works	5,954,177	-	-	5,954,177
Recreation	3,320,906	-	-	3,320,906
Debt service:				
Principal	226,252	-	-	226,252
Interest	124,169	-	-	124,169
Total expenditures	23,662,962	65,702	692,351	24,421,015
Excess (deficiency) of revenues over (under) expenditures before transfers	(2,246,711)	20,517	360,805	(1,865,389)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,014,900	94,370	155,900	1,265,170
Transfers out	(250,270)	-	(505,900)	(756,170)
Capital lease	878,703	-	-	878,703
Total other financing sources (uses)	1,643,333	94,370	(350,000)	1,387,703
Net change in fund balances	(603,378)	114,887	10,805	(477,686)
Fund balances, beginning of year	5,847,882	(186,835)	1,307,755	6,968,782
Fund balances, end of year	\$ 5,244,484	\$ (71,948)	\$ 1,318,560	\$ 6,491,096

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

City of Cocoa Beach, Florida  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended September 30, 2016

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

Net change in fund balances - total governmental funds	\$ (477,686)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (Note B, Paragraph 2).	2,585,678
Government funds report contributions to pension plans as expenditures and do not recognize the long-term net pension liability. However, in the statement of activities, the pension expense associated with service cost is recognized and the contributions to the pension plans reduce the net pension liability. (Note B, Paragraph 2)	742,473
The issuance of long-term debt (e.g., bonds, bank loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note B, Paragraph 2).	(652,451)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note B, Paragraph 2).	(180,161)
Change in net position of governmental activities	<u>\$ 2,017,853</u>

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

**City of Cocoa Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,897,856	\$ 10,897,856	\$ 11,295,215	\$ 397,359
Licenses and permits	428,400	428,400	482,642	54,242
Intergovernmental revenues	3,649,040	3,649,040	2,865,792	(783,248)
Charges for services	6,683,061	6,683,061	6,526,862	(156,199)
Fines and forfeitures	49,700	49,700	69,277	19,577
Investment earnings	57,000	57,000	38,575	(18,425)
Miscellaneous revenues	43,620	80,661	137,888	57,227
<b>Total revenues</b>	<b>21,808,677</b>	<b>21,845,718</b>	<b>21,416,251</b>	<b>(429,467)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government:				
Mayor and City Commission	82,138	81,783	70,300	11,483
City Attorney - legal services	300,000	375,000	384,993	(9,993)
City Manager	390,490	326,239	272,676	53,363
Personnel	348,995	352,300	282,955	69,345
City Clerk	209,252	209,744	175,636	34,108
Finance	777,778	779,683	789,705	(10,022)
Information technology	1,273,686	1,289,593	1,102,223	187,370
Other general government	1,039,880	1,125,910	896,958	228,952
	<b>4,422,219</b>	<b>4,540,252</b>	<b>3,975,646</b>	<b>564,606</b>
Public safety:				
Police department	4,195,247	4,182,857	3,964,126	218,731
Communications	725,592	707,307	656,149	51,158
Fire department	3,127,633	3,223,805	3,326,820	(103,015)
Building department:				
Planning, zoning and development	442,807	526,567	424,798	101,769
Inspections and permits	275,379	278,474	221,649	56,825
	<b>8,766,658</b>	<b>8,919,010</b>	<b>8,593,542</b>	<b>325,468</b>
Transportation/public works:				
Field operations	1,293,620	1,254,986	1,075,586	179,400
Building maintenance	893,592	1,091,319	947,320	143,999
Grounds maintenance	496,396	493,256	431,426	61,830
Fleet management	1,458,285	1,469,815	1,352,704	117,111
Capital improvements	3,110,000	3,094,765	2,147,141	947,624
Physical environment	1,516,391	1,516,463	1,468,270	48,193
	<b>8,768,284</b>	<b>8,920,604</b>	<b>7,422,447</b>	<b>1,498,157</b>

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**City of Cocoa Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (continued)**  
**For the Fiscal Year Ended September 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Recreation:				
Administration and community service center	\$ 388,112	\$ 385,683	\$ 397,772	\$ (12,089)
Golf	2,143,149	2,181,996	2,175,067	6,929
Parks	212,047	210,623	189,469	21,154
Swimming pool	482,564	482,901	467,821	15,080
Beach rangers	55,053	66,053	62,858	3,195
Tennis courts	27,024	27,024	27,919	(895)
	<b>3,307,949</b>	<b>3,354,280</b>	<b>3,320,906</b>	<b>33,374</b>
Debt service:				
Principal	350,818	350,818	226,252	124,566
Interest	124,725	124,725	124,169	556
	<b>475,543</b>	<b>475,543</b>	<b>350,421</b>	<b>125,122</b>
<b>Total expenditures</b>	<b>25,740,653</b>	<b>26,209,689</b>	<b>23,662,962</b>	<b>2,546,727</b>
Excess (deficiency) of revenues over expenditures	(3,931,976)	(4,363,971)	(2,246,711)	2,117,260
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfer from:				
Utilities system fund	509,000	509,000	509,000	-
Metered parking fund	350,000	350,000	505,900	155,900
Transfer to:				
Metered parking fund	-	-	(155,900)	(155,900)
CRA	(94,370)	(94,370)	(94,370)	-
Capital lease	1,000,000	1,000,000	878,703	(121,297)
<b>Total other financing sources</b>	<b>1,764,630</b>	<b>1,764,630</b>	<b>1,643,333</b>	<b>(121,297)</b>
<b>Net change in fund balances</b>	<b>(2,167,346)</b>	<b>(2,599,341)</b>	<b>(603,378)</b>	<b>1,995,963</b>
Fund balances, beginning of year	5,847,862	5,847,862	5,847,862	-
<b>Fund balances, end of year</b>	<b>\$ 3,680,516</b>	<b>\$ 3,248,521</b>	<b>\$ 5,244,484</b>	<b>\$ 1,995,963</b>

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

**City of Cocoa Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Redevelopment Agency Fund**  
**For the Fiscal Year Ended September 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 81,914	\$ 81,914	\$ 86,219	\$ 4,305
<b>Total revenues</b>	<b>81,914</b>	<b>81,914</b>	<b>86,219</b>	<b>4,305</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government:				
Planning and development	130,756	158,956	65,702	93,254
<b>Total expenditures</b>	<b>130,756</b>	<b>158,956</b>	<b>65,702</b>	<b>93,254</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfer from:				
General fund	94,370	94,370	94,370	-
<b>Total other financing sources</b>	<b>94,370</b>	<b>94,370</b>	<b>94,370</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>45,528</b>	<b>17,328</b>	<b>114,887</b>	<b>97,559</b>
Fund balances, beginning of year (as adjusted)	(186,835)	(186,835)	(186,835)	-
<b>Fund balances, end of year</b>	<b>\$ (186,835)</b>	<b>\$ (169,507)</b>	<b>\$ (71,948)</b>	<b>\$ 97,559</b>

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

City of Cocoa Beach, Florida  
Statement of Net Position  
Proprietary Funds  
September 30, 2016

	Enterprise Funds		
	Utility System	Stormwater Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,854,041	\$ 256	\$ 3,854,297
Investments	3,066,541	398,552	3,465,093
Accounts receivable, net of allowance for uncollectible accounts	914,776	138,339	1,053,115
Grants receivable	-	-	-
Due from other funds	930,846	-	930,846
Prepaid expenses	23,083	1,780	24,863
Total current assets	<u>8,789,287</u>	<u>538,927</u>	<u>9,328,214</u>
Noncurrent assets:			
Restricted assets			
Cash and cash equivalents	1,029,297	-	1,029,297
Advances to other funds	479,455	-	479,455
Capital assets:			
Land	1,691,599	-	1,691,599
Buildings	3,484,376	490,920	3,975,296
Infrastructure	40,087,133	2,526,093	42,613,226
Improvements other than buildings	22,963,703	250,814	23,214,517
Machinery and equipment	3,138,459	70,251	3,208,710
Construction in progress	29,164	3,097,125	3,126,289
Less accumulated depreciation	(26,658,074)	(679,897)	(27,337,971)
Total noncurrent assets	<u>46,245,112</u>	<u>5,755,306</u>	<u>52,000,418</u>
Total assets	<u>55,034,399</u>	<u>6,294,233</u>	<u>61,328,632</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	339,789	50,092	389,881
Total deferred outflows of resources	<u>\$ 339,789</u>	<u>\$ 50,092</u>	<u>\$ 389,881</u>

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City of Cocoa Beach, Florida  
Statement of Net Position  
Proprietary Funds (continued)  
September 30, 2016

	Enterprise Funds		
	Utility System	Stormwater Management	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 77,271	\$ 331,700	\$ 408,971
Due to other funds	-	930,846	930,846
Accrued compensated absences	92,717	20,145	112,862
Due to pension plans	7,458	-	7,458
Notes payable	1,165,151	-	1,165,151
Accrued interest payable	21,805	-	21,805
Total current liabilities	<u>1,364,402</u>	<u>1,282,691</u>	<u>2,647,093</u>
Noncurrent liabilities:			
Advances from other funds	-	479,455	479,455
Accrued compensated absences	97,528	16,344	113,872
Accrued OPEB liability	226,268	32,324	258,592
Net pension liability	136,990	20,195	157,185
Notes payable	23,899,012	-	23,899,012
Total noncurrent liabilities	<u>24,359,798</u>	<u>548,318</u>	<u>24,908,116</u>
Total liabilities	<u>25,724,200</u>	<u>1,831,009</u>	<u>27,555,209</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	70,507	10,393	80,900
Total deferred inflows of resources	<u>70,507</u>	<u>10,393</u>	<u>80,900</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,672,197	5,755,306	25,427,503
Restricted for debt service	1,029,297	-	1,029,297
Unrestricted	8,877,987	(1,252,383)	7,625,604
Total net position	<u>\$ 29,579,481</u>	<u>\$ 4,502,923</u>	<u>\$ 34,082,404</u>

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

City of Cocoa Beach, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended  
September 30, 2016

	Enterprise Funds		
	Utility System	Stormwater Management	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,227,646	\$ 800,882	\$ 7,028,528
Other operating revenue	40,644	-	40,644
Total operating revenues	<u>6,268,290</u>	<u>800,882</u>	<u>7,069,172</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and employee benefits	1,641,551	234,026	1,875,577
Contractual services, materials and supplies	1,698,425	123,234	1,821,659
Insurance	58,507	6,396	64,903
Depreciation	2,477,526	76,633	2,554,159
Total operating expenses	<u>5,876,009</u>	<u>440,289</u>	<u>6,316,298</u>
Operating income (loss)	<u>392,281</u>	<u>360,593</u>	<u>752,874</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	10,542	5,235	15,777
Interest on advance to other fund	31,618	(31,618)	-
Interest expense	(615,922)	-	(615,922)
Total non-operating revenues (expenses)	<u>(573,762)</u>	<u>(26,383)</u>	<u>(600,145)</u>
Income (loss) before contributions and transfers	(181,481)	334,210	152,729
Capital contributions - connection fees	148,411	-	148,411
Capital grants	-	60,383	60,383
Transfers out	(509,000)	-	(509,000)
Change in net position	<u>(542,070)</u>	<u>394,593</u>	<u>(147,477)</u>
Total net position, beginning of year	<u>30,121,551</u>	<u>4,108,330</u>	<u>34,229,881</u>
Total net position, end of year	<u>\$ 29,579,481</u>	<u>\$ 4,502,923</u>	<u>\$ 34,082,404</u>

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

City of Cocoa Beach, Florida  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2016

	Enterprise Funds		
	Utilities System	Stormwater Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 6,183,006	\$ 769,471	\$ 6,952,477
Payments to suppliers	(1,786,244)	236,449	(1,549,795)
Employee payments and benefits	(1,572,353)	(229,689)	(1,802,042)
Payments for interfund services used	(519,488)	(68,929)	(588,417)
Other operating receipts	40,644	-	40,644
Net cash (used in) provided by operating activities	2,345,565	707,302	3,052,867
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Proceeds from repayments of advances	672,133	-	672,133
Interest received from advances to other funds	31,618	-	31,618
Payments on advances from other funds	-	(92,133)	(92,133)
Interest paid on advances from other funds	-	(31,618)	(31,618)
Advance to other funds	(834,000)	834,000	-
Transfer to other funds	(509,000)	-	(509,000)
Net cash (used in) provided by non-capital financing activities	(639,249)	710,249	71,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from capital debt	2,455,976	-	2,455,976
Proceeds from capital grants	-	60,383	60,383
Capital contributions - connection fees	148,411	-	148,411
Purchase and construction of capital assets	(2,248,843)	(2,711,350)	(4,960,193)
Principal payments on capital debt	(1,149,169)	-	(1,149,169)
Interest payments on capital debt	(601,720)	-	(601,720)
Net cash (used in) provided by capital and related financing activities	(1,395,345)	(2,650,967)	(4,046,312)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(1,207,280)	120,533	(1,086,747)
Investment earnings	10,542	5,235	15,777
Net cash (used in) provided by investing activities	(1,196,738)	125,768	(1,070,970)
Net increase (decrease) in cash and cash equivalents	(885,767)	(1,107,648)	(1,993,415)
Cash and cash equivalents, beginning	5,769,105	1,107,904	6,877,009
Cash and cash equivalents, ending	\$ 4,883,338	\$ 256	\$ 4,883,594

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City of Cocoa Beach, Florida  
Statement of Cash Flows  
Proprietary Funds (continued)  
For the Fiscal Year Ended September 30, 2016

	Enterprise Funds		
	Utilities System	Stormwater Management	Totals
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 392,281	\$ 360,593	\$ 752,874
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,477,526	76,633	2,554,159
(Increase) decrease in assets:			
Accounts receivable	(44,640)	(31,411)	(76,051)
Prepaid expenses	(2,326)	(184)	(2,510)
Deferred outflows from pensions	27,739	4,090	31,829
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	(546,474)	297,334	(249,140)
Accrued compensated absences	9,461	(2,623)	6,838
Net pension liability	(33,406)	(5,584)	(38,990)
Accrued OPEB liability	14,840	1,001	15,841
Deferred inflows from pensions	50,564	7,453	58,017
Total adjustments	1,953,284	346,709	2,299,993
Net cash (used in) provided by operating activities	\$ 2,345,565	\$ 707,302	\$ 3,052,867
Cash and cash equivalents reconciliation:			
Cash and cash equivalents	\$ 3,854,041	\$ 256	\$ 3,854,297
Restricted assets:			
Cash and cash equivalents (included in restricted cash, cash equivalents, and investments)	1,029,297	-	1,029,297
Cash and cash equivalents, ending	\$ 4,883,338	\$ 256	\$ 4,883,594

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

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City of Cocoa Beach, Florida  
Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2016

	OPEB Trust Fund	Pension Trust Funds
<b>ASSETS</b>		
Receivables:		
Employer contributions	\$ -	\$ 34,030
Plan member contributions	-	16,350
Interest and dividends	-	13,126
Total receivables	-	63,506
Investments, at fair value:		
Cash and money market	-	1,454,799
Real Estate	-	2,106,614
Mutual funds	1,119,264	40,560,847
Common collective equity funds	-	882,806
Common stocks	-	1,687,599
Total investments	1,119,264	46,692,665
Total assets	1,119,264	46,756,171
<b>LIABILITIES</b>	-	-
<b>NET POSITION</b>		
Restricted for pensions	-	46,756,171
Held in trust for OPEB benefits	1,119,264	-
Total net position	\$ 1,119,264	\$ 46,756,171

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

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City of Cocoa Beach, Florida  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended September 30, 2016

	OPEB Trust Fund	Pension Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 230,412	\$ 2,285,257
Plan members	-	452,041
Total contributions	230,412	2,737,298
Investment earnings:		
Net increase (decrease) in fair value of investments	87,857	1,877,685
Interest and dividends	-	2,452,121
Total investment earnings	87,857	4,329,806
Less investment expenses	-	132,158
Net investment earnings	87,857	4,197,648
Total additions	318,269	6,934,946
<b>DEDUCTIONS</b>		
Benefits	130,412	2,848,735
Administrative expenses	1,541	96,164
Total deductions	131,953	2,944,899
Change in net position	186,316	3,990,047
Net position, beginning of year	932,948	42,766,124
Net position, end of year	\$ 1,119,264	\$ 46,756,171

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

The City of Cocoa Beach, Florida (the City) is a political subdivision of the State of Florida and is located in Brevard County. The City was incorporated in 1925 and has a Commission/City Manager form of government. The City Commission consists of a Mayor and four (4) Commissioners responsible for establishing policies and enacting ordinances and resolutions. They are elected at large. The City Commission appoints the City Manager who is responsible for the daily administration of the City's operations.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. A blended component unit, although legally separate, is, in substance, part of the City's operations. The City has one blended component unit, the Community Redevelopment Agency (CRA). For financial reporting purposes, the CRA is reported as if it were a part of the City's operations. The CRA is an incremental tax district established with City Resolution number 2009-28 on November 19, 2009, pursuant to Florida Statutes Chapter 163. The City Commission serves as the governing board, approves the budget, provides funding and performs all accounting functions for the CRA. The CRA's services are provided exclusively to the City. The CRA is presented as a blended component unit classified as a special revenue fund.

The Cocoa Beach Public Library is funded through the Brevard County Free Public Library District, a separate taxing authority. The City Commissioners appoint an advisory Library Board that has authority to propose budget recommendations to the County and provide input in the selection of a library director. The Library's actual budget is approved and funded by Brevard County and all its personnel are governed by the policies and procedures of Brevard County. The Cocoa Beach Public Library is therefore not a component unit of the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the more significant policies of the City.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements, except for the residual amounts between governmental and business-type activities reported as "internal balances." Net position, the difference between assets, deferred outflows, and liabilities, deferred inflows, as presented in the Statement of Net Position, are categorized as follows:

- a. Net investment in capital assets - the portion of net position which is associated with capital assets, less outstanding debt related to those capital assets.

**A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

- b. Restricted net position - have third party (statutory, bond covenant or granting agency) limitations on their use, or enabling legislation.
- c. Unrestricted net position - have no third party limitations on their use.

The Statement of Activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Indirect expenses are costs the City has allocated to functions through various allocation methods. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the City's governmental, proprietary and fiduciary funds. The focus of governmental and proprietary fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. The results of governmental fund accounting are converted to the government-wide presentation by reconciliation.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are payments-in-lieu of taxes and other charges between the City's utilities and stormwater management systems and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred. Property tax revenues are recognized 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.

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available is defined as collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period, usually considered sixty days.

The primary revenue sources for governmental funds are property taxes, public utility taxes, franchise fees, and sales and fuel taxes. Primary revenue sources associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues, such as licenses and permits, charges for services, and miscellaneous revenues, are considered to be measurable and available only when payment is received.

Expenditures of governmental funds are generally recorded when a liability is incurred, as under accrual accounting. However, accumulated sick and vacation pay, prepaid insurance and similar items, and principal and interest on long-term debt are recorded only when payment is due.

Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues generally result from producing and delivering goods or providing services, such as water, sewer and garbage services, to the public. Operating expenses for these operations include the costs of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting the definition of operating are reported as non-operating revenues and expenses.

Major funds are those whose assets, revenues, expenditures and liabilities are at least 10% percent of corresponding totals for all governmental or enterprise funds and at least 5% percent of the aggregate amount for all governmental and enterprise funds for the same item.

The following are major governmental funds:

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

**Community Redevelopment Agency (CRA) Fund** - The CRA Fund is a special revenue fund that accounts for the provisions of carrying out redevelopment activities that include reducing or eliminating blight, improving the tax base and encouraging public and private investments in the redevelopment area.

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A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. 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" (the current portion of interfund loans) or "advances to/from other funds" (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."

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

Trade receivables consist of account balances less than thirty days overdue. Account balances exceeding thirty days overdue are written off and sent to a collection agency. Therefore, all trade receivables reported are deemed collectible.

7. Inventory

Inventory is stated at cost, which approximates fair value, using the first-in, first-out (FIFO) inventory costing method. Inventory in governmental funds is recorded as an expenditure when purchased.

8. Prepayments and deposits

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. These amounts are offset by a nonspendable fund balance account, which indicates that they do not constitute available resources.

9. Restricted assets

Certain assets of the City's funds are classified as restricted assets on the statement of net position because their use is limited by applicable legal restrictions. The restrictions are for the following:

- Capital Improvement Revenue Note, Series 2014A
- Capital Improvement Refunding Revenue Note, Series 2014B
- SRF Loan Repayment Reserve (Clean Water State Revolving Loans 050610 & 050620)
- Confiscated Property Fund

See Note J for additional information.

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A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The following are major enterprise funds:

**Utilities System Fund** - The Utilities System Fund accounts for the provision of sewer and water reuse services to City residents and some county areas.

**Stormwater Management Fund** - The Stormwater Management Fund accounts for the provision of stormwater drainage services to the residents of the City.

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The following are trust or agency funds:

**Trust Funds** - The three pension trust funds account for the accumulation of resources to be used for pension payments to retiring general employees, police officers, and firefighters of the City. The Other Post-Employment Benefits (OPEB) Trust Fund accounts for the accumulation of resources that are used for payments of retirement benefits other than pensions.

**Agency Fund** - The City has no agency funds.

4. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition. The City maintains centralized checking accounts for all funds (except fiduciary funds).

5. Investments

The City's investment activities are governed by Chapter 218.415, Florida Statutes. In accordance with this statute, the City may invest any surplus funds in (a) The Local Government Surplus Funds Trust Fund; (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; (c) interest-bearing time deposits or savings accounts in qualified public depositories; (d) direct obligations of the U.S. Treasury and (e) federal agencies and instrumentalities. Securities listed in (c) and (d) must be invested to provide sufficient liquidity to pay obligations as they come due. The City has adopted a formal investment policy in compliance with Florida Statutes.

Investments are stated at fair value. Changes in the fair value during the year are included in investment income or loss. GASB 72, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the City's investment advisors.

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A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Property and equipment

Capital assets, which include land, buildings, infrastructure, improvements, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life exceeding one year. The cost of improvements and replacements, which extend the useful lives of assets or increase their capacity, are capitalized. Repairs and maintenance costs, which do not improve or extend the useful life of the respective assets, are charged to expense.

Property and equipment purchased by the City is stated at cost or, if contributed, estimated fair market value at the date of contribution.

Capital assets use straight-line depreciation over the following estimated service lives:

Classification	Service Life Ranges
Infrastructure	30 - 50 years
Buildings and building improvements	40 years
Improvements other than buildings	10 - 15 years
Machinery, furniture and equipment	3 - 5 years

Major outlays for capital assets and improvements are capitalized, as projects are commissioned. For individual proprietary funds, interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated using the weighted average of construction expenditures multiplied by the interest rate on the debt.

11. Compensated absences

The City permits employees to accumulate earned but unused "paid-time-off" (PTO) rather than sick and vacation leave, as was formerly used. All previously accrued sick leave and vacation time was eliminated in Fiscal Year 2009. PTO is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only if the PTO has matured, for example, as a result of employee resignations and retirements.

Upon termination, PTO is paid in full, but limited to 480 hours. Bargaining unit members are paid in accordance with their respective contracts. This amount is charged to the fund in which the employee was budgeted. See Note I for a comprehensive recap by fund of the liability associated with compensated absences.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Long-term liabilities

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements for both governmental and business type activities and in the individual proprietary fund statements. Bond premiums and discounts, as well as issuance costs, are deferred and systematically amortized over the term of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the fiscal year incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an "other financing" source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures. Losses incurred on refunding debt in Proprietary Funds is deferred and amortized over the shorter of the life of the new issue or the remaining life of the refunded issue. Only material amounts of accrued interest are recorded in the financial statements.

12. Fund equity

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The City reported the following governmental fund balances:

	FUND BALANCE - GOVERNMENTAL FUNDS				
	General	Confiscated Property	Community Redevelopment (CRA)	Metered Parking	Totals
<b>Fund balances:</b>					
Non-spendable:					
Prepaid expenses	\$ 149,901	\$ -	\$ 5,082	\$ -	\$ 154,983
Inventory	97,018	-	-	-	97,018
Restricted:					
Revenue Note, Series 2014A	264,636	-	-	-	264,636
Public safety	-	192,287	-	-	192,287
Committed:					
Capital projects	1,018,716	-	-	-	1,018,716
Parking improvements	-	-	-	1,126,273	1,126,273
CRA area improvements	-	-	-	-	-
Assigned:					
None	-	-	-	-	-
Unassigned:					
General government	3,714,213	-	(77,030)	-	3,637,183
<b>Total Fund Balance</b>	<u>\$ 5,244,484</u>	<u>\$ 192,287</u>	<u>\$ (71,948)</u>	<u>\$ 1,126,273</u>	<u>\$ 6,491,096</u>

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Revenues, contributions, expenditures, and expenses

The City's accounting treatment and recognition policies for certain revenues, expenditures, and expenses having unique accounting requirements are as follows:

Property taxes

Property taxes are billed November 1st (discounts are available for early payment) for the calendar year beginning January 1st. Taxes are due March 1st and become delinquent on April 1st and tax certificates on all property on which taxes are delinquent are sold at the end of May of each year. Property taxes are considered fully collected (i.e. 96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable.

Administrative service charges

Administrative services are provided to certain enterprise fund and special revenue fund activities by various departments within the general fund. These charges are recorded as revenues in the general fund and as operating expenses in the fund being charged.

Grants

Operating and capital grants for both governmental and proprietary funds are recorded as receivables and revenues at the time that eligible (reimbursable) project costs are incurred. Grant revenues received in advance of meeting all eligibility criteria are unearned.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Fund equity (continued)

Non-spendable fund balance

Represents components not in spendable form and legally or contractually required to be maintained intact. Examples are inventories, prepaid expenditures, long-term portion of notes receivable, property acquired for resale and unrealized gains. The City Commission is the highest authority for these items.

Restricted fund balance

These amounts represent spending constraints externally imposed by law through constitutional provisions or enabling legislation or by agreements with creditors, grantors, or other governments. Funds to construct the new fire station were secured with Capital Improvement Revenue Note, Series 2014A and the annual debt service payment is in this classification. See Notes H and J for additional detail. There are no bond covenants on the governmental funds at this time.

The Confiscated Property Fund is governed by Chapter 932, Florida Statutes, meaning that the \$192,287 monies from the fund must be spent for the purposes and items enumerated in the statute. These expenditures are requested by the Police Chief and approved by the City Commission.

Committed fund balance

These amounts can only be used for specific purposes pursuant to constraints imposed by the City Commission. The constraints cannot be removed unless the Commission removes it in the same manner it was implemented.

Resolution 2016-18 (passed October 20, 2016) amended the Fiscal Year 2017 budget to appropriate funds for capital projects not completed in the prior fiscal year. The Commission may cancel or defer any of the projects funded by the Resolution.

The \$1,126,273 shown in the Metered Parking Fund must be used for specific purposes pursuant to constraints imposed by the Commission in creating the Fund. The City Manager has budget authority within the constraints mentioned above.

Assigned fund balance

These amounts are constrained by the government's intent they be used for specific purposes. Decisions with regard to these purposes and amounts will be as determined by the City Commission by Resolution.

Unassigned fund balance

Represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to a specific purpose within the general fund. This includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. Currently, this condition does not exist.

When both restricted and unrestricted amounts are available for use, it is the City's practice to use restricted resources first. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental funds balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position.

An element of that reconciliation explains that "long-term liabilities, including OPEB obligation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Capital Improvement Revenue Note, Series 2014A	\$ 3,570,000
Golf cart lease payable	95,716
Master equipment lease payable	871,360
OPEB liability	1,769,737
Accrued compensated absences	<u>1,352,205</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 7,659,018</u>

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlays and transfers (net) (Note G, Paragraph 3)	\$ 4,414,452
Depreciation expense	<u>(1,828,774)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 2,585,678</u>

Another element of the reconciliation explains that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and government-wide statement of activities (continued)

The detail of this difference is as follows:

Principal payments on long-term debt:	
Capital improvement revenue note, Series 2014A	\$ 145,000
Capital lease (golf carts)	73,910
Capital lease issuance less payment (equipment master lease)	<u>(871,360)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (652,451)</u>

A third element of the reconciliation states, "some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds."

The details of this difference are as follows:

Change in accrued compensated absences	\$ (70,526)
Change in OPEB Obligation	<u>(109,635)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (180,161)</u>

The net adjustment increases net changes in fund balances-total governmental funds to arrive at changes in net position-governmental activities

A final element of the reconciliation states that "contributions to pension plans do not recognize the long-term net pension liability. However, in the statement of activities, the pension expense associated with service cost is recognized and the contributions to the pension plans reduce the net pension liability."

The details of this difference are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund	Total
Pension contributions	\$ 418,491	\$ 655,200	\$ 822,359	\$ 1,896,050
Pension expenses	<u>(759,181)</u>	<u>251,561</u>	<u>(845,957)</u>	<u>(1,153,577)</u>
	<u>\$ (340,690)</u>	<u>\$ 906,761</u>	<u>\$ 176,402</u>	<u>\$ 742,473</u>

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**D - CASH AND INVESTMENTS**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. The City maintains a centralized interest bearing checking account for all operating funds. At September 30, 2016, cash and cash equivalents consisted of the following:

Petty cash funds	\$ 4,757
Florida Local Government Investment Trust	1,619,493
Florida SAFE Investment Trust	40
Bank balance (all accounts)	<u>6,708,182</u>
Total cash and cash equivalents	8,332,472
Less: cash and equivalents classified as restricted assets	
Restricted Assets (see Note J for complete details)	<u>(1,486,220)</u>
Available cash balance	<u>\$ 6,846,252</u>

While the total carrying amount of our cash deposits is \$8,332,472, the available cash balance is \$6,846,252. The City has complied with the requirements of the Florida Security for Public Deposits Act (the Act) by maintaining its accounts at a qualified public depository as provided by Chapter 280 of the Florida Statutes. Under the Act, qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. Therefore, all cash deposits and certificates of deposit held by banks are classified as fully insured. The cash and cash equivalents listed above are exempt from fair market value hierarchy requirements of GASB 72, as discussed in Note D 3).

1. City investment policy and portfolio

Resolution 2003-07 adopted February 20, 2003, established the City's investment policy. It allows the City to invest surplus money as provided by Florida Statute 218.415. The investment must be one of the following authorized types:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality ratings (AAA/AA) from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02, Florida Statutes.
- Direct Obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Derivative products and margin purchases are expressly prohibited.

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**C - BUDGETS**

Budget policy

Annual budgets are prepared for all funds except the following:

- The Confiscated Property Special Revenue Fund is not budgeted because its sole purpose is to account for property confiscated by law enforcement in accordance with State and Federal Law. The use of these funds is governed by Chapter 932, Florida statutes. Accordingly, these funds are held in a separate interest bearing account.
- The Pension and OPEB trust funds are not budgeted because the funds held in these accounts are in trust for others; however, the City contributions to those funds are budgeted within the respective departments. See Notes L and M for additional information.

Annual operating budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Annual budget appropriations lapse at the end of each fiscal year. Open purchase orders and other commitments are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred. Encumbrances outstanding at year-end for unfulfilled obligations are canceled and appropriated in the succeeding year's budget. Such amounts, if material, are disclosed in the notes to financial statements under "Commitments."

The City Commission, pursuant to Article V of the City Charter and state statutes, using the following procedures, adopts annual operating budgets:

- Each department, office or agency of the City submits a work program and budget request to the Chief Financial Officer during March of each year.
- The City Manager reviews the departmental requests, conducts workshop sessions and presents the proposed budget to the City Commission in July of each year.
- The City Commission holds a series of budget workshops and public hearings on the proposed budget and adopts the official annual budget of the City by resolution.

The budgets, as adopted, may be amended through formal approval by the City Commission. Budgetary integration is established in the accounting records for control purposes at the object of expenditure level; however, the City Charter establishes the level at which expenditures may not legally exceed budgeted amounts at the department level. The City's general governmental appropriations are budgeted within the general fund as if it were a separate department. Items making up this legal level of budgetary control include current other general government expenditures, debt service expenditures and other financing uses. Resolution 2015-16 adopted September 17, 2015 contains budgets for the General Fund and Metered Parking Fund (governmental funds) as well as the Utilities System Fund, and the Stormwater Management Fund (enterprise funds). The City Manager may transfer budgeted amounts within a department, office, or agency of the City without formal approval by the City Commission. The final budget amounts shown in the financial statements include all amendments as approved during the year by the City Commission.

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**D - CASH AND INVESTMENTS (continued)**

2. City investment policy and portfolio (continued)

The City's investments at September 30, 2016, consisted of the following:

	Maturity Dates			
	Less than One Year	1-5 Years	Over Five Years	Fair Value*
Direct Obligations of the U.S. Treasury (at market value)	\$ 59,993	\$ 925,388	\$ -	\$ 985,382
Federal Agencies & Instrumentalities	704	5,588,582	-	<u>5,589,286</u>
Total investments				<u>\$ 6,574,668</u>

\*Includes temporarily restricted assets and accrued interest

The investment policy addresses and mitigates the risk types below as shown:

(1) Interest Rate Risk – The policy requires the portfolio be structured with securities that maintain the greatest degree of liquidity and flexibility. The portfolio will maintain a structure with maturities staged to meet the City's obligations as they come due.

(2) Credit Risk – The City primarily invests in direct obligations of the U.S. Treasury, Federal agencies, and the State of Florida Local Government Surplus Trust Fund pool.

(3) Custodial Risk – All cash and securities are held in accounts bearing the name of the City. Securities in such accounts, held in the "street name," are considered held in the name of the City.

(4) Concentration of Credit Risk – No more than 50% of the City's funds will be invested with the same issuer, except direct obligations of the United States Treasury. No more than 50% of the City's funds will be invested through the same investment institution or dealer. No more than 20% of the City's funds will be invested beyond five years in any security with the same maturity date.

3. Fair value measurements

GASB 72, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

D - CASH AND INVESTMENTS (continued)

3. Fair value measurements (continued)

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2016.

Equities: Valued at quoted market prices.

Mutual funds: Valued at quoted market prices.

Alternative investments: Valued at net asset value, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2016:

Investments by fair value level	Level 1	Level 2	Level 3
United States Treasuries	\$ 985,382	-	-
United States Agencies	5,589,286	-	-
Total Investment by fair value level	\$ 6,574,668	-	-

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

D - CASH AND INVESTMENTS (continued)

5. Pension fund portfolio structure

	Fair Value
<b>General Employees' Pension Trust Fund</b>	
Investments not subject to categorization:	
Mutual funds	\$ 20,705,142
Common stocks	1,687,599
Money market funds and short-term investments	870,206
Total investments	\$ 23,262,947
<b>Police Officers' Retirement Trust Fund</b>	
Investments not subject to categorization:	
Mutual funds	\$ 11,275,167
Common stocks	-
Money market funds and short-term investments	327,771
Total investments	\$ 11,602,938
<b>Firefighters' Retirement Trust Fund</b>	
Investments not subject to categorization:	
Mutual funds	\$ 11,569,957
Common stocks	-
Money market funds and short-term investments	256,821
Total investments	\$ 11,826,778

6. Pension fund fair value measurements

The following table sets forth by level, within the fair value hierarchy, the Pension Fund assets at fair value as of September 30, 2016.

a. General Employees' Pension Fund

Investments by fair value level	Level 1	Level 2	Level 3	Total
United States Treasury Obligations	\$ 869,619	-	-	\$ 869,619
Mutual Funds - Fixed Income	6,131,099	-	-	6,131,099
Mutual Funds - Equity	9,701,991	-	-	9,701,991
Domestic corporate equities	1,531,494	-	-	1,531,494
Foreign corporate equities	156,105	-	-	156,105
EFT equities	3,989,347	-	-	3,989,347
Master Limited Partnerships (MLPs)	-	882,804	-	882,804
Other equity	588	-	-	588
Total	\$ 22,380,143	\$ 882,804	-	\$ 23,262,947

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

D - CASH AND INVESTMENTS (continued)

4. Pension fund investment policies

A specific City ordinance created each pension fund. The Board of Trustees for each respective fund determines investment policies for each of the three pension trust funds.

For each fund, no more than 5% of fund assets may be invested in the securities of any one issuing company (this excludes the U. S. Government and its agencies). No investment may exceed 5% of the outstanding capital stock of any one company. The aggregate investments in common and capital stock and convertible securities (at cost) may not exceed 65% of the assets of the Police and Fire funds, or 60% of the assets of the General Employees fund.

Each fund maintains a list of prohibited investment security types. The following investment types are prohibited:

- Futures
- Hedge funds
- Limited partnerships
- Options
- Margin accounts
- Securities lending
- General obligations issued by a foreign government
- Bonds issued by a state or municipality
- Private equities
- Private mortgages
- Insurance annuities
- Internally managed assets

The investment policies address and mitigate the risk types below as shown:

(1) *Interest Rate Risk* – The funds' investment policy requires that the portfolio be structured with sufficient liquidity to meet the funds' obligations as they come due.

(2) *Credit Risk* – The three pension trust funds each hold cash in their respective fund accounts. To mitigate credit risk, the time, savings and money market deposits of each fund in an institution may not exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage held by that institution for those amounts.

(3) *Custodial Risk* – All cash and securities are held in accounts bearing the name of the respective fund. Securities in such accounts, even though held in the "street name" are considered held in the name of the fund. Fund managers are required to carry errors and omissions insurance coverage.

(4) *Concentration of Credit Risk* – Each of the investment policies require that investments be diversified by security type. Each fund allocates the fund assets to a diversified portfolio of equities, fixed income and cash equivalent securities directed by a professional investment manager. Each fund has an independent investment consultant to evaluate and report on the performance of the investment managers.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

D - CASH AND INVESTMENTS (continued)

6. Pension fund fair value measurements (continued)

b. Police Officers' Retirement Trust Fund

Investments by fair value level	Level 1	Level 2	Level 3	Total
United States Treasuries	\$ 327,770	-	-	\$ 327,770
Mutual Funds - Fixed Income	2,811,401	-	-	2,811,401
Mutual Funds - Equity	7,410,459	-	-	7,410,459
Total by fair value level	\$ 10,549,630	\$ -	\$ -	10,549,630
<b>Investments measured at Net Asset Value (NAV)</b>				
Real Estate Pooled Fund				1,053,308
Total Investments				\$ 11,602,938

c. Firefighters' Retirement Trust Fund

Investments by fair value level	Level 1	Level 2	Level 3	Total
United States Treasuries	\$ 256,821	-	-	\$ 256,821
Mutual Funds - Fixed Income	2,806,166	-	-	2,806,166
Mutual Funds - Equity	7,710,484	-	-	7,710,484
Total by fair value level	\$ 10,773,471	\$ -	\$ -	10,773,471
<b>Investments measured at Net Asset Value (NAV)</b>				
Real Estate Pooled Fund				1,053,307
Total Investments				\$ 11,826,778

The real estate pooled fund has no unfunded commitments at September 30, 2016. The redemption frequency is quarterly and requires 30 days' notice. This fund is valued at NAV of units held at the end of the period based upon the fair value of the underlying investments.

Additional information about the City's pension funds and fair value measurements within the fair value hierarchy established by generally accepted accounting principles are shown in Note L and in the RSI section. Maturities are considered less than one year for the above scheduled investments.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

E - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2016, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Business tax receipts received in Fiscal Year 2016 for Fiscal Year 2017	\$ -	\$ 108,335

F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

1. Long-term advances to/from other funds

There are two long-term advances outstanding as of September 30, 2016.

- In 2007, the Utilities System Enterprise Fund made a long-term advance to the Stormwater Enterprise Fund in the amount of \$1,280,000 to fund the Ocean Beach Blvd. project construction phase. This advance is being repaid over a fifteen year period in annual installments including interest at 5.00% and will mature in Fiscal Year 2022.
- Loans were made from the General Fund to the CRA Fund from Fiscal Year 2010 to Fiscal Year 2013 in the amount of \$261,230. A repayment schedule was established in Fiscal Year 2015 and the principal payment of \$21,230 was made with subsequent payments in the amount of \$20,000 beginning in FY 2016. The advance is being repaid over a twelve year period in annual installments and will mature in Fiscal Year 2027.

Advance	Outstanding Balance at 9/30/16	Principal Due in FY 2016
(a)	\$ 576,301	\$ 96,846
(b)	220,000	20,000
	<u>\$ 796,301</u>	<u>\$ 116,846</u>

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

3. Due to/due from other funds (internal balances)

As of September 30, 2016, interfund balances are shown in the following table.

Due from:	Due to:	
	Utility System	General Fund
Stormwater Enterprise	\$ 930,846	\$ -
Community Redevelopment Agency	-	20,000
Total due to/from	<u>\$ 930,846</u>	<u>\$ 20,000</u>

Interfund balances represent the payments of expenditures paid by one fund on behalf of another fund and will be repaid within twelve months of year end.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

2. Interfund transfers

Amounts are transferred from one fund to support expenditures of another fund in accordance with legally established budgets. Transfers between funds during the year ended September 30, 2016 were as follows:

The General Fund transfer to the Metered Parking Fund in the amount of \$155,900 accounts for the difference in amounts for parking fees charged to residents in accordance with Resolution 2011-31.

The Metered Parking Fund transfer to the General Fund has three (3) components. A component of \$100,000 provides a contribution for public safety and beach vehicles; a \$50,000 component offsets the cost of a maintenance worker used to maintain beaches and landscaping; and a component in the amount of \$155,900 accounts for the difference in charges for parking permits in accordance with Resolution 2011-31.

The Utility System Enterprise Fund transfer of \$509,000 to the General Fund has three components. A payment in lieu of property taxes equivalent to the value of services received from the government in the amount of \$450,000 is the first component. An offset for the cost of a General Fund maintenance worker used on projects which benefit the utility department in the amount of \$50,000 is the second component. The third component, in the amount of \$9,000, is payment for use of retention ponds at the golf course.

The General Fund transfer to the CRA Fund in the amount of \$94,370 represents the tax incremental financing (TIF) payment required.

The amounts shown above specifically exclude the amounts the General Fund charges the enterprise funds each year for administrative support and services (e.g. payroll, accounts payable disbursements, etc.). These amounts are identified in the proprietary fund financial statements.

Transfers out:	Transfers in:		
	General Fund	Metered Parking	CRA Fund
Metered Parking Special Revenue Fund	\$ 505,900	\$ -	\$ -
Utilities System Enterprise Fund	509,000	-	-
Community Redevelopment Agency (CRA)	-	-	94,370
General Fund	-	155,900	-
Total transfers	<u>\$ 1,014,900</u>	<u>\$ 155,900</u>	<u>\$ 94,370</u>

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

G - CAPITAL ASSETS

1. Governmental capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,950,653	\$ -	\$ -	\$ 7,950,653
Construction in progress	1,486,022	2,281,429	(2,742,641)	1,024,809
Total capital assets, not being depreciated	<u>9,436,675</u>	<u>2,281,429</u>	<u>(2,742,641)</u>	<u>8,975,462</u>
Capital assets, being depreciated:				
Buildings	10,323,271	21,644	(3,000)	10,341,915
Infrastructure	879,707	-	-	879,707
Improvements other than buildings	17,048,483	3,292,123	-	20,340,606
Machinery and equipment	13,253,310	1,561,898	(359,186)	14,456,022
Total capital assets, being depreciated	41,504,771	4,875,665	(362,186)	46,018,250
Less accumulated depreciation for:				
Buildings	(2,017,631)	(314,077)	3,000	(2,328,708)
Infrastructure	(198,738)	(17,439)	-	(216,177)
Improvements other than buildings	(11,805,455)	(703,749)	-	(12,509,204)
Machinery and equipment	(10,785,716)	(793,509)	359,186	(11,220,039)
Total accumulated depreciation	<u>(24,807,540)</u>	<u>(1,828,774)</u>	<u>362,186</u>	<u>(26,274,128)</u>
Total capital assets, being depreciated, net	<u>16,697,231</u>	<u>3,046,891</u>	<u>-</u>	<u>19,744,122</u>
Governmental activities capital assets, net	<u>\$ 26,133,906</u>	<u>\$ 5,328,319</u>	<u>\$ (2,742,641)</u>	<u>\$ 28,719,584</u>

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

G - CAPITAL ASSETS (continued)

2. Business type capital asset activity for the year ended September 30, 2016, was as follows:

Business-type activities:	Beginning Balance	Increases	Decreases / Adjustments	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,691,599	\$ -	\$ -	\$ 1,691,599
Construction in progress	422,868	2,733,657	(30,236)	3,126,289
Total capital assets, not being depreciated	2,114,467	2,733,657	(30,236)	4,817,888
Capital assets, being depreciated:				
Buildings	3,975,296	-	-	3,975,296
Infrastructure	40,740,167	1,873,059	-	42,613,226
Improvements other than buildings	23,224,756	57,334	(67,573)	23,214,517
Machinery and equipment	3,301,083	140,977	(233,350)	3,208,710
Total capital assets, being depreciated	71,241,302	2,071,370	(300,923)	73,011,749
Less accumulated depreciation for:				
Buildings	(1,675,373)	(88,151)	3,596	(1,759,928)
Infrastructure	(16,478,826)	(808,113)	(15,380)	(17,302,319)
Improvements other than buildings	(3,899,365)	(1,517,472)	11,262	(5,405,575)
Machinery and equipment	(3,216,573)	(140,423)	486,847	(2,870,149)
Total accumulated depreciation	(25,270,137)	(2,554,159)	486,325	(27,337,971)
Total capital assets, being depreciated, net	45,971,165	(482,789)	185,402	45,673,778
Business-type activities capital assets, net	\$ 48,085,632	\$ 2,250,868	\$ 155,166	\$ 50,491,666

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

G - CAPITAL ASSETS (continued)

5. Net investment in capital assets

	Enterprise Funds		
	Governmental Funds	Utility Fund	Stormwater Fund
Capital assets	\$ 54,993,712	\$ 71,394,435	\$ 6,435,203
Less: Accumulated depreciation	(26,274,128)	(26,658,076)	(679,896)
Less: Outstanding principal of capital-related debt	(4,537,076)	(25,064,163)	-
Net investment in capital assets	\$ 24,182,508	\$ 19,672,196	\$ 5,755,307

H - LONG-TERM DEBT

1. Revenue bonds and other debt instruments

	Outstanding Principal
Capital Improvement Revenue Note, Series 2014A, payable in semi-annual installments beginning November 1, 2014 through November 1, 2033; interest rate is 3.28% secured by and payable from the revenue received for Utility Franchise Fees. Loan proceeds are used to pay costs of the new Fire Station Construction Project. Loan has prepayment restrictions prior to May 1, 2024. Debt Service account with current payment balance must be maintained. Covenant to budget and appropriate non-ad valorem revenues. Original loan amount: \$3,790,000.	\$ 3,570,000
Capital Improvement Revenue Refunding Note, Series 2014B, payable in semi-annual installments beginning July 15, 2014 through July 15, 2023; interest rate 1.88%; secured by revenue received for Utility Franchise Fees and payable from the net revenues derived from the operation of the City's sewer system. Loan has no prepayment restrictions. Debt Service account with current payment balance must be maintained. Covenant to budget and appropriate non-ad valorem revenues. This loan advance refunded the remaining balance of Clean Water State Revolving Loan # 88506P. Original loan amount: \$2,840,000.	2,135,000
Clean Water State Revolving Loan, # 050610, payable in semi-annual installments beginning March 2014 through September 2033; interest from 2.65% plus service charges. Issued to finance sewer treatment and rehabilitation projects; secured by and payable from the net revenues derived from the operation of the City's sewer system. Original loan amount: \$20,871,742.	18,759,001
Clean Water State Revolving Loan, # 050620, payable in proposed semi-annual installments beginning May 2017 through November 2036; interest from 2.39% plus service charges. Issued to finance major sewer rehabilitation and stormwater improvements; secured by and payable from the net revenues derived from the operation of the City's sewer and stormwater system. Original loan amount: \$4,170,162.	4,170,162
In Fiscal Year 2013 the City entered into a Lease-Purchase Agreement in the amount of \$364,137 for 110 electric golf carts, which act as collateral for the lease. The agreement includes an annual interest rate of 3.15%. The future payments are \$78,397 per year for the next two fiscal years, inclusive of interest. A final payment of \$19,599 is due in Fiscal Year 2018. Upon payment in full of all lease payments, the rights of ownership of the golf carts, which have been reported as capital assets, will be conveyed to the City.	95,716
In Fiscal Year 2016 the City entered into a Master Equipment Lease Agreement in the amount of \$878,703 for purchase of a Vector (vacoon), Front End Loader, and 75 Parking Kiosks, which act as collateral for the lease. The agreement includes an annual interest rate of 2.01716%. The future payments total \$257,144 per year for the next three fiscal years, inclusive of interest. In fiscal year 2020 the future payments per year total \$100,075, inclusive of interest. And final payments totalling \$75,056 are due in Fiscal Year 2021. Upon payment in full of all lease payments, the rights of ownership of the Vector, Front-end loader, and 75 parking kiosks, which have been reported as capital assets, will be conveyed to the City.	871,360
<b>Total</b>	<b>\$ 29,601,239</b>

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

G - CAPITAL ASSETS (continued)

3. Depreciation expense charged to functions/programs of the City is as follows:

Governmental activities:	
Golf	\$ 232,049
General government	392,202
Public safety	360,943
Transportation/public works	712,397
Recreation	131,183
Total depreciation expense - governmental activities	\$ 1,828,774
Business-type activities:	
Utility	\$ 2,477,526
Stormwater	76,632
Total depreciation expense - business-type activities	\$ 2,554,159
Governmental current year activities:	
Assets being depreciated	\$ 4,875,665
Construction in progress - increase	2,281,429
Construction in progress - decrease	(2,742,641)
Capital outlays and transfers (net)	\$ 4,414,452

4. Construction (estimated) commitments are as follows:

The Sewer System Rehabilitation, Minutemen Stormwater Streetscape and 200 Channel Dredging projects account for major construction commitments. A complete list of projects by fund is included in adopted Resolution 2015-18.

The scope of work for most projects shown below is preliminary. The commitments shown are order of magnitude, i.e. plus/minus thirty (+30%) percent, estimates for most projects. Replacements of existing equipment units are omitted.

Project Description	Spent-to-date	Remaining Commitment	
		FY 2017	Beyond FY 2017
Sewer System Rehabilitation	\$ 2,983,034	\$ 271,300	\$ 2,110,000
Minutemen Stormwater/Streetscape	841,866	5,650,274	1,350,000
200 Channel Dredging	849,371	440,000	-
Other projects (15)	4,799,080	500,000	6,000,000
Total	\$ 9,473,351	\$ 6,861,574	\$ 9,460,000

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

H - LONG-TERM DEBT (continued)

2. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016 (excluding long-term advances between funds) was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Note payable:					
Capital Improvement Revenue Note, Series 2014A	\$ 3,715,000	\$ -	\$(145,000)	\$ 3,570,000	\$ 150,000
Capital Leases	169,625	878,703	(81,252)	967,076	317,657
OPEB Liability	1,660,102	109,635	-	1,769,737	-
Net pension liability	9,606,695	-	(1,417,688)	8,031,822	-
Compensated absences	1,281,679	748,308	(677,782)	1,352,205	715,078
Governmental activity long-term liabilities	\$ 16,433,101	\$ 1,736,646	\$(2,321,722)	\$ 15,690,840	\$ 1,182,735
<b>Business-type activities:</b>					
Note payable:					
Capital Improvement Refunding Revenue Note, Series 2014B	2,420,000	-	(285,000)	2,135,000	290,000
State Revolving Loan # 050610	19,607,982	-	(848,981)	18,759,001	873,155
State Revolving Loan # 050620	1,714,186	2,455,976	-	4,170,162	1,996
OPEB Liability	242,751	15,841	-	258,592	-
Net pension (asset) liability	200,645	-	(43,460)	157,185	-
Compensated absences	219,896	116,537	(109,639)	226,734	112,862
Business-type activity long-term liabilities	\$ 24,405,460	\$ 2,588,354	\$(1,287,140)	\$ 25,706,674	\$ 1,278,013

For governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

A detailed discussion of the OPEB liability including the allocation by fund is discussed in Note M, paragraph 5.

A detailed discussion of the compensated absence policy and its liability including the allocation by fund is discussed in Note A, paragraph 11 and Note I.

A detailed discussion of components of changes in the net pension liability by individual pension plan is disclosed in Note L, paragraph 8.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

H - LONG-TERM DEBT (continued)

3. Bond and note debt service requirements to maturity for governmental activities

Governmental Activities		
Capital Improvement Revenue Note Series 2014A		
Year Ending September 30,	Principal	Interest
2017	\$ 150,000	\$ 114,636
2018	155,000	109,634
2019	160,000	104,468
2020	165,000	99,138
2021	170,000	93,644
2022	175,000	87,986
2023	180,000	82,164
2024	185,000	76,178
2025	190,000	70,028
2026	200,000	63,632
2027	205,000	56,990
2028	210,000	50,184
2029	220,000	43,132
2030	225,000	35,834
2031	235,000	28,290
2032	240,000	20,500
2033	250,000	12,464
2034	255,000	4,182
Total	\$ 3,670,000	\$ 1,153,084

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

H - LONG-TERM DEBT (continued)

c.

Major Sewer Rehab & Stormwater Improvements State Revolving Fund Loan* # 050620		
Year Ending September 30,	Principal	Interest
2017	1,996	49,982
2018	170,568	98,904
2019	174,669	94,803
2020	178,868	90,603
2021	183,169	86,303
2022	187,573	81,899
2023	192,082	77,389
2024	196,701	72,771
2025	201,430	68,042
2026	206,273	63,199
2027	211,232	58,239
2028	216,311	53,161
2029	221,512	47,960
2030	226,837	42,634
2031	232,291	37,181
2032	237,876	31,596
2033	243,595	25,876
2034	249,452	20,020
2035	255,449	14,022
2036	261,591	7,880
2037	120,687	14,049
Total	\$ 4,170,162	\$ 1,136,514

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

H - LONG-TERM DEBT (continued)

4. Bond and note debt service requirements to maturity for business-type activities

a.

Business-type Activities		
Capital Improvement Refunding Revenue Note, Series 2014B		
Year Ending September 30,	Principal	Interest
2017	290,000	40,138
2018	295,000	34,686
2019	300,000	29,140
2020	305,000	23,500
2021	310,000	17,766
2022	315,000	11,938
2023	320,000	6,016
Total	\$ 2,135,000	\$ 163,184

b.

Business-type Activities		
Clean Water State Revolving Fund Loan # 050610		
Year Ending September 30,	Principal	Interest
2017	873,154	524,447
2018	898,017	499,585
2019	923,589	474,013
2020	949,889	447,712
2021	976,940	420,662
2022	1,004,762	392,839
2023	1,033,378	364,224
2024	1,062,810	334,792
2025	1,093,081	304,521
2026	1,124,216	273,386
2027	1,156,238	241,363
2028	1,189,174	208,427
2029	1,223,050	174,552
2030	1,257,892	139,710
2031	1,293,728	103,874
2032	1,330,586	67,016
2033	1,368,496	29,106
Total	\$ 18,759,001	\$ 5,000,226

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

H - LONG-TERM DEBT (continued)

5. Clean Water State Revolving Fund Loan Agreement # 050621

The City has secured a Clean Water State Revolving Fund Loan for the Stormwater Improvement project. The loan is secured by and payable from the net revenues derived from the operation of the City's sewer system and reuse system and Stormwater enterprise funds.

It is anticipated that the project will be completed in late spring 2017 and that the initial loan payment will be in May 2017.

Loans of this type use a draw system based on completed project milestones. The multiple draws are merged into a unified loan with a twenty year payback after project completion.

The projected project expenditures and loan amount are shown below:

Category	Cost
Construction & demolition	\$ 4,007,951
Contingencies	200,397
Technical services after bid opening	240,000
<b>SUBTOTAL</b>	<b>4,448,348</b>
Less Awarded Grants	(3,428,884)
<b>SUBTOTAL (Disbursable Amount)</b>	<b>1,019,464</b>
Capitalized interest	7,900
<b>TOTAL AMOUNT</b>	<b>\$ 1,027,364</b>

A comprehensive payment schedule will be determined at a later date. It is estimated at this time that the required forty semi-annual payments will approximate \$27,725 each.

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**H - LONG-TERM DEBT (continued)**

**6. Comprehensive summary of debt service requirements to maturity**

Year Ending September 30,	Summary	
	Principal	Interest
2017	\$ 1,632,807	\$ 747,088
2018	1,784,323	753,815
2019	1,770,288	708,270
2020	1,696,103	663,683
2021	1,714,415	619,126
2022	1,682,335	574,662
2023	1,725,460	529,793
2024	1,444,511	483,741
2025	1,484,511	442,591
2026	1,530,489	400,217
2027	1,572,470	356,592
2028	1,615,485	311,772
2029	1,664,562	265,644
2030	1,709,729	218,178
2031	1,761,019	169,345
2032	1,808,462	119,112
2033	1,862,091	67,446
2034	504,452	24,202
2035	255,449	14,022
2036	261,591	7,880
2037	120,687	14,049
Total	<u>\$ 29,601,239</u>	<u>\$ 7,469,299</u>

**I - COMPENSATED ABSENCES**

An explanation of the compensated absences policy is given in Note A, paragraph 11. A comprehensive recap of the liability by fund is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Fund	\$ 1,281,678	\$ 748,308	\$ (677,782)	\$ 1,352,205	\$ 715,078
Enterprise Funds:					
Utilities System	\$ 180,783	\$ 97,568	\$ (88,106)	\$ 190,245	\$ 92,717
Stormwater Management	39,111	18,969	(21,595)	36,485	20,145
Total Enterprise Funds	\$ 219,894	\$ 116,537	\$ (109,701)	\$ 226,730	\$ 112,862

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**L - EMPLOYER RETIREMENT PLANS**

The City maintains three contributory single-employer defined benefit pension plans (Plans) that provide for retirement, disability and death benefits as described below. These Plans are:

- City of Cocoa Beach General Employees' Pension Trust Fund (General Employees)
- City of Cocoa Beach Police Officers' Retirement Trust Fund (Police Employees)
- City of Cocoa Beach Firefighters' Retirement Trust Fund (Fire Employees)

**1. Summary of significant accounting policies (all Plans)**

Basis of accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits, refunds and administrative costs are recognized when due and payable in accordance with the terms of each plan. On-behalf payments, made by the state totaling \$91,834 and \$144,452 for the Police Officers' and Firefighters' plans respectively, were recognized as revenues and expenditures in the General Fund during the year ended September 30, 2016.

Method used to value investments

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Presentation of financial statements

The Plans do not issue stand-alone financial reports and are not included in the reports of any other entity.

Funding requirements

At the request of the Division of Retirement, the City is required to fund the actuarially determined percentage of payroll for fiscal years beginning October 1, 2009 instead of a disclosed dollar requirement.

Contributions

Active members of each Plan are required to contribute 5% of base wages to the Plan. For all plans, the City pays the amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

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**J - RESTRICTED NET POSITION**

The restricted balances for debt service are as follows:

Capital Improvement Revenue Note, Series 2014A	\$ 264,636
Capital Improvement Revenue Refunding Note, Series 2014B	330,496
SRF Loan # 050610 Repayment Reserve	698,801
Total	<u>\$ 1,293,933</u>

The restricted net position account balances in the government-wide governmental activities are:

Confiscated property fund	192,287
Total	<u>\$ 192,287</u>

Total restricted net asset account balances	<u>\$ 1,486,220</u>
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The Confiscated Property Fund is maintained in a separate interest bearing bank account. For cash purposes both of the above categories are considered restricted (see Note D – Cash and Investments).

**K - RISK MANAGEMENT**

Property and liability insurance programs

The City is exposed to various risks of loss related to torts; injuries to employees, theft of, damage to and/or destruction of assets, errors and omissions, general liabilities and natural disasters. In order to limit its exposure to these risks, the City participates in the Florida League of Cities (FLOC) (a not-for-profit corporation) insurance program for workers' compensation, general and auto liability, and property insurance. The FLOC purchases both excess and specific coverages from third party insurance carriers. Program participants purchase excess and specific coverages and are not assessed for unanticipated losses incurred by the program. The City has insurance programs with other carriers for floods, liability insurance for public officials and other specialized coverages.

Premiums paid by the City during Fiscal Year 2016 totaled \$624,968. This is a decrease from \$660,722 paid in Fiscal Year 2015. The cost decrease is attributed to a decreased rate for worker's compensation premiums and deductible fees, as well as decreased claims. Settled claims have not exceeded commercial excess coverages in any of the past five years.

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**City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016**

**L - EMPLOYER RETIREMENT PLANS (continued)**

**2. General Employees' Pension Trust Fund**

Plan administration

The Plan is administered by a Board of Trustees comprised of:

- a. Two Trustees who are Plan participants, either a current employee or a retiree receiving benefits, elected by the employees in secret ballot elections;
- b. One resident of the City to be appointed by the City Commission;
- c. One member of the City Commission chosen by the City Commission;
- d. The City Chief Financial Officer who serves as Chairman of the Board of Trustees.

Plan membership as of October 1, 2015:

Inactive plan members or beneficiaries currently receiving benefits	74
Inactive plan members entitled to but not yet receiving benefits	25
Active plan members	126
	<u>225</u>

Normal retirement

Age 62 and 5 years of Credited Service.

Benefit Amount: If employed on or after 11/18/1999, 2.50% of Average Final Compensation times Credited Service. If employed before 11/18/1999, 3.00% of Average Final Compensation times Credited Service. If the Member had 25 or more years of Credited Service on 12/31/1998, the maximum benefit payable is 90% of Average Final Compensation. Otherwise, the maximum benefit payable is 80% of Average Final Compensation.

Early retirement

Age 52 and 5 years of Credited Service.

Disability benefit

Benefit accrued to date of disability, reduced as for Early Retirement from date of disability to Normal Retirement Date.

Death benefit pre-retirement

Vested: Accrued benefit paid to beneficiary for life at the Member's Normal Retirement Date (unreduced) or on a reduced basis at the otherwise Early Retirement Date. Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated Member Contributions.

Death benefit post-retirement

According to optional form of benefit selected.

Vesting schedule

Employee vested after completion of 5 years of Credited Service.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

3. Police Officers' Retirement Trust Fund

Plan administration

The Plan is administered by a Board of Trustees comprised of:

- Two City Commission appointees who are City residents;
- Two elected Members of the Plan;
- Fifth Member elected by other four and appointed by Commission.

Plan Membership as of October 1, 2015:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>31</u>
	<u>70</u>

Normal retirement

Earlier of: 1) Age 55 and the completion of 10 years of Credited Service, 2) Age 52 and the completion of 25 years of Credited Service, or 3) the completion of 30 years of Credited Service, regardless of age completion of 25 years of Credited Service, or 3) the completion of 30 years of Credited Service, regardless of age.

Benefit amount: Retirement benefits are calculated as 4.00% of Average Final Compensation (AFC) times Credited Service before 11/19/1998, plus 3.00% of AFC times Credited Service on or after 11/19/1998.

Early retirement

Age 50 and 10 Years of Credited Service.

Disability

Service Incurred: Covered from Date of Employment  
Non-Service Incurred: Ten years of Credited Service  
Benefit accrued to date of disability but not less than 42% of Average Monthly Earnings (Service Incurred)

Death benefits pre-retirement

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.  
Non-Vested: Refund of accumulated contributions without interest.

Death benefits post-retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Vesting (termination)

Less than 10 years of Contributing Service: Refund of Member Contributions with 3% interest per annum. Ten years or more: Accrued benefit payable at otherwise Normal Retirement Date if Member contributions left in Fund or Refund of Member Contributions.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

4. Firefighters' Retirement Trust Fund (continued)

Death benefits post-retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Vesting (termination)

Less than 10 years of Contributing Service: Refund of Member Contributions  
10 year or more: Accrued benefit payable at otherwise Normal Retirement Date if Member contributions left in Fund or Refund of Member Contributions.

Deferred Retirement Option Program (DROP)

Eligibility: Satisfaction of Normal Retirement requirements.  
Participation: Not to exceed 60 months.  
Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees).  
The DROP balance as of September 30, 2016 is \$132,875.

5. Net pension liability of City

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2016 were as follows:

The components of the net pension liability of the sponsor of September 30, 2016 were as follows:

	General Employees'	Police Employees'	Fire Employees'
Total pension liability	\$ 23,932,732	\$ 16,760,750	\$ 14,408,881
Plan fiduciary net position	\$ (23,307,493)	\$ (11,612,585)	\$ (11,836,093)
City's net pension liability	\$ 625,239	\$ 5,148,165	\$ 2,572,788
Plan fiduciary net position as a percentage of total pension liability	97.39%	69.28%	82.14%

Actuarial assumptions:

The total pension liability for all plans was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

	General Employees'	Police Employees'	Fire Employees'
Inflation	3.00%	2.50%	2.50%
Salary increases	3.00% - 18.00%	4.5%-13.00%	4.50%-6.50%
Discount rate	7.75%	7.75%	7.75%
Investment rate of return	7.75%	7.75%	7.75%

Mortality rates for the General Employees' Fund were based on the RP-2000 Generational Mortality Tables, projected to valuation date using scale BB. Mortality rates for the Police and Fire Employees' Funds were based on the RP-2000 Table with no projection date. Based on a study of over 650 public safety funds, the table reflects a 10% margin for future mortality improvements.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

3. Police Officers' Retirement Trust Fund (continued)

Deferred Retirement Option Program (DROP)

Eligibility: Satisfaction of Normal Retirement requirements.  
Participation: Not to exceed 60 months.  
Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees).  
The DROP balance as of September 30, 2016 is \$87,702.

4. Firefighters' Retirement Trust Fund

Plan administration

The Plan is administered by a Board of Trustees comprised of:

- Two City Commission appointees who are City residents;
- Two elected Members of the Plan;
- Fifth Member elected by other four and appointed by Commission.

Plan Membership as of October 1, 2015:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>26</u>
	<u>52</u>

Normal retirement:

Eligibility: Earlier of: 1) Age 55 and the completion of 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit amount: 4.00% of Average Final Compensation (AFC) times Credited Service before 11/19/1998, plus 3.00% of AFC times Credited Service on or after 11/19/1998.

Early retirement

Age 45 and 10 years of Credited Service.  
Benefit Amount: Deferred benefit payable at Normal Retirement or immediate benefit reduced 3% per year.

Disability

Service Incurred: Covered from Date of Employment  
Non-Service Incurred: Ten years of Credited Service.  
Benefit accrued to date of disability but not less than 42% of Average Monthly Earnings (Service Incurred).

Death benefits pre-retirement

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.  
Non-Vested: Refund of accumulated contributions without interest.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

5. Net pension liability of City (continued)

For the General Employees' Fund, actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period 1996-2013. The actuarial assumptions used for Police and Fire Employees' Funds were based on the results of an actuarial experience study dated August 22, 2016. The compiled plan experience was from 2005-2015.

Long-term expected rate of return - all Plans

The long-term expected rate of return on all pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	General Employees'		Police Employees'		Fire Employees'	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	35%	8.00%	50%	7.50%	50%	7.50%
International equity	15%	3.00%	15%	8.50%	15%	8.50%
Broad market fixed income	-	-	20%	2.50%	20%	2.50%
Bonds	30%	4.40%	-	-	-	-
Convertibles	10%	6.40%	-	-	-	-
Global fixed income	-	-	5%	3.50%	5%	3.50%
Real estate	-	-	10%	4.50%	10%	4.50%
REITS	5%	7.00%	-	-	-	-
MLPs	5%	10.40%	-	-	-	-

Investment concentrations

The Plans did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

5. Net pension liability of City (continued)

Rate of return

For the year ended September 30, 2016 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.31% for the General Employees' Plan, 10.02% for the Police Employees' Plan and 10.18% for the Fire Employees' Plan as shown in the table below. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fiscal Year 2016	General Employees	Police Employees	Fire Employees
Annual Money-Weighted Rate of Return			
Net of Investment Expense	9.31%	10.02%	10.18%

Discount rate

The discount rate used to measure the total all three Plan's pension liability was 7.75%. The Police and Fire Plans changed the discount rate from 8.00% to 7.75% as part of the assumption changes based on the results of an actuarial experience study dated August 22, 2016.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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 payment to determine the total pension liability as shown in the table below.

	1% Decrease	Current Discount Rate	1% Increase
City's Net Pension Liability	6.75%	7.75%	8.75%
General Employees' Fund	\$ 3,173,993	\$ 625,239	\$ (1,545,741)
Police Employees' Fund	\$ 7,105,632	\$ 5,148,165	\$ 3,515,677
Fire Employees' Fund	\$ 4,186,397	\$ 2,572,788	\$ 1,222,452

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

6. Pension plan financial statements

a. Statement of plan net position - fair value

	General Employees' Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents:				
Short-term Investments	\$ 589	\$ 327,770	\$ 256,821	\$ 585,180
Money market	869,618	-	-	869,618
Total cash and equivalents	870,207	327,770	256,821	1,454,798
Receivable:				
Additional City contributions	34,030	-	-	34,030
Investment income	-	6,563	6,563	13,126
Member contribution in transit	10,514	3,084	2,752	16,350
Total receivable	44,544	9,647	9,315	63,506
Investments:				
Stocks	1,687,599	-	-	1,687,599
Mutual funds:				
Fixed income	7,256,464	2,811,401	2,806,166	12,874,031
Equity	12,565,873	7,410,459	7,710,484	27,686,816
Pooled/common/commingled funds:				
Equity	882,806	-	-	882,806
Real estate	-	1,053,307	1,053,307	2,106,614
Total investments	22,392,742	11,275,167	11,569,957	45,237,866
Total assets	23,307,493	11,612,585	11,836,093	46,756,171
Total liabilities	-	-	-	-
Net position restricted for pensions	23,307,493	11,612,585	11,836,093	46,756,171
Total liabilities and net position	\$ 23,307,493	\$ 11,612,585	\$ 11,836,093	\$ 46,756,171

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

6. Pension plan financial statements (continued)

b. Statement of changes in plan net position - fair value

	General Employees' Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 559,031	\$ 822,359	\$ 655,200	\$ 2,036,590
Plan members	279,795	91,834	80,412	452,041
State	-	104,215	144,452	248,667
Total contributions	838,826	1,018,408	880,064	2,737,298
Investment earnings:				
Net increase (decrease) in fair value of investments	1,062,798	402,584	412,303	1,877,685
Interest and dividends	1,019,181	711,475	721,465	2,452,121
Total investment earnings	2,081,979	1,114,059	1,133,768	4,329,806
Less investment expenses*	74,332	28,910	28,916	132,158
Net investment earnings	2,007,647	1,085,149	1,104,852	4,197,648
Demutualization				
Total additions	2,846,473	2,103,557	1,984,916	6,934,946
<b>DEDUCTIONS</b>				
Benefits	1,039,888	875,878	701,977	2,617,743
Refunds of member contributions	20,288	11,462	33,897	65,647
Lump sum DROP distributions	-	165,345	-	165,345
Admin expenses	23,056	41,053	32,055	96,164
Total deductions	1,083,232	1,093,738	767,929	2,944,899
Change in net position	1,763,241	1,009,819	1,216,987	3,990,047
Net position, beginning of year	21,544,252	10,602,766	10,619,106	42,766,124
Net position, end of year	\$ 23,307,493	\$ 11,612,585	\$ 11,836,093	\$ 46,756,171

\*Investment related expenses include investment advisory, custodial and performance monitoring fees.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

7. Pension expense and deferred inflows/outflows of resources related to pensions

For the year ended September 30, 2016 the City recognized a pension expense of \$743,548 for the General Employees' Plan; \$750,172 for the Police Officers' Plan; and (\$107,109) for the Firefighters' Plan. On September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees'		Police Employees'		Fire Employees'	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 321,812	\$ -	\$ 233,531	\$ -	\$ 75,361
Changes of assumptions	551,116	-	477,339	-	171,828	-
Net difference between projected and actual earnings of pension plan investments	995,728	-	288,430	-	295,899	-
Employer contributions subsequent to the measurement date	-	-	-	-	-	-
Total	\$ 1,550,844	\$ 321,812	\$ 765,769	\$ 233,531	\$ 467,727	\$ 75,361

The outcome of the deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	General Employees'	Police Employees'	Fire Employees'
2017	\$ 381,915	\$ 99,200	\$ 141,826
2018	381,914	99,199	141,826
2019	460,296	99,199	141,826
2020	4,905	202,470	204,172
2021	-	-	-
Thereafter	-	-	-

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

8. Changes in net pension liability and sensitivity to changes in discount rate

a. General Employees' Retirement Fund

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 22,342,361	\$ 21,544,252	\$ 798,109
Changes for a year:			
Service cost	545,829	-	545,829
Interest	1,732,753	-	1,732,753
Differences between expected and actual experience	(316,930)	-	(316,930)
Changes of assumptions	688,895	-	688,895
Changes of benefit terms	-	-	-
Contributions - employer	-	559,031	(559,031)
Contributions - employee	-	279,795	(279,795)
Net investment income	-	2,007,647	(2,007,647)
Benefit payments, including refunds of employee contributions	(1,060,176)	(1,060,176)	-
Administrative expense	-	(23,056)	23,056
Net changes	1,590,371	1,763,241	(172,870)
Balances at September 30, 2016	\$ 23,932,732	\$ 23,307,493	\$ 625,239

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

8. Changes in net pension liability and sensitivity to changes in discount rate (continued)

b. Police Officers' Retirement Fund:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 15,895,164	\$ 10,602,767	\$ 5,292,397
Changes for a year:			
Service cost	264,410	-	264,410
Interest	1,248,592	-	1,248,592
Change in excess State money	(25,826)	-	(25,826)
Differences between expected and actual experience	(205,356)	-	(205,356)
Changes of assumptions	636,451	-	636,451
Changes of benefit terms	-	-	-
Contributions - employer	-	822,359	(822,359)
Contributions - state	-	104,215	(104,215)
Contributions - employee	-	91,834	(91,834)
Contributions - buy back	-	-	-
Net investment income	-	1,085,149	(1,085,149)
Benefit payments, including refunds of employee contributions	(1,052,685)	(1,052,685)	-
Administrative expense	-	(41,054)	41,054
Net changes	865,586	1,009,818	(144,232)
Balances at September 30, 2016	\$ 16,760,750	\$ 11,612,585	\$ 5,148,165

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

L - EMPLOYER RETIREMENT PLANS (continued)

9. Changes in net pension liability and sensitivity to changes in discount rate (continued)

c. Firefighters' Retirement Fund:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 14,335,939	\$ 10,619,106	\$ 3,716,833
Changes for a year:			
Service cost	238,463	-	238,463
Interest	1,084,188	-	1,084,188
Change in excess state money	(654,119)	-	(654,119)
Differences between expected and actual experience	(88,821)	-	(88,821)
Changes of assumptions	229,105	-	229,105
Changes of benefit terms	-	-	-
Contributions - employer	-	655,200	(655,200)
Contributions - state	-	144,452	(144,452)
Contributions - employee	-	80,412	(80,412)
Net investment income	-	1,104,852	(1,104,852)
Benefit payments, including refunds of employee contributions	(735,874)	(735,874)	-
Administrative expense	-	(32,055)	32,055
Net changes	72,942	1,216,987	(1,144,045)
Balances at September 30, 2016	\$ 14,408,881	\$ 11,836,093	\$ 2,572,788

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

M - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

1. Description of healthcare benefits (continued)

However, the City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. In addition, the City contributes a portion of the premium cost (explicit subsidy) with the retirees responsible for the remainder of the payment.

Significant changes were made to the OPEB benefit plan effective January 1, 2009. These changes reduce benefits for current employees retiring after January 1, 2014 and for new employees hired after January 1, 2009. The cumulative effect is expected to be a significant reduction in OPEB liability.

Pre-Medicare retirees who retired prior to January 1, 2009 and participate in the group insurance plan offered by the City are required to contribute 50% of the active premium. Once these retirees are Medicare eligible, the City converts the health insurance to a Medicare supplement policy and pays 100% of the premium. Retirees who retire after January 1, 2009, but were hired prior to January 1, 2009, must meet certain age and service requirements in order to be eligible for any City-paid premiums.

For retirees hired after January 1, 2009, at least twenty-five years of service is required before the City will contribute 33% of Pre-Medicare premiums. In addition, General employees must be at least age sixty-two and Police Officers and Firefighters must be at least age fifty-five. Retirees are eligible for coverage in the Medicare supplement policy, but pay 100% of the premium. In future years, contributions are assumed to increase at the same rate as premiums.

Dental and vision coverage is currently not available to retirees.

As of September 30, 2016, the City provided healthcare benefits for 58 eligible retired employees and beneficiaries.

2. Description of Life Insurance Benefits

Life Insurance in the amount of \$5,000 may be provided to some current retirees up to age 70, and then coverage drops to \$2,500. The retiree contributes 100% of the premium for this benefit. The City provides a pass-through billing service at no charge to the employee. This benefit provides an implicit subsidy because the retiree receives the same rate as an active City employee. However, Life Insurance is not offered to employees retiring after October 1, 2006. At September 30, 2016, there were twenty-one retirees and eligible dependents remaining in this program.

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M - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Generally accepted accounting principles require that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB.

1. Description of healthcare benefits

The post-employment health care benefits are administered by the City pursuant to the provisions of section 112.0801, Florida Statutes. Former employees and eligible dependents who retire from the City may continue to participate in the City's fully insured health and hospitalization plan for medical coverage.

City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

M - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

3. Summary of Significant Accounting Policies

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits, refunds and administrative costs are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments

Investments are reported at fair value. The Florida Municipal Pension Trust Fund (FMPTF) provides monthly statements for this purpose.

Presentation of financial statements

The OPEB trust does not issue stand-alone financial reports and is not included in the reports of any other entity.

4. Funding policy

The Plan was established by Resolution 2008 - 31 in 2008. The Plan may be amended or terminated as circumstances require by Resolution.

The numbers shown below reflect a decision to partially fund the program. Therefore, the contributions made to the program are the benefits paid to retirees (both on an explicit and implicit basis) and administrative expenses.

An initial \$100,000 was contributed to the OPEB fund run by the FMPTF administered by the Florida League of Cities in October 2008. As of September 30, 2016, eight annual payments of \$100,000 each had been made to the FMPTF. A payment of \$100,000 for Fiscal Year 2017 was made in December 2016.

The program was amended as of January 1, 2009, as described above (benefit changes for employees hired after January 1, 2009) and those new provisions were used to determine the Net OPEB Obligation for Fiscal Year 2009 and years following.

Benefits may be changed from time to time by management as noted above. Under the current policy, if a retiree does not make his or her payments for the benefits as described above the benefit is forfeited and cannot be reinstated.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

M - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

6. Funded Status and Funding Progress

As of October 1, 2015, the actuarial accrued liability (AAL) for benefits was \$5,181,746, and the actuarial value of assets was \$932,948, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,248,798. The covered payroll was \$7,793,105 and the ratio of the UAAL to the covered payroll was 54.5%. As of October 1, 2015, there were forty-six retirees and fifteen eligible dependents receiving postemployment health care benefits.

In Fiscal Year 2016 the City contribution of \$230,412 consists of two components: \$130,412 for the current year as noted above and a \$100,000 contribution to the FMPTF to continue funding.

Schedule of Funding Progress

Actuarial Value of Assets (AVA) Date	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to Covered Payroll (b-a/c)	
10/1/2015	\$ 932,948	\$ 5,181,746	\$ 4,248,798	18.0%	\$ 7,793,105	54.5%
10/1/2014	833,238	4,607,747	3,774,509	18.1%	8,022,735	47.0%
10/1/2013	664,879	5,153,898	4,489,019	12.9%	7,693,019	58.4%
10/1/2012	482,754	4,231,178	3,748,424	11.4%	6,999,488	53.6%
10/1/2011	313,234	4,800,974	4,487,740	6.5%	7,314,426	61.4%
10/1/2010	217,284	4,797,993	4,580,709	4.5%	7,854,652	58.3%

7. Annual OPEB Cost

The City's annual OPEB cost, the percentage of cost contributed, and the net OPEB obligation for Fiscal Year 2016 and the five preceding years is shown in the table below.

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
9/30/2016	\$425,618	70.5%	\$2,028,329
9/30/2015	394,530	81.4%	1,902,853
9/30/2014	504,273	63.0%	1,829,622
9/30/2013	428,769	61.5%	1,643,063
9/30/2012	485,516	33.6%	1,478,018
9/30/2011	537,774	22.2%	1,155,528

The Required Supplementary Information (RSI) immediately following the notes to the financial statements presents additional multi-year trend information about the employer contributions. The schedule reports the annual required contribution (ARC) and the percentage of the ARC that was contributed.

M - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

8. Actuarial Methods and Assumptions

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

M - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

5. Annual OPEB cost and net OPEB obligation

Fiscal Year Ending September 30, 2016

Normal cost	\$ 140,415
Interest on normal cost	6,808
Normal cost component	147,223
Amortization amount	284,889
Amortization interest	14,245
Amortization component	299,134
Annual required contribution (ARC)	446,357
Interest on net OPEB obligation	95,142
Adjustment to ARC	(115,881)
Annual OPEB cost (expense)	425,618
Estimated net contribution made	(300,143)
Anticipated increase (decrease) in net OPEB obligation	125,475
Net OPEB obligation - beginning of year	1,902,854
Estimated net OPEB obligation - end of year	\$ 2,028,329

Allocation of the OPEB Obligation

Fund	Personnel	Percent	Amount
General Fund	219	87.25%	\$ 1,769,737
Utility System	28	11.16%	226,268
Stormwater	4	1.59%	32,324
Total	251	100.00%	\$ 2,028,329

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating 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 participating members. 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.

The OPEB liability is currently partially funded, with a combination of annual contributions to a professionally managed fund and City premium payments on a pay-as-you-go basis.

The City's actuarial valuation as of October 1, 2015, was used to estimate the unfunded actuarial liability and to determine the annual required contribution for the fiscal year ended September 30, 2016.

The actuarial assumptions included the following:

**Funding method** - Entry Age Normal actuarial cost method (level Percent of Pay).

**Retirement age for active employees** - Based on historical average retirement ages for General, Fire & Police employee categories.

**Mortality** - RP - 2000 Combined Healthy Mortality Table.

**Turnover** - City's historical data by age in General, Fire & Police employee categories.

**Healthcare cost trend rate** - 8% in 2016; then 8.75% in 2017, grading down to the ultimate trend rate of 4.00% in 2073.

**Health insurance premiums** - Actual 2015 premiums were used to calculate the values of benefits to be paid.

**Payroll growth rate** - Fire - 1.1% per year; Police - 1.3% per year; General - 0% per year.

**Inflation rate** - 3.0% per year.

**Interest rate** - 5.0% per year, compounded annually, net of investment related expenses.

The unfunded actuarial accrued liability is being amortized as a closed 30-year level dollar amortization which is permitted under the current GASB 45 standard.

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City of Cocoa Beach, Florida  
Notes to Financial Statements  
September 30, 2016

N - INFORMATION ITEMS

1. Community Redevelopment Agency

a. In 2008, the City's electorate approved the formation of a Community Redevelopment Agency (CRA). The Community Redevelopment Plan was delivered to the taxing authorities in April 2012. The first year of tax increment funding (TIF) collection was in Fiscal Year 2014. CRA financials were first presented as a major fund in Fiscal Year 2014.

b. Tax increment funding was not available prior to Fiscal Year 2014, so loans from the General Fund in the amount of \$56,010 in Fiscal Year 2010, \$75,757 in Fiscal Year 2011, \$46,830 in Fiscal Year 2012, and \$82,633 in Fiscal Year 2013, for a total of \$261,230, were made to provide funds for the development of the CRA plan. Repayment of the loan began in Fiscal Year 2015 (see Note F-1b).

2. Rate of Return Lowered for Police & Fire Pension Funds

The Discount Rate used to measure the Total Police and Fire Pension Liability was lowered from 8% to 7.75% in Fiscal Year 2016. The assumption change was based on the most recent actuarial experience study dated August 22, 2016 which determined the Long-Term Expected Rate of Return on Pension Plan investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class. The General Employees' Pension Fund Discount Rate has been 7.75% for several years.

3. Hurricane Damage

The City was damaged by Hurricane Matthew as it threatened landfall in Cocoa Beach on October 7, 2016. Hurricane related expenditures for labor, materials, and services to repair damaged City properties and debris removal are estimated to exceed \$1.5 million.

Management estimates that 75% of the expenditures incurred are eligible for Federal Emergency Management Agency (FEMA) reimbursement.

REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(RSI)

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City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016

The schedules presented in the following required supplementary information are intended to provide information that is essential to understanding trends and puts the current period information into historical perspective. The Government Accounting Standards Board (GASB) concludes that a period of ten years will provide information to identify cyclical factors and other trends in connection with defined benefit pension plans. GASB Statement 67 (GASB 67) sets the requirements for the ten year schedules to be implemented prospectively. Until a full ten years of data is compiled, the schedules will present data that is available. GASB Statement 68 (GASB 68) requires that governments providing defined benefit pensions recognize long-term obligations for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.

1. Schedule of Changes in Net Pension Liability and Related Ratios

a. General Employees' Retirement Fund:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Four Fiscal Years

General Employees'

	2016	2015	2014	2013
<b>Total pension liability</b>				
Service cost	\$ 545,829	\$ 533,313	\$ 539,287	\$ 500,498
Interest	1,732,753	1,651,759	1,564,938	1,476,982
Change in excess state money	-	-	-	-
Share plan allocation	-	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual	(316,930)	(113,781)	-	-
Experience	-	-	-	-
Changes of assumptions	688,895	-	-	-
Contributions - buy back	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,060,176)	(1,017,261)	(938,707)	(824,004)
Net change in total pension liability	1,990,371	1,054,030	1,165,518	1,153,476
Total pension liability - beginning	22,342,361	21,288,331	20,122,813	18,969,336
Total pension liability - ending (a)	\$ 24,332,732	\$ 22,342,361	\$ 21,288,331	\$ 20,122,812
Plan fiduciary net position				
Contributions - employer	\$ 559,031	\$ 786,715	\$ 898,200	\$ 850,280
Contributions - state	-	-	-	-
Employee contributions	(1,060,176)	(1,017,261)	(938,707)	(824,004)
Administrative expense	(23,056)	(20,811)	(21,453)	(14,705)
Other	-	-	-	-
Net change in plan fiduciary net position	1,763,241	(672,110)	2,129,310	2,545,675
Plan fiduciary net position - beginning	21,544,262	22,216,362	20,087,052	17,541,377
Plan fiduciary net position - ending (b)	\$ 23,307,493	\$ 21,544,262	\$ 22,216,362	\$ 20,087,052
Net pension liability - ending (a) - (b)	\$ 625,239	\$ 798,109	\$ (928,031)	\$ 35,761
Plan fiduciary net position as a percentage of the Total Pension Liability	97.39%	96.43%	104.36%	99.82%
Covered employee payroll	\$ 5,595,907	\$ 4,966,634	\$ 4,717,435	\$ 4,638,735
Net liability as a percentage of covered employee payroll	11.17%	16.07%	-19.67%	0.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

SCHEDULE OF CONTRIBUTIONS

Last Four Fiscal Years

General Employees'

	2016	2015	2014	2013
Actuarially determined contribution	\$ 559,031	\$ 786,715	\$ 898,200	\$ 850,280
Contributions in relation to the actuarially determined contributions	559,031	786,715	898,200	850,280
Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,595,907	\$ 4,966,634	\$ 4,717,435	\$ 4,638,735
Contributions as a percentage of covered employee payroll	9.99%	15.84%	19.04%	18.33%

Notes to Schedule  
Valuation Date: 10/1/14. Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

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City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016

1. Schedule of Changes in Net Pension Liability and Related Ratios (continued)

b. Police Employees' Pension Plan:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Four Fiscal Years

Police Employees'

	2016	2015	2014	2013
<b>Total pension liability</b>				
Service cost	\$ 264,410	\$ 268,905	\$ 278,445	\$ 257,819
Interest	1,248,592	1,215,095	1,166,413	1,118,532
Change in excess state money	(25,826)	-	-	-
Share plan allocation	-	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual	(205,356)	(159,029)	-	-
Experience	-	-	-	-
Changes of assumptions	636,451	-	-	-
Contributions - buy back	-	52,320	-	-
Benefit payments, including refunds of employee contributions	(1,052,685)	(855,473)	(798,118)	(798,796)
Net change in total pension liability	865,586	521,818	646,740	577,555
Total pension liability - beginning	15,895,164	15,373,346	14,726,606	14,149,051
Total pension liability - ending (a)	\$ 16,760,750	\$ 15,895,164	\$ 15,373,346	\$ 14,726,606
Plan fiduciary net position				
Contributions - employer	\$ 822,359	\$ 625,885	\$ 751,980	\$ 719,321
Contributions - state	104,215	97,977	99,477	97,465
Contributions - employee	91,834	80,429	91,260	87,375
Contributions - buy back	-	52,320	-	-
Net investment income	1,085,149	(150,618)	1,089,153	1,174,776
Benefit payments, including refunds of Employee contributions	(1,052,685)	(855,473)	(798,118)	(798,796)
Administrative expense	(41,054)	(37,661)	(32,708)	(37,849)
Other	-	-	-	-
Net change in plan fiduciary net position	1,009,818	(187,141)	1,201,044	1,242,294
Plan fiduciary net position - beginning	10,602,767	10,789,908	8,588,864	8,346,569
Plan fiduciary net position - ending (b)	\$ 11,612,585	\$ 10,602,767	\$ 9,789,908	\$ 9,588,864
Net pension liability - ending (a) - (b)	\$ 5,148,165	\$ 5,292,397	\$ 4,583,438	\$ 5,137,742
Plan fiduciary net position as a percentage of the Total Pension Liability	69.28%	66.70%	70.19%	65.11%
Covered employee payroll	\$ 1,836,685	\$ 1,697,629	\$ 1,825,203	\$ 1,747,510
Net liability as a percentage of covered employee payroll	280.30%	311.75%	251.12%	294.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

SCHEDULE OF CONTRIBUTIONS

Last Four Fiscal Years

Police Employees'

	2016	2015	2014	2013
Actuarially determined contribution	\$ 876,833	\$ 723,862	\$ 851,457	\$ 716,786
Contributions in relation to the actuarially determined contributions	926,574	723,862	851,457	716,786
Contribution deficiency (Excess)	\$ (49,741)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,836,685	\$ 1,697,629	\$ 1,825,203	\$ 1,747,510
Contributions as a percentage of covered employee payroll	50.45%	42.64%	46.65%	41.02%

Notes to Schedule  
Valuation Date: 10/1/14. Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

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**City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016**

**1. Schedule of Changes in Net Pension Liability and Related Ratios (continued)**

**c. Fire Employees' Pension Plan:**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last Four Fiscal Years  
Fire Employees'**

	2016	2015	2014	2013
<b>Total pension liability</b>				
Service cost	\$ 238,463	\$ 226,817	\$ 231,534	\$ 214,383
Interest	1,084,188	1,054,408	1,020,957	971,801
Change in excess state money	(654,119)	-	85,864	-
Share plan allocation	-	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(88,821)	(17,490)	-	-
Changes of assumptions	229,105	-	-	-
Contributions - buy back	-	-	-	-
Benefit payments, including refunds of employee contributions	(735,874)	(1,070,390)	(588,887)	(588,887)
Net change in total pension liability	72,942	271,080	749,468	597,297
Total pension liability - beginning	14,335,939	14,064,859	13,315,391	12,718,094
Total pension liability - ending (a)	\$ 14,408,881	\$ 14,335,939	\$ 14,064,859	\$ 13,315,391
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 655,200	\$ 561,835	\$ 581,513	\$ 564,182
Contributions - state	144,452	162,542	170,671	153,173
Contributions - employee	80,412	68,646	76,167	66,823
Contributions - buy back	-	-	-	-
Net investment income	1,104,852	(147,286)	1,080,437	1,190,873
Benefit payments, including refunds of employee contributions	(735,874)	(1,070,390)	(588,887)	(588,887)
Administrative expense	(32,055)	(29,141)	(18,863)	(24,007)
Other	-	-	-	-
Net change in plan fiduciary net position	1,218,987	(453,794)	1,301,038	1,362,157
Plan fiduciary net position - beginning	10,619,106	11,072,900	9,771,862	8,409,705
Plan fiduciary net position - ending (b)	\$ 11,838,093	\$ 10,619,106	\$ 11,072,900	\$ 9,771,862
Net pension liability - ending (a) - (b)	\$ 2,572,788	\$ 3,716,833	\$ 2,991,959	\$ 3,543,529
Plan fiduciary net position as a percentage of the Total Pension Liability	78.73%	74.07%	78.73%	73.39%
Covered employee payroll	\$ 1,386,146	\$ 1,441,819	\$ 1,386,146	\$ 1,336,468
Net liability as a percentage of covered employee payroll	215.85%	257.79%	215.85%	265.14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.

**SCHEDULE OF CONTRIBUTIONS  
Last Four Fiscal Years  
Fire Employees'**

	2016	2015	2014	2013
Actuarially determined contribution	\$ 733,677	\$ 646,642	\$ 666,321	\$ 648,989
Contributions in relation to the actuarially determined contributions	799,652	646,642	666,321	648,989
Contribution deficiency (Excess)	\$ (65,975)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,608,236	\$ 1,441,819	\$ 1,386,146	\$ 1,336,468
Contributions as a percentage of covered employee payroll	49.72%	44.85%	48.07%	48.56%

**Notes to Schedule**

Valuation Date: 10/1/14. Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016**

**5. Money-Weighted Rate of Return**

This schedule is intended to provide information about the actual performance of the pension plan's investment portfolio because it takes into account the effects of transactions that increase the amount of pension plan investments (such as contributions from employers, non-employer contributing entities, and plan members) and those that decrease the amount of pension plan investments (such as benefit payments).

	General Employees'				Police Employees'				Fire Employees'			
	2016	2015	2014	2013	2016	2015	2014	2013	2016	2015	2014	2013
Annual money-weighted rate of return												
net of investment expense	9.31%	-2.98%	9.55%	13.01%	10.02%	-1.37%	11.11%	13.90%	10.18%	-1.34%	10.77%	13.83%

**6. Components of Pension Plan Expense**

a. General Employees' Pension - For Fiscal Year ended September 30, 2016, the City recognizes a Pension Expense of \$743,548.

**Components of General Employees' Pension Plan Expense  
Fiscal Year September 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 798,109	\$ 326,171	\$ 1,912,588	\$ -
<b>Total pension liability factors:</b>				
Service cost	545,829	-	-	545,829
Interest	1,732,753	-	-	1,732,753
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience with regard to economic or demographic assumptions	(316,930)	316,930	-	-
Current year amortization of experience difference	-	(86,142)	-	(86,142)
Changes in assumptions about future economic or demographic factor of other inputs	688,895	-	688,895	-
Current year amortization of change in assumptions	(1,060,176)	-	(137,779)	137,779
Benefit payments	(1,060,176)	-	-	(1,060,176)
Net change	1,390,371	230,788	551,116	1,270,043
Plan fiduciary net position:				
Contributions - employer	559,031	-	-	-
Contributions - employee	279,795	-	-	(279,795)
Net investment income	1,660,209	-	-	(1,660,209)
Difference between projected and actual earnings on pension plan investments	347,438	347,438	-	-
Current year amortization	-	(147,870)	(478,147)	330,277
Benefit payments	(1,060,176)	-	-	1,060,176
Administrative expenses	(23,055)	-	-	23,055
Net change	1,783,241	199,568	(478,147)	(529,469)
Ending balance	\$ 625,239	\$ 756,527	\$ 1,985,557	\$ 743,548

**City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016**

**2. Changes of Benefit Terms**

There have been no changes in benefits since the prior valuation of the General Employees' Plan. Ordinance 1596, adopted and effective May 19, 2016, amended the Police and Fire Employees' Plans primarily for compliance with requirements under the Internal Revenue Code, in addition to implementation of a Share Plan. A letter of no actuarial impact was submitted for this amendment.

**3. Changes of Assumptions**

a) General Employees' Plan:

As a result of Chapter 2015-157, Laws of Florida, the assumed rate of mortality was changed to the assumption used by the Florida Retirement System (FRS). The inflation rate was lowered from 3% to 2.70%, matching the long-term assumption utilized by the Plan's investment consultant.

b) Police and Fire Employees' Plans:

The salary scale was changed from a flat percentage to one based on service. Turnover was also changed from age-based to one based on service. The rate of mortality was changed to the FRS assumption for special risk employees. The inflation rate was lowered from 3% to 2.5% and the investment return rate was lowered from 8% to 7.75%.

**4. Methods and Assumptions Used to Determine Contribution Rates**

	General Employees'	Police Employees'	Fire Employees'
Actuarial cost method:	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortization method:	Level dollar amount	Level % of pay, Closed	Level % of pay, Closed
Remaining amortization period:	20 Years (as of 10/1/2014)	28 Years (as of 10/1/2014)	21 Years (as of 10/1/2014)
Inflation:	2.70%	2.50%	2.50%
Payroll increase:	None	1.8% per year	1.8% per year
Salary increases:	3 - 18% per year	4 - 13% per year	4.5 - 6.5% per year
*Interest rate:	7.75%	7.75%	7.75%
Retirement age:	Age 62 and 5 years of service	Age 55 and 10 years of service, or age 52 and 25 years of service	Age 55 and 10 years of service, or 25 years of service, regardless of age
Early retirement:	Age 52 - subsidized benefit at 5% per year	Age 50 - subsidized benefit at 5% per year	Age 45 - subsidized benefit at 5% per year
Mortality:	RP-2000 Table	RP-2000 Table	RP-2000 Table

\*Interest rate is compounded annually, net of investment related expenses.

**City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016**

**6. Components of Pension Plan Expense (continued)**

b. Police Officers' Retirement Fund - For Fiscal Year ended September 30, 2016, the City recognizes a Pension Expense of \$750,172.

**Components of Police Officers' Pension Plan Expense  
Fiscal Year September 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 5,292,397	\$ 309,812	\$ 809,880	\$ -
<b>Total pension liability factors:</b>				
Service cost	264,410	-	-	264,410
Interest	1,248,592	-	-	1,248,592
Changes in excess state money	(25,826)	-	-	(25,826)
Contributions - buy back	-	-	-	-
Difference between expected and actual experience with regard to economic or demographic assumptions	(205,356)	205,356	-	-
Current year amortization of experience difference	-	(91,096)	-	(91,096)
Changes in assumptions about future economic or demographic factors or other inputs	636,451	-	636,451	-
Current year amortization of change in assumptions	(1,052,685)	-	(159,112)	159,112
Benefit payments	(1,052,685)	-	-	(1,052,685)
Net change	865,586	114,260	477,339	502,507
Plan fiduciary net position:				
Contributions - employer	822,359	-	-	-
Contributions - state	104,215	-	-	-
Contributions - employee	91,834	-	-	(91,834)
Contributions - buy back	-	-	-	-
Net investment income	845,208	-	-	(845,208)
Difference between projected and actual earnings on pension plan investments	239,941	239,941	-	-
Current year amortization	-	(111,502)	(202,470)	90,968
Benefit payments	(1,052,685)	-	-	1,052,685
Administrative expenses	(41,054)	-	-	41,054
Net change	1,059,819	128,439	(202,470)	247,669
Ending balance	\$ 5,148,165	\$ 552,511	\$ 1,084,749	\$ 750,172

City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016

6. Components of Pension Plan Expense (continued)

c. Firefighters' Retirement Fund – For Fiscal Year ended September 30, 2016, the City recognizes a Pension Expense of (\$107,109).

Components of Firefighters' Pension Plan Expense Fiscal Year September 30, 2016				
	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,716,633	\$ 187,037	\$ 616,887	\$ -
Total pension liability factors:				
Service cost	238,463	-	-	238,463
Interest	1,084,188	-	-	1,084,188
Change in excess state money	(654,119)	-	-	(654,119)
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience with regard to economic or demographic assumptions	(88,821)	88,821	-	-
Current year amortization of experience difference	-	(26,578)	-	(26,578)
Changes in assumptions about future economic or demographic factors or other inputs	229,105	-	229,105	-
Current year amortization of change in assumptions	-	-	(57,277)	57,277
Benefit payments	(735,874)	-	-	(735,874)
Net change	72,942	62,243	171,828	(66,543)
Plan fiduciary net position:				
Contributions - employer	655,200	-	-	-
Contributions - state	144,452	-	-	-
Contributions - employee	80,412	-	-	(80,412)
Net investment income	854,014	-	-	(854,014)
Difference between projected and actual earnings on pension plan investments	250,838	250,838	-	-
Current year amortization	-	(108,140)	(204,171)	96,031
Benefit payments	(735,874)	-	-	735,874
Administrative expenses	(32,055)	-	-	32,055
Net change	1,216,987	142,698	(204,171)	(10,486)
Ending balance	\$ 2,572,788	\$ 391,976	\$ 784,344	\$ (107,109)

7. Narrative Summary (OPEB Obligation)

The OPEB liability is currently partially funded, with a combination of annual contributions to a professionally managed fund and City premium payments on a pay-as-you-go basis. See Note M, Paragraph 6 for additional details.

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City of Cocoa Beach, Florida  
Required Supplementary Information  
September 30, 2016

8. Schedule of Funding Progress (OPEB Obligation)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to Covered Payroll (b-a/c)
10/1/2015	\$ 932,948	\$ 5,181,746	\$ 4,248,798	18.0%	\$ 7,793,106	54.5%
10/1/2014	833,238	4,607,747	3,774,509	18.1%	8,022,735	47.0%
10/1/2013	664,879	5,153,898	4,489,019	12.9%	7,693,019	58.4%
10/1/2012	482,754	4,231,178	3,748,424	11.4%	6,999,488	53.6%
10/1/2011	313,234	4,800,974	4,487,740	6.5%	7,314,426	61.4%
10/1/2010	217,284	4,797,993	4,580,709	4.5%	7,854,652	58.3%
10/1/2009	101,350	4,522,910	4,421,560	2.2%	8,665,346	51.0%
10/1/2008	-	4,592,459	4,592,459	-	7,719,503	59.5%

9. Schedule of Employer Contributions (OPEB Obligation)

Contributions began in October 2008 (Fiscal Year 2009)

Schedule of Employer Contributions			
Fiscal Year Ended	Annual Required Contribution (ARC)	Estimated Net Contribution	Percentage Contributed
9/30/2016	\$ 446,357	\$ 300,143	67.2%
9/30/2015	402,094	321,298	79.9%
9/30/2014	512,135	317,714	62.0%
9/30/2013	429,585	263,724	61.4%
9/30/2012	490,277	163,026	33.3%
9/30/2011	538,689	119,201	22.1%
9/30/2010	530,698	149,082	28.1%
9/30/2009	503,956	147,683	29.3%

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City of Cocoa Beach, Florida  
 Combining Balance Sheet  
 Non-major Governmental Funds  
 September 30, 2016

	Special Revenue		Total Non-major Governmental Funds
	Metered Parking Fund	Confiscated Property Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 711,120	\$ 192,287	\$ 903,407
Investments	420,499	-	420,499
Accounts receivable	670	-	670
Total assets	<u>\$ 1,132,289</u>	<u>\$ 192,287</u>	<u>\$ 1,324,576</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued liabilities	\$ 6,016	\$ -	\$ 6,016
Fund balances:			
Restricted for law enforcement	-	192,287	192,287
Committed	1,126,273	-	1,126,273
Total fund balances	<u>1,126,273</u>	<u>192,287</u>	<u>1,318,560</u>
Total liabilities and fund balances	<u>\$ 1,132,289</u>	<u>\$ 192,287</u>	<u>\$ 1,324,576</u>

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City of Cocoa Beach, Florida  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the Fiscal Year Ended September 30, 2016

	Special Revenue		Total Non-major Governmental Funds
	Metered Parking Fund	Confiscated Property Fund	
<b>REVENUES</b>			
Parking meter fees	\$ 805,034	\$ -	\$ 805,034
Fines and forfeitures	235,638	1,295	236,933
Investment earnings	3,994	-	3,994
Miscellaneous revenues	7,195	-	7,195
Total revenues	<u>1,051,861</u>	<u>1,295</u>	<u>1,053,156</u>
<b>EXPENDITURES</b>			
Current:			
General government	691,351	1,000	692,351
Total expenditures	<u>691,351</u>	<u>1,000</u>	<u>692,351</u>
Excess of revenues over (under) expenditures	360,510	295	360,805
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	155,900	-	155,900
Transfers out	(505,900)	-	(505,900)
Total other financing sources	<u>(350,000)</u>	<u>-</u>	<u>(350,000)</u>
Net change in fund balances	10,510	295	10,805
Fund balances, beginning of year	1,115,763	191,992	1,307,755
Fund balances, end of year	<u>\$ 1,126,273</u>	<u>\$ 192,287</u>	<u>\$ 1,318,560</u>

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City of Cocoa Beach, Florida  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Metered Parking Special Revenue Fund  
 For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Parking meter fees	\$ 511,000	\$ 511,000	\$ 805,034	\$ 294,034
Parking fines	229,000	229,000	235,638	6,638
Investment earnings	3,000	3,000	3,994	994
Miscellaneous revenues	500	500	7,195	6,695
Total revenues	<u>743,500</u>	<u>743,500</u>	<u>1,051,861</u>	<u>308,361</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,137,984	1,467,204	691,351	775,853
Total expenditures	<u>1,137,984</u>	<u>1,467,204</u>	<u>691,351</u>	<u>775,853</u>
Excess of revenues over (under) expenditures	(394,484)	(723,704)	360,510	1,084,214
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	155,900	155,900
Transfers out	(350,000)	(350,000)	(505,900)	(155,900)
Net change in fund balances	(744,484)	(1,073,704)	10,510	1,084,214
Fund balances, beginning of year	1,115,763	1,115,763	1,115,763	-
Fund balances, end of year	<u>\$ 371,279</u>	<u>\$ 42,059</u>	<u>\$ 1,126,273</u>	<u>\$ 1,084,214</u>

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City of Cocoa Beach, Florida  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Confiscated Property Special Revenue Fund  
 For the Year Ended September 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ 1,295	\$ 1,295
Total revenues	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>1,295</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	1,000	(1,000)
Total expenditures	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Excess of revenues over expenditures	-	-	295	295
Fund balances, beginning of year	191,992	191,992	191,992	-
Fund balances, end of year	<u>\$ 191,992</u>	<u>\$ 191,992</u>	<u>\$ 192,287</u>	<u>\$ 295</u>

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**STATISTICAL SECTION (Unaudited)**

This part of the City of Cocoa Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

**Table of Contents & Additional Notes**

**A. Financial Trends**  
 These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Table A-1	Net Position by Component	Page 111
Table A-2	Changes in Net Position	Page 112
Table A-3	Fund Balances - Governmental Funds	Page 114
Table A-4	Changes in Fund Balances - Governmental Funds	Page 115

**B. Revenue Capacity**  
 These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

Table B-1	Value of Taxable Property	Page 116
Table B-2	Direct and Overlapping Property Tax Rates	Page 117
Table B-3	Principal Property Taxpayers	Page 118
Table B-4	Property Tax Levies and Collections	Page 119

**C. Debt Capacity**  
 These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Table C-1	Ratios of Outstanding Debt by Type	Page 120
Table C-2	Ratios of General Bonded Debt Outstanding (See Notes)	Page -
Table C-3	Direct and Overlapping Governmental Activities Debt	Page 121
Table C-4	Legal Debt Margin Information (See Notes)	Page -
Table C-5	Pledged Revenue Coverage	Page 122

**D. Demographic and Economic Information Financial Trends**  
 These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Table D-1	Demographic and Economic Statistics	Page 123
Table D-2	Principal Employers	Page 124



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(Continued)

**STATISTICAL SECTION (Unaudited)**

**E. Operating Information**  
 These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Table E-1	Full-time Equivalent City Government Employees by Function/Program	Page 125
Table E-2	Operating Indicators by Function/Program	Page 126
Table E-3	Capital Asset Statistics by Function/Program	Page 127

**Additional Notes**

Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Report (CAFR) for the relevant year.

In 2004 the Governmental Accounting Standards Board (GASB) issued Statement 44, which governs the preparation of the statistical section with an effective date for periods beginning after June 15, 2005. Financial statements present the financial position of a government as of a particular date. The intention of Statement 44 is to present detailed information, in ten-year trends, to assist users in evaluating the economic condition of a government over time. This gives a much broader view than the financial statements themselves.

Most schedules require data presentation retroactively only to the implementation date of GASB Statement 34. The City implemented GASB Statement 34 in Fiscal Year 2002. The tenth presentation year was reached in Fiscal Year 2011.

Actual titles of some schedules will vary from the general titles shown above.

Neither the City of Cocoa Beach Charter or Code, nor the Florida Statutes limit the amount of debt the City of Cocoa Beach can issue; therefore tables showing the City's legal debt limit and debt margins are not applicable. The City has not issued any General Bonded Debt in the last ten years.

The following statistical tables which are normally included in a government's Comprehensive Annual Financial Report are not applicable and, accordingly, are not included in this report.

Table C-2	Ratios of General Bonded Debt Outstanding
Table C-4	Legal Debt Margin Information

City of Cocoa Beach, Florida  
 Table A-1  
 Net Position by Component  
 Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 17,216,016	\$ 17,417,319	\$ 17,780,910	\$ 17,780,910	\$ 18,708,421	\$ 18,301,784	\$ 18,000,949	\$ 21,600,099	\$ 22,270,281	\$ 24,482,508
Restricted	6,413,209	7,256,212	8,414,972	8,202,337	8,711,650	8,609,845	8,778,071	10,921,140	11,321,120	13,022,120
Unrestricted	\$ 10,802,807	\$ 10,161,107	\$ 9,365,938	\$ 9,578,573	\$ 10,000,000	\$ 9,691,939	\$ 9,222,878	\$ 10,678,959	\$ 10,949,161	\$ 11,460,388
Total governmental activities net position	\$ 28,018,823	\$ 24,678,631	\$ 26,565,822	\$ 26,983,247	\$ 27,419,871	\$ 26,993,723	\$ 26,773,827	\$ 32,521,249	\$ 33,591,441	\$ 35,942,896
<b>Business-type activities</b>										
Net investment in capital assets	\$ 13,296,019	\$ 15,796,019	\$ 17,264,019	\$ 17,264,019	\$ 18,165,019	\$ 17,965,019	\$ 18,019,019	\$ 20,619,019	\$ 21,119,019	\$ 22,619,019
Restricted	1,027,008	2,041,003	2,025,003	1,124,000	2,025,003	2,025,003	2,025,003	2,025,003	2,025,003	2,025,003
Unrestricted	8,451,126	6,480,126	3,987,126	3,987,126	3,987,126	3,987,126	3,987,126	3,987,126	3,987,126	3,987,126
Total business-type activities net position	\$ 22,774,162	\$ 25,263,158	\$ 24,256,158	\$ 24,256,158	\$ 24,177,158	\$ 23,977,158	\$ 23,977,158	\$ 26,631,158	\$ 27,131,158	\$ 28,631,158
<b>Private operations</b>										
Net investment in capital assets	\$ 40,003,275	\$ 43,208,893	\$ 44,712,127	\$ 40,005,479	\$ 40,824,233	\$ 50,358,112	\$ 47,084,721	\$ 46,633,857	\$ 46,592,746	\$ 49,610,011
Restricted	2,311,574	2,287,770	2,250,000	314,900	311,661	302,890	1,013,408	1,419,368	1,893,414	1,486,220
Unrestricted	\$ 37,691,701	\$ 40,921,123	\$ 42,462,127	\$ 39,690,579	\$ 37,512,572	\$ 47,055,222	\$ 46,071,313	\$ 45,214,489	\$ 44,699,332	\$ 48,123,791
Total private operations net position	\$ 77,795,976	\$ 84,130,066	\$ 87,174,254	\$ 79,701,058	\$ 78,336,803	\$ 97,413,334	\$ 93,155,634	\$ 91,848,346	\$ 91,292,082	\$ 97,733,802
<b>Total primary government net position</b>	\$ 105,814,799	\$ 113,961,855	\$ 117,996,234	\$ 112,940,363	\$ 111,733,731	\$ 127,384,155	\$ 123,926,519	\$ 150,990,653	\$ 151,113,523	\$ 162,210,556

- Notes:
1. Accrual basis of accounting.
  2. Accounting standards require that the position be reported net of investments in capital assets, restricted, and unrestricted.
  3. Net position is calculated for the total city, which is the sum of the city's net position and the net position of the city's subsidiaries, such as the state or federal government, plus a deduction on how the resources may be used, or through a trust or other entity of the city.
  4. Net assets reported as net position beginning Fiscal Year 2011 CAFR.

**City of Cocoa Beach, Florida**  
**Table A-3**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 1,263,382	\$ 800,507	\$ 686,318	\$ 2,665,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,288,000	6,737,524	8,667,363	7,247,210	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,117,237	3,530,116	140,544	374,973	232,504	246,919
Restricted	-	-	-	-	16,200	16,200	16,200	402,375	472,125	264,636
Committed	-	-	-	-	1,081,606	668,570	328,918	3,031,960	472,975	1,018,716
Assigned	-	-	-	-	5,693,311	6,116,168	6,196,718	5,007,909	4,330,258	3,714,213
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 6,551,382</b>	<b>\$ 7,538,031</b>	<b>\$ 8,353,681</b>	<b>\$ 9,912,214</b>	<b>\$ 9,892,144</b>	<b>\$ 10,311,054</b>	<b>\$ 6,882,400</b>	<b>\$ 8,817,217</b>	<b>\$ 5,847,962</b>	<b>\$ 5,244,484</b>
<b>All other governmental funds</b>										
Reserved, reported in:										
Confiscated Property Fund	\$ 192,470	\$ 245,917	\$ 225,227	\$ 201,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Metered Parking Fund	1,105,283	1,127,927	988,057	922,379	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	4,649	4,982	5,082
Restricted	-	-	-	-	205,435	188,497	190,341	192,128	191,992	192,287
Committed	-	-	-	-	1,032,001	1,106,949	1,144,536	1,045,024	1,115,763	1,126,273
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(263,230)	(193,818)	(77,030)
<b>Total all other governmental funds</b>	<b>\$ 1,297,753</b>	<b>\$ 1,373,844</b>	<b>\$ 1,213,284</b>	<b>\$ 1,123,929</b>	<b>\$ 1,237,436</b>	<b>\$ 1,296,446</b>	<b>\$ 1,314,877</b>	<b>\$ 985,321</b>	<b>\$ 1,220,900</b>	<b>\$ 1,246,421</b>

Notes: 1 Modified accrual basis of accounting  
2 The City Implemented GASB #54 for the fiscal year ended September 30, 2011. See Note A to the financial statements for details.

**City of Cocoa Beach, Florida**  
**Table A-2, Part 1**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program expenses</b>										
Governmental activities:										
General government	\$ 4,041,326	\$ 3,558,863	\$ 3,800,676	\$ 3,246,190	\$ 3,357,724	\$ 2,788,002	\$ 2,919,124	\$ 1,285,245	\$ 3,487,514	\$ 3,487,514
Public Safety	2,206,825	2,628,097	2,382,335	2,146,626	2,895,179	2,906,955	2,648,071	2,993,985	6,632,950	7,726,733
Physical Environment	1,419,442	1,472,568	1,529,693	1,474,627	1,463,330	1,448,782	1,480,466	1,491,654	1,441,963	1,468,270
Transportation/Public Works	3,699,886	3,041,125	3,037,158	3,291,140	3,135,193	3,450,828	2,970,897	5,199,935	3,744,760	3,368,439
Recreation	942,451	957,307	899,025	967,958	3,008,353	3,202,669	1,005,135	1,874,112	3,346,956	3,139,718
Interest on long-term debt	68,190	32,282	27,282	21,608	15,697	9,587	2,736	-	125,844	134,169
Total governmental activities program expenses	17,448,120	16,092,620	16,678,179	17,151,149	17,875,476	17,806,463	17,106,429	21,140,931	20,729,027	19,714,843
Business-type activities:										
Utilities system	4,880,873	4,895,213	5,242,467	4,894,135	4,682,920	4,846,312	4,802,654	6,428,259	6,180,828	6,491,931
Golf	3,156,264	3,527,663	3,498,504	3,499,019	3,823,748	2,704,671	2,636,838	-	-	-
Stormwater	606,592	582,439	600,009	586,175	510,831	482,407	512,869	472,371	471,907	471,907
Total business-type activities program expenses	8,643,729	8,995,315	9,341,980	9,171,329	8,915,488	8,033,399	7,946,621	6,941,126	6,653,199	6,963,838
Total primary government program expenses	\$ 26,091,849	\$ 24,747,933	\$ 25,220,159	\$ 25,322,478	\$ 25,890,965	\$ 25,839,862	\$ 25,053,051	\$ 28,082,059	\$ 27,432,226	\$ 26,678,681
<b>Program revenues</b>										
Governmental activities:										
General government	\$ 1,771,039	\$ 1,501,714	\$ 2,139,597	\$ 2,112,700	\$ 2,747,632	\$ 2,047,310	\$ 2,073,020	\$ 2,395,990	\$ 2,044,929	\$ 1,161,342
Public Safety	625,467	972,548	402,905	434,621	402,808	642,012	725,412	665,989	626,835	981,899
Physical Environment	1,537,120	1,586,746	1,575,950	1,544,614	1,588,430	1,605,658	1,662,458	1,663,153	1,763,280	1,763,280
Transportation/Public Works	1,128,888	963,099	1,068,118	1,026,787	1,159,062	1,091,997	1,021,125	1,340,446	1,267,992	1,874,144
Recreation	205,513	218,196	245,372	221,766	250,063	244,560	274,907	2,496,625	2,436,776	2,340,083
Operating grants and contributions	196,712	387,308	627,413	-	-	-	-	-	-	283,861
Capital grants and contributions	-	-	-	639,697	1,074,314	547,108	378,225	478,810	660,800	1,844,670
Total governmental activities program revenues	5,463,739	5,229,605	6,095,255	5,982,185	7,192,349	6,196,645	6,015,430	8,839,898	8,700,387	10,249,279
Business-type activities:										
Charges for services:										
Utilities system	4,941,702	5,042,600	5,009,239	5,169,109	5,544,368	5,058,715	5,633,604	5,830,201	5,799,532	6,268,290
Golf	2,429,321	2,364,654	2,749,352	1,977,061	2,103,128	2,225,397	2,311,096	-	-	-
Stormwater	649,478	673,145	665,794	652,693	652,019	627,019	582,947	592,638	595,844	800,882
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,176,127	655,508	177,425	720,442	635,021	73,391	54,314	159,540	558,212	208,794
Total business-type activities program revenues	8,196,628	8,736,307	7,601,810	6,495,305	8,855,536	8,025,415	8,584,861	6,582,379	6,953,386	7,277,866
Total primary government program revenues	\$ 14,659,367	\$ 13,965,912	\$ 13,697,065	\$ 14,477,490	\$ 16,047,885	\$ 15,222,060	\$ 14,600,291	\$ 15,422,317	\$ 15,653,773	\$ 17,527,245

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**City of Cocoa Beach, Florida**  
**Table A-4**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 11,148,582	\$ 10,688,566	\$ 10,845,054	\$ 10,298,362	\$ 9,978,703	\$ 10,056,984	\$ 9,957,224	\$ 10,356,221	\$ 10,791,445	\$ 11,381,434
Licenses and permits	434,025	352,169	359,811	353,869	386,320	416,435	433,729	449,991	441,606	482,642
Intergovernmental revenues	1,303,800	1,127,111	1,118,166	1,311,958	1,718,712	1,390,734	996,765	1,178,314	1,383,225	2,865,792
Charges for services	4,172,475	4,072,471	4,718,683	4,552,958	4,576,197	4,349,042	4,311,489	4,567,717	6,585,380	7,331,896
Fines & forfeitures	503,051	417,657	353,338	429,872	1,193,286	900,892	971,569	1,396,075	1,067,909	306,210
Investment earnings	452,083	433,916	335,196	328,510	323,315	98,921	(1,600)	54,907	79,118	43,569
Miscellaneous revenues	96,446	424,447	33,843	79,765	151,768	99,804	68,191	115,854	101,393	145,081
<b>Total revenues</b>	<b>18,470,492</b>	<b>17,987,337</b>	<b>17,764,191</b>	<b>17,155,184</b>	<b>18,129,301</b>	<b>17,108,822</b>	<b>16,737,271</b>	<b>20,120,079</b>	<b>20,460,586</b>	<b>22,555,624</b>
<b>Expenditures</b>										
General government	4,945,148	3,409,279	3,300,052	3,205,018	3,118,375	3,260,233	3,160,831	3,780,995	4,309,772	4,731,699
Public Safety	7,900,145	7,543,517	7,382,335	7,869,464	8,678,916	8,379,998	8,402,158	9,174,689	8,252,263	8,593,542
Physical Environment	-	1,472,568	1,529,693	1,474,627	1,463,330	1,480,466	1,491,654	1,441,963	1,468,270	1,468,270
Transportation/Public Works	6,243,149	3,222,985	3,037,158	3,509,852	4,153,674	2,785,826	2,712,413	5,136,369	5,244,532	5,954,177
Recreation	1,109,549	944,642	899,025	886,201	926,326	1,045,440	1,038,472	3,605,523	3,240,398	3,330,906
Debt Service										
Principal	965,300	150,000	155,000	160,000	170,000	185,000	69,401	75,000	226,252	-
Interest	68,189	32,660	27,292	21,608	15,697	9,587	2,736	125,644	124,169	-
<b>Total expenditures</b>	<b>21,233,477</b>	<b>16,775,251</b>	<b>16,390,655</b>	<b>17,127,070</b>	<b>18,526,918</b>	<b>17,102,956</b>	<b>16,962,078</b>	<b>23,246,721</b>	<b>23,788,652</b>	<b>24,421,051</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,063,085)</b>	<b>722,086</b>	<b>1,433,636</b>	<b>28,114</b>	<b>(97,617)</b>	<b>5,866</b>	<b>(224,803)</b>	<b>(3,126,652)</b>	<b>(3,338,066)</b>	<b>(1,865,387)</b>
<b>Other financing sources (uses)</b>										
Land purchases	(962,237)	-	-	-	-	-	-	-	-	-
Transfers in	559,911	608,873	782,346	781,605	835,798	1,090,074	1,112,184	1,375,341	1,218,930	1,263,170
Transfers out	(2,121,246)	(207,819)	(561,182)	(140,601)	(344,744)	(626,668)	(658,170)	(709,930)	(756,370)	(756,370)
Capital lease	-	-	-	-	-	-	-	-	-	878,703
Debt proceeds	-	-	-	-	-	-	-	3,790,000	-	-
<b>Total other financing sources</b>	<b>(2,523,572)</b>	<b>341,054</b>	<b>221,164</b>	<b>441,004</b>	<b>491,054</b>	<b>491,054</b>	<b>(3,184,420)</b>	<b>4,707,163</b>	<b>509,000</b>	<b>1,387,703</b>
<b>Net change in fund balances</b>	<b>\$ (5,584,542)</b>	<b>\$ 1,063,140</b>	<b>\$ 1,654,680</b>	<b>\$ 469,178</b>	<b>\$ 93,427</b>	<b>\$ 496,910</b>	<b>\$ (2,409,223)</b>	<b>\$ 1,580,511</b>	<b>\$ (2,829,066)</b>	<b>\$ (477,686)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>6.3%</b>	<b>1.8%</b>	<b>1.20%</b>	<b>1.17%</b>	<b>1.14%</b>	<b>1.15%</b>	<b>1.16%</b>	<b>0.4%</b>	<b>1.42%</b>	<b>1.75%</b>

Notes: 1 Modified accrual basis of accounting  
2 Rise of debt service percentage in Fiscal Year 2007 is attributed to legal defeasance of a bond issue.

**City of Cocoa Beach, Florida**  
**Table A-2, Part 2**  
**General Revenues and Other Changes in Net Position**  
**Last Ten Fiscal Years**

	2007	2008
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City of Cocoa Beach, Florida  
Table B-3  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Cocoa Beach Development, Inc. (Cocoa Beach Resort)	\$ 20,644,620	1	1.50%	\$ 31,800,000	1	1.50%
1550 North Atlantic (Hilton)	12,600,000	2	0.92%	14,000,000	4	0.66%
Northport, Inc. (Ocean Landings)	11,498,870	3	0.84%	6,530,000	8	0.33%
Discovery Resort, Inc.	10,869,820	4	0.79%	14,800,000	3	0.70%
International Pains (LSREF ORANGE (COCOA) LLC)	8,845,000	5	0.64%	15,500,000	2	0.73%
Branch Cornerstone Assoc LP (Inland Western)	7,250,000	6	0.53%	9,500,000	5	0.45%
Ocean Partners Hospitality, LLP (Hampton/Marriott)	7,932,970	7	0.58%	6,500,000	10	0.31%
Ron Jon Surf Shop of Florida, Inc.	6,869,410	8	0.50%	-	-	-
Publix Supermarkets	6,322,500	9	0.46%	-	-	-
Pandey Hotel Cocoa Beach LLC (Doubletree, Cocoa Beach Hotel Fund)	5,390,000	10	0.39%	-	-	0.00%
5500 North Corp. (Days Inn/Best Western)	-	-	-	7,000,000	7	0.33%
Roger Dobson, Trustee	-	-	-	6,500,000	9	0.31%
Cocoa Beach Surf Company	-	-	-	7,200,000	6	-
<b>TOTALS</b>	<b>\$ 103,881,590</b>		<b>7.55%</b>	<b>\$ 119,330,000</b>		<b>5.32%</b>
Total City final taxable value	<u>\$ 1,375,437,743</u>			<u>\$ 2,115,735,252</u>		

Source: Brevard County Property Appraiser  
Multiple properties may be included in some taxable assessed value totals

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City of Cocoa Beach, Florida  
Table B-4  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Gross Tax Levy (1)	Collected Within the Fiscal Year of the Levy		Current Year Collections for Prior Years	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 7,582,302	\$ 7,283,600	96.06%	\$ 57,656	\$ 7,341,256	96.82%
2008	7,230,762	6,969,487	96.39%	35,645	7,005,132	96.88%
2009	7,210,039	6,949,361	96.38%	33,091	6,982,452	96.84%
2010	6,558,125	6,502,384	99.15%	45,134	6,547,518	99.84%
2011	6,563,416	6,302,345	96.02%	25,030	6,327,375	96.40%
2012	6,562,237	6,327,427	96.42%	20,696	6,348,123	96.74%
2013	6,560,116	6,302,734	96.08%	49,388	6,352,122	96.83%
2014	6,849,405	6,599,358	96.35%	55,240	6,654,598	97.16%
2015	7,281,531	6,974,913	95.79%	13,075	6,987,988	95.97%
2016	7,280,720	7,445,190	102.26%	12,070	7,457,259	102.42%

Source: (1) Form 422 Final Taxable Value, multiplied by millage rate, less allowance for adjustments and discounts.

Notes: Reference the Financial Statements, Note A, Paragraph 14.

Current Year Collections includes prior year taxes and penalties collected.

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City of Cocoa Beach, Florida  
Table B-1  
Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Taxable Value Real Property for Operating Purposes	Personal Property for Operating Purposes	Gross Taxable Value	New Construction Taxable Value	Adjusted Taxable Value	Final Taxable Value*	Millage Rate **
2007	\$ 2,063,281,760	\$ 58,788,193	\$ 2,122,069,953	\$ 15,507,817	\$ 2,106,562,136	\$ 2,115,735,252	3.5800
2008	2,036,579,260	57,643,659	2,094,222,919	17,133,370	2,077,089,549	2,087,281,923	3.4642
2009	1,639,162,920	53,665,754	1,692,828,674	5,605,130	1,687,223,544	1,938,070,723	3.7186
2010	1,417,116,320	43,261,675	1,460,377,995	2,756,180	1,457,621,815	1,457,361,276	4.0000
2011	1,273,147,270	34,617,909	1,307,765,179	2,615,190	1,305,149,989	1,457,119,766	4.5000
2012	1,282,995,490	36,505,989	1,319,501,479	1,955,124	1,317,546,355	1,317,771,181	5.0240
2013	1,336,061,370	39,768,882	1,375,830,252	1,058,490	1,374,761,762	1,317,345,221	4.9798
2014	1,420,415,260	42,997,287	1,463,412,547	2,768,970	1,460,643,577	1,375,437,743	4.9798
2015	1,528,428,150	44,389,202	1,572,817,352	3,875,580	1,568,941,772	1,462,050,879	4.9798
2016	1,651,383,595	44,356,979	1,695,740,574	7,726,440	1,688,014,134	1,570,025,655	4.9798

Source: Brevard County Property Appraiser (Form DR-420)

Notes: \* Final taxable value determined after Valuation Board rulings.

\*\* The rate used in the calculation for property taxes. One mill equals \$1 per \$1,000 of taxable value. A millage of 5.4798, which is the current (Fiscal Year 2017) rate in effect for the City of Cocoa Beach is equal to \$5.48 for each \$1,000 of taxable value on real property.

Property is assessed at actual value and therefore a separate table for assessed and actual data is not presented.

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City of Cocoa Beach, Florida  
Table B-2  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

Fiscal Year	City Direct Rates		Overlapping Rates			Total Millage
	Basic Rate *	Brevard County	Brevard County Schools Operating	Capital Outlay	Other **	
2007	3.5800	4.9370	5.6670	2.0000	0.5005	16.6845
2008	3.4642	4.6762	5.9110	1.7500	0.4503	16.2517
2009	3.7186	4.5211	6.1870	1.5000	0.4503	16.3770
2010	4.0000	5.2249	6.1530	1.5000	0.4503	17.3282
2011	4.5000	5.9199	6.6120	1.5000	0.3658	18.8977
2012	4.9798	5.9199	6.5960	1.5000	0.3658	19.3615
2013	4.9798	5.7979	6.1060	1.5000	0.3628	18.7465
2014	4.9798	5.4589	5.8390	1.5000	0.5230	18.3007
2015	4.9798	5.3047	5.7750	1.5000	0.4988	18.0583
2016	4.9798	5.3590	5.7750	1.5000	0.4445	18.0583

Source: Brevard County Property Appraiser website.

Notes: \* The rate used in the calculation for property taxes. One mill equals \$1 per \$1,000 of taxable value. The tax rate on real property is based on \$1 per \$1,000 of assessed property value.

\*\* "Other" includes Florida Inland Navigation District and St. John's River Water Management District.

Overlapping rates are those of local and county governments that apply to property owners within the City of Cocoa Beach.

The total millage column applies to all property owners within the City limits.

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City of Cocoa Beach, Florida  
Table C-5  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Utilities System Improvement Utilities System Improvement Revenue Refunding Bonds, Series 2002					
	(1) Utility Gross Pledged Revenue	(2) Less: Operating Expenses	Net Pledged Revenue	(3)(8) Debt Service		Coverage
				Principal	Interest	
2007	\$ 5,467,882	\$ 3,371,389	\$ 2,096,493	\$ 1,625,000	\$ 216,688	1.14
2008	5,371,208	3,420,178	1,951,030	1,650,000	179,825	1.07
2009	5,181,664	3,785,669	1,395,995	1,695,000	135,643	0.76
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

- Notes:
- (1) Gross pledged revenues include sewer system connection fees accounted for as contributed capital in the financial statements, but available for debt service in accordance with the bond resolution.
  - (2) Direct operating expenses exclude depreciation and amortization.
  - (3) The Utility bonds were advance refunded in November 2002. The debt service requirement for Fiscal Year 2003 included the November principal and interest requirements for the Series 1993 Bonds and the May interest requirement for the Series 2002 Bonds.
  - (4) Gross pledged revenues include golf course operating revenue, electric franchise fees and occupational licenses.
  - (5) The Public Improvement Revenue Refunding Bonds, Series 2002 payments were split between the General Fund and the Golf Course Fund. The Golf Course Fund was incorporated into the General Fund in Fiscal Year 2014.
  - (6) The Public Improvement Bonds were advance refunded in August 2002. The debt service requirement for Fiscal Year 2003 was on the Series 1993 Public Improvement Revenue Bonds, which had principal and interest payments of \$135,000 and \$233,760, respectively, prior to their retirement.
  - (7) The Public Improvement Bonds were legally defeased as of April 2007.
  - (8) The Utilities System Improvement Bonds were legally defeased as of March 3, 2010.

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City of Cocoa Beach, Florida  
Table D-1  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	(1) Population	(2) Personal Income	(3) Per Capita Personal Income	(4) Median Age	(5) Unemployment Rate	(6) School Enrollment
2007	12,785	\$ 460,260,000	\$ 36,000	53.0	3.3%	2,369
2008	12,805	456,254,955	35,631	53.3	6.5%	2,402
2009	12,800	445,977,600	34,842	53.2	12.1%	2,226
2010	12,631	492,583,738	38,998	53.9	12.9%	2,175
2011	11,231	468,939,174	41,754	54.3	10.8%	2,226
2012	11,233	453,970,462	40,414	53.5	6.0%	2,063
2013	11,259	447,770,430	39,770	56.2	3.9%	1,977
2014	11,121	437,044,179	39,299	56.8	6.3%	1,914
2015	11,131	399,814,389	35,919	58.3	6.1%	1,876
2016	11,182	555,633,580	49,690	47.1	5.2%	1,811

- Source:
- (1) Economic Development Commission of Florida's Space Coast
  - (2) Estimate (1) x (3)
  - (3) Economic Development Commission of Florida's Space Coast
  - (4) Economic Development Commission of Florida's Space Coast
  - (5) Economic Development Commission of Florida's Space Coast
  - (6) Brevard County Public Schools Include: Cocoa Beach Junior/Senior High School  
Freedom 7 Elementary School  
Theodore Roosevelt Elementary School

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City of Cocoa Beach, Florida  
Table C-1  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Clean Water State Revolving Loan 050620	Clean Water State Revolving Loan 050621	Total Debt of Primary Government	Debt as Percentage of Personal Income	Debt Per Capita
	Capital Improvement Revenue Note	Capital Lease(s)	Utility System Improvement Revenue Bonds/Note	Clean Water State Revolving Loan 050610					
2007	995,000	-	6,910,000	4,441,247	-	-	12,346,247	2.68%	966
2008	845,000	-	5,260,000	4,221,323	-	-	10,326,323	2.26%	806
2009	690,000	-	3,565,000	3,994,751	-	-	8,249,751	1.85%	645
2010	530,000	-	-	3,761,330	-	-	4,291,330	0.87%	340
2011	360,000	-	-	3,520,852	-	-	3,880,852	0.83%	346
2012	185,000	-	-	13,398,470	-	-	13,583,470	2.99%	1,206
2013	-	310,647	-	22,924,791	-	-	23,235,438	5.19%	2,064
2014	3,790,000	241,246	2,695,000	20,433,179	-	-	27,159,425	6.21%	2,442
2015	3,715,000	169,625	2,420,000	19,607,982	1,714,186	-	27,626,793	6.91%	2,482
2016	3,570,000	967,076	2,135,000	18,759,001	4,170,162	-	29,601,239	5.33%	2,647

Notes: Percentage of personal income and per capita amounts calculated from information in Table D-1.

Revenue Note 2014 A for fire station construction issued in Fiscal Year 2014 (Governmental Activities).

See Note H, Paragraph No. 1 for a detailed discussion of the Capital Equipment Lease (Governmental Activities).

The Utility System Bonds Series 2002 were legally defeased March 3, 2010 (Business-type Activities).

See Note H, Paragraphs Nos. 1 & 2 and 5 - 7 for a detailed discussion of the Clean Water State Revolving Loans (SRF).

The 2004 SRF loan was refunded by a bank loan in Fiscal Year 2014 - Capital Improvement Revenue Refunding Note, Series 2014B (Business-type Activities).

Details regarding the City's outstanding debt can be found in Note H to the Financial Statements.

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City of Cocoa Beach, Florida  
Table C-3  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City Direct Debt (governmental activities) (a)	\$ 3,884,625	100.00%	\$ 3,884,625
Overlapping Debt Brevard County: Governmental activities debt (b)	260,774,554	4.9308%	12,858,364
Total Direct and Overlapping Debt	\$ 264,659,179		\$ 16,742,989

- Source:
- (a) City of Cocoa Beach CAFR Fiscal Year 2015 Statistical Table C-1.
  - (b) Brevard County Finance Department - CAFR Fiscal Year 2015, Table 11.
  - (c) Brevard County Finance Department

Notes: Percentage based on the 2016 final taxable assessed City and County valuation.

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City of Cocoa Beach, Florida  
Table E-2  
Operating Indicators by Function/Program  
Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Police</b>										
Physical arrests	1,522	1,253	1,215	822	801	729	616	681	685	581
Parking violations	5,945	6,819	7,059	5,405	5,529	7,268	8,527	6,084	5,841	7,770
Traffic violations	7,590	6,466	5,489	4,863	3,798	3,616	3,696	4,163	1,984	2,941
<b>Fire</b>										
Emergency responses	2,373	1,648	2,184	2,149	2,513	2,150	2,467	2,235	2,565	2,646
Fires extinguished	65	63	63	46	62	63	62	47	46	48
Inspections	281	316	504	323	206	281	582	410	178	196
<b>Public Works***</b>										
Street resurfacing (miles)	-	-	-	-	1.3	-	-	-	-	0.1
Pothole repair/patching (square yards)	115	100	1,150	126	243	248	-	269	2,311	184
Asphalt rejuvenation (square yards)	-	-	-	530,109	-	-	-	-	283,558	263,112
<b>Parks and Recreation</b>										
Attendees at gymnasium	3,014	2,668	2,621	2,158	2,542	1,717	2,149	2,385	2,192	2,026
Pool attendees	19,731	20,124	19,624	19,003	22,627	21,180	19,564	21,392	26,541	23,021
<b>Water</b>										
Total metered connections*	4,535	4,545	4,526	4,507	4,518	4,502	4,501	4,523	4,368	4,570
Average daily consumption (thousands of gallons)	1,849	2,116	2,136	1,902	1,913	1,891	1,780	1,808	1,652	1,784
<b>Wastewater</b>										
Average daily sewage treatment ** (thousands of gallons)	3,170	4,000	3,208	3,368	3,600	3,705	3,933	4,148	4,260	3,857

Notes: Refuse collection - Contracted out.  
Library - County provided.  
Transit - County provided.  
\* Excludes Patrick AFB.  
\*\* Includes Patrick AFB.  
\*\*\* No road work was recorded in the Public Works categories in Fiscal Year 2014 - City-wide asphalt rejuvenation budgeted in Fiscal Year 2015 and Fiscal Year 2016.

Sources: Data provided by City of Cocoa Water Sewer Distribution Report.  
Water data provided by City of Cocoa.  
Wastewater data provided by City of Cocoa Beach.

City of Cocoa Beach, Florida  
Table E-3  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Schools (1)</b>										
Elementary	2	2	2	2	2	2	2	2	2	2
Junior/Senior High	1	1	1	1	1	1	1	1	1	1
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Police Officers (2)	35	37	33	37	34	31	34	32	35	35
<b>Fire</b>										
Stations	2	2	2	2	2	2	2	2	2	2
Firefighters (3)	28	28	27	27	27	26	27	27	27	27
<b>Other Public Works</b>										
Streets (linear miles)	35	35	35	35	35	35	35	35	25	25
Streetslights	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265
<b>Parks and Recreation</b>										
Parks and playgrounds (4)	12	12	12	12	12	12	12	12	12	12
Golf course (27 holes)	1	1	1	1	1	1	1	1	1	1
Tennis courts (2 clay)	12	12	12	12	12	12	12	12	12	12
Swimming pools (1 adult; 1 children)	2	2	2	2	2	2	2	2	2	2
Maritime Hammock Preserve (5)	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
<b>Utilities</b>										
<b>Wastewater</b>										
Sanitary sewers (miles)	64	64	64	64	64	64	64	64	64	64
Storm sewers (miles)	18	18	18	22	22	22	22	22	22	22
<b>Electricity</b>										
Meter connections	10,390	10,230	10,122	10,120	10,121	10,137	10,155	10,201	10,235	10,269

Notes: (1) Schools owned and operated by Brevard County School Board  
(2) Sworn officers  
(3) Firefighters and 3 chiefs  
(4) City and County parks in City limits

City of Cocoa Beach, Florida  
Table D-2  
Principal Employers  
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Brevard County Schools	2000+	1	N/A	9,442	1	3.79%
Health First, Inc.	2000+	2	N/A	6,291	4	2.55%
Harris Corporation	2000+	3	N/A	6,582	2	2.72%
Brevard County Government	2000+	4	N/A	3,137	5	1.31%
45th Space Wing DOD	2000+	5	N/A	-	-	-
NASA @ Kennedy Space Ctr.	2000+	6	N/A	2,018	7	0.84%
Northrop Grumman Corporation	1000+	7	N/A	1,918	10	1.05%
Wuesthoff Health Systems	1000+	8	N/A	2,000	8	0.84%
Rockwell Collins Inc.	1000+	9	N/A	-	-	-
Brevard Co. Sheriff Office	1000+	10	N/A	-	-	-
Eastern Florida State College*	-	-	-	2,300	6	-
Parrish Medical Center	-	-	-	-	-	-
United Space Alliance	-	-	-	6,400	3	2.72%
Space Gateway Support	-	-	-	1,800	9	1.26%
Boeing Company	-	-	-	-	-	0.75%
<b>TOTALS</b>	<b>N/A**</b>		<b>N/A</b>	<b>41,888</b>		<b>17.83%</b>

Source: Economic Development Commission of Florida's Space Coast.  
1 Employers exclude retail operations.  
2 Total County Employment 243,174, in 2016.  
3 Employment figures are for Brevard County. No City figures are available.  
\* Brevard Community College  
\*\* Exact employment numbers are no longer available for security reasons as of 2016.

City of Cocoa Beach, Florida  
Table E-1  
Full-time Equivalent  
City Government Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of September 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>	33.5	32.8	31.5	31.7	31.5	31.7	32.2	31.2	31.9	37.2
<b>Police</b>	58.5	56.5	53.5	51.5	53.6	53.4	54.0	54.5	55.5	55.5
<b>Fire</b>	30.0	29.0	28.0	27.0	28.0	28.0	28.0	28.0	28.0	28.0
<b>Public Works</b>	33.6	32.6	28.8	28.5	28.5	29.1	30.5	30.6	31.0	32.8
<b>Parks and Recreation</b>	21.0	21.4	24.4	19.2	19.6	25.4	29.5	23.3	23.3	29.4
<b>Utilities</b>	28.0	27.0	25.0	25.0	24.0	24.0	24.0	24.0	25.0	25.0
<b>Stormwater</b>	7.0	7.0	7.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Golf Course</b>	44.3	44.3	43.0	40.4	39.1	45.2	41.0	45.1	40.7	40.7
<b>Metered Parking</b>	3.3	4.0	4.0	5.7	5.4	6.9	6.3	5.3	5.9	5.9
<b>Totals</b>	<b>259.2</b>	<b>254.6</b>	<b>245.1</b>	<b>233.9</b>	<b>233.7</b>	<b>247.6</b>	<b>249.3</b>	<b>245.9</b>	<b>245.2</b>	<b>258.5</b>

Source: City Finance and Personnel Departments.

Notes: Refers to the number of personnel authorized for an accounting period, including part-time personnel converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time recreation aide working 20 hours per week for 52 weeks a year equals one-half of a full-time position. Elected officials are carried as General Government employees for payroll purposes, but are excluded from the figures above.



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- Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of The Auditor General*
- Schedule of Expenditures of Federal Awards and State Financial Assistance
- Schedule of Findings and Questioned Costs
- Independent Auditor’s Management Letter
- Independent Accountant’s Report



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cocoa Beach, Florida (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management of the City in a separate Management Letter and Independent Accountant's Report dated March 9, 2017.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moore Stephens Lovelace, P.A.*

MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Orlando, Florida  
March 9, 2017

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Honorable Mayor and  
Members of the City Commission  
City of Cocoa Beach, Florida

#### Report on Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program or major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

#### Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 9, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis, as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements.

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#### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

#### Report on Compliance for Each Major Federal Program and Major State Project

We have audited the compliance of the City of Cocoa Beach, Florida (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and Department of Financial Services *State Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and major state projects for the year ended September 30, 2016. The City's major federal programs and major state projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project identified in the accompanying Schedule of Findings and Questioned Costs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and major state project. However, our audit does not provide a legal determination of the City's compliance.

#### Opinion on Each Major Federal Program and Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended September 30, 2016.

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Honorable Mayor and  
Members of the City Commission  
City of Cocoa Beach, Florida

#### Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General (Cont.)*

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Moore Stephens Lovelace, P.A.*

MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Orlando, Florida  
March 9, 2017

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**CITY OF COCOA BEACH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

For the Year Ended September 30, 2016

<b>FEDERAL AWARDS</b>	<b>Identification Number</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Justice:</b>			
<i>Direct</i>			
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	N/A	16.738	\$ 1,725
<i>Passed through Florida Department of Law Enforcement</i>			
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	2016-JAGD-BREV-3-H4-046	16.738	4,540
			<u>6,265</u>
<b>U.S. Department of Transportation:</b>			
<i>Highway Planning and Construction</i>			
<i>Passed through Florida Department of Transportation</i>			
Minuteman Causeway Streetscape	434974-1-58-01 / ARR 54	20.205	<u>981,319</u>
<b>U.S. Environmental Protection Agency:</b>			
<i>Nonpoint Source Implementation Grants</i>			
<i>Passed through Florida Department of Environmental Protection</i>			
Minuteman Causeway Stormwater	C999451514-0	66.460	234,994
<i>National Estuary Program</i>			
<i>Passed through St. Johns River Water Management District</i>			
	28071	66.456	50,000
			<u>284,994</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,272,578</u>

*Continued*

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**CITY OF COCOA BEACH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE (Continued)**

For the Year Ended September 30, 2016

<b>STATE FINANCIAL ASSISTANCE</b>	<b>Identification Number</b>	<b>CSFA Number</b>	<b>State Expenditures</b>
<b>Florida Department of Environmental Protection</b>			
<i>Statewide Surface Water Restoration and Wastewater Projects</i>			
Upland Seawall	S0835	37.039	\$ 1,844,670
Minuteman Causeway Stormwater	G0412	37.039	568,927
<i>Wastewater Treatment Facility Construction</i>			
Clean Water State Revolving Fund Loan			
Sewer System Rehabilitation	WW050620	37.077	1,663,646
Minuteman Causeway Stormwater	WW050621	37.077	259,820
			<u>4,337,063</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u>\$ 4,337,063</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 5,609,641</u>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, the Florida Single Audit Act, Section 215.97, and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - INDIRECT COSTS**

The City did not charge indirect costs to its federal programs for the year ended September 30, 2016.

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**CITY OF COCOA BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unmodified Opinion**

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards and State Financial Assistance**

Internal control over major federal programs and major state projects:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major federal programs and major state projects: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance or Chapter 10.557, *Rules of the Auditor General*?

Yes  No

**Identification of Major Federal Programs and Major State Projects:**

<b>CFDA Number</b>	<b>Name of Federal Program</b>
20.205	Highway Planning and Construction
<b>CSFA Numbers</b>	<b>Name of State Projects</b>
37.039	Statewide Surface Water Restoration and Wastewater Projects
37.077	Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between

Type A and Type B programs:  
 Federal: \$750,000  
 State: \$300,000

Auditee qualified as low risk auditee?  Yes  No

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**CITY OF COCOA BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Year Ended September 30, 2016**

**SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT, AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

No matters were reported.

**SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION**

No matters were reported.

**SECTION IV - PRIOR YEAR AUDIT FINDINGS**

No matters were reported.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Cocoa Beach, Florida (the "City") as of and for the year ended September 30, 2016, and have issued our report thereon dated March 9, 2017.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.550, *Rules of the Auditor General*.

**Other Reporting Requirements and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Major State Project and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 9, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(j)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address the finding and recommendation made in the preceding annual financial audit report.

**Official Title and Legal Authority**

Section 10.554(1)(j)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.



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Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

**Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met. In conjunction with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by the same. The assessment was prepared as of September 30, 2016.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Honorable Mayor and Members of the City Commission  
Cocoa Beach, Florida

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the City Commission members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Lovelace, P.A.*

MOORE STEPHENS LOVELACE, P.A.  
Certified Public Accountants

Orlando, Florida  
March 9, 2017

**INDEPENDENT ACCOUNTANT'S REPORT**

Honorable Mayor and  
Members of the City Commission  
Cocoa Beach, Florida

We have examined the City of Cocoa Beach, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 9, 2017



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City of Cocoa Beach, Florida

Excellent Recreation and Quality Living

[www.CityofCocoaBeach.com](http://www.CityofCocoaBeach.com)



<https://www.facebook.com/CocoaBeachCityHall/>



**APPENDIX G**

**FINANCIAL INFORMATION REGARDING TOWN OF MELBOURNE BEACH**

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Margot Dorfman, Vice Mayor  
Tom Davis  
Gail Gowdy  
Steve Walters

TOWN MANAGER

Timothy Day

TOWN CLERK

Gwen Peirce

FINANCE MANAGER

Elizabeth Mascaro

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Building Department funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

*James Moore & Co., P.L.C.*

Daytona Beach, Florida  
May 12, 2017

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121 Executive Circle Daytona Beach, FL 32114-1180 Telephone: 386/257-4100 Fax: 386/255-3261 dab@jmco.com	3931 NW 1st Place Gainesville, FL 32607-2063 Telephone: 352/378-1331 Fax: 352/372-3741 jmv@jmco.com	2477 Tim Gamble Place, Suite 200 Tallahassee, FL 32309-4306 Telephone: 850/386-6184 Fax: 850/422-2074 tth@jmco.com
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**Town of Melbourne Beach, Florida  
Management's Discussion and Analysis**

As management of the Town of Melbourne Beach (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016.

**Financial Highlights**

- The assets of the Town of Melbourne Beach exceeded its liabilities at the close of the 2016 fiscal year by \$6,460,797 (net position). Of this amount, \$5,418,772 is net investment in capital assets while restricted net position is \$63,966. \$978,059 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$223,588 from the previous year.
- As of the close of fiscal year 2016, the Town's governmental funds reported combined ending fund balances of \$3,360,935, an increase of \$218,833 in comparison with the prior year. While \$1,400,817 represents the portion restricted by outside parties, \$223,574 is committed by ordinance, and \$5,633 is assigned for capital improvements, \$1,655,624 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance). An additional \$73,287 of governmental fund balance is non-spendable for current obligations.
- At the end of the 2016 fiscal year, unassigned fund balance for the general fund was \$1,655,624 or 52.35 % of total general fund expenditures.
- The Town's total long term liabilities decreased by \$296,332 during the 2016 fiscal year. This reflects the repayment of outstanding balances for bonds, notes and capital leases. This also reflects a decrease in the liability for compensated absences.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, physical environment, and recreation. The government-wide financial statements can be found on pages 12-13 of this report.

Town of Melbourne Beach, Florida  
Management's Discussion and Analysis

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains 13 individual governmental funds, including the General Fund, Capital Projects Fund, (2) Debt Service Funds, Building Department, Police Education, Police Donations, Law Enforcement Forfeiture, Building Education, Stormwater Utility, Historic Preservation, and Old Town Hall. The General Fund, 2 Debt Service Funds (combined), Building Department, and Capital Projects Fund are reported as major funds.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-46 of this report.

Town of Melbourne Beach, Florida  
Management's Discussion and Analysis

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 47-53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-55 of this report.

**Government-wide Financial Analysis**

The following is a summary of the Town's governmental activities net position for each of the past two years:

	2016	2015*
<b>Assets</b>		
Current and other assets	\$ 3,530,880	\$ 3,437,842
Capital assets, net	8,194,539	8,357,163
<b>Total assets</b>	<b>\$ 11,725,419</b>	<b>\$ 11,795,005</b>
<b>Deferred outflows of resources</b>	<b>\$ 311,490</b>	<b>\$ 269,903</b>
<b>Liabilities</b>		
Current liabilities	\$ 144,947	\$ 204,128
Noncurrent liabilities	5,365,518	5,562,717
<b>Total liabilities</b>	<b>\$ 5,510,465</b>	<b>\$ 5,766,845</b>
<b>Deferred inflows of resources</b>	<b>\$ 65,647</b>	<b>\$ 60,854</b>
<b>Net position</b>		
Net investment in capital assets	\$ 5,418,772	\$ 5,357,497
Restricted	63,966	1,236,201
Unrestricted	978,059	(356,489)
<b>Total net position</b>	<b>\$ 6,460,797</b>	<b>\$ 6,237,209</b>

\*Approximately \$1.2 million in net position was improperly reported in the prior year as restricted instead of unrestricted, resulting in similar variances between these two amounts from 2016 to 2015. This explanation is being provided in lieu of restatement.

Town of Melbourne Beach, Florida  
Management's Discussion and Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$6,460,797 at the close of the 2016 fiscal year. By far the largest portion of the Town's net position (83.87% percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$63,966 represents resources that are subject to external restrictions on how they may be used. These restrictions relate primarily to externally imposed restrictions on funding for debt and capital purposes. The remaining balance of the net position which represents amounts available to meet the Town's ongoing obligations to citizens and creditors at the discretion of the Commission is \$978,059 for the 2016 fiscal year.

The following is a summary of the changes in the Town's governmental activities net position for each of the past two years:

	2016	2015
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 263,170	\$ 174,577
Operating Grants	88,481	17,500
Capital Grants	7,724	58,750
<b>General Revenues:</b>		
Property taxes	1,647,536	1,538,077
Sales and use taxes	324,799	-
Franchise and utility taxes	239,020	236,573
Public services taxes	298,040	557,475
Insurance premium taxes	32,271	-
State revenue sharing	78,033	250,274
Investment earnings (loss)	2,399	1,119
Miscellaneous revenues	22,579	7,357
<b>Total Revenues</b>	<b>3,004,052</b>	<b>2,841,702</b>
<b>Expenses:</b>		
General government	866,869	790,640
Public safety	1,276,137	1,257,327
Physical environment	345,887	354,539
Culture/recreation	89,432	80,972
Interest on long-term debt	202,139	206,993
<b>Total Expenses</b>	<b>2,780,464</b>	<b>2,690,471</b>
Change in net position	223,588	151,231
Beginning net position	6,237,209	6,085,978
<b>Ending net position</b>	<b>\$ 6,460,797</b>	<b>\$ 6,237,209</b>

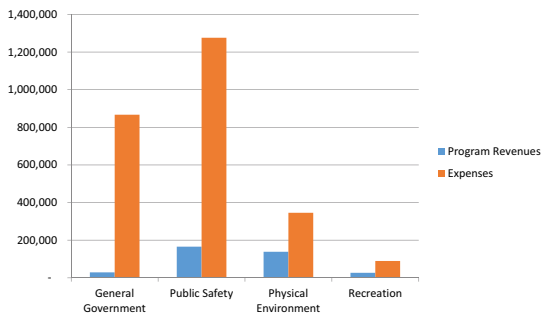
**Governmental activities**

Governmental activities increased the Town's net position by \$223,588. This amount is primarily attributable to increases in general revenues including property taxes, other taxes, recreation and other revenues.

- The Town's total revenues related to governmental activities increased by approximately \$162,350 from the prior year. Factors that contributed to an increase in revenues are an increase in property taxes of \$109,459 and a \$88,593 increase in charges for services, primarily related to building permit activity.
- Expenses related to governmental activities increased by \$89,993 from the prior year. This is related to an increase in general government of \$76,229 to cover the cost of upgrades to the Town's computer system and HVAC.

**Expenses and Program Revenues - Governmental Activities**

The following chart summarizes the Town's program revenues and expenses by function:



The General Fund is the chief operating fund of the Town. At the end of the 2016 fiscal year, unassigned fund balance of the general fund was \$1,686,158 while total general fund balance was \$1,759,445. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. An excess of revenues over expenditures of \$255,346 was offset by \$126,548 of transfers to the debt service fund for debt payments and transfers of \$52,000 to the capital projects fund for capital improvements.

The Capital Projects Fund has a fund balance of \$1,288,198. The net increase in fund balance during the current year in the capital projects fund was \$14,482. The increase was related to recognizing the revenue from the St. Johns Water Grant in fiscal 2016 for expenditures made in the prior year for which the related reimbursements were unavailable as of September 30, 2015.

The Debt Service Fund has a fund balance of \$86,330. The net increase during the current year in the debt service fund was \$49,902. The increase was related to current period tax revenues collected in excess of anticipated amounts, resulting in a budgeted transfer amount greater than what was needed to cover current debt service payments.

The Nonmajor Funds have a fund balance of \$257,496 at the end of the year. The net increase in the funds of \$25,079 is attributable in part to current period revenues collected for taxes in the Stormwater Utility fund and for permits in the Building Department fund in excess of current year spending.

**General Fund Budgetary Highlights**

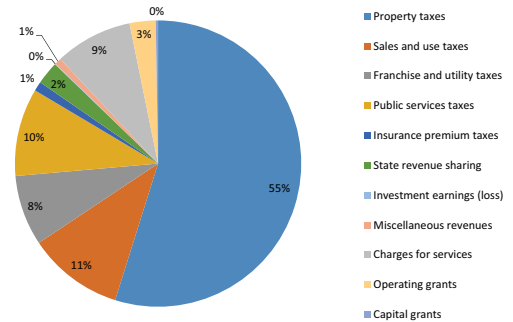
Although the Town inputs the budget by line item, the tracking of the budget is done at the department level. Department budgeting allows management to check budgets for negatives by classifications in accordance with the State of Florida's Uniform Accounting System Manual.

**Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental funds as of September 30, 2016, amounts to \$8,194,539 (net of accumulated depreciation). This represents a net decrease of \$162,624. The current year additions include \$68,448 of buildings and improvements, \$225,324 of equipment, and \$220,826 of infrastructure. The Town had one stormwater construction project underway during 2015 and the completed project was capitalized as infrastructure in 2016. These additions were offset by current year depreciation expense which totaled \$461,111, and a \$10,985 loss on the disposition of depreciable assets during the year.

**Revenues by Source - Governmental Activities**

The following chart summarizes the Town's revenues by source:



**Financial Analysis of the Government's Funds**

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

**Governmental funds**

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

As of the end of the fiscal year 2016, the Town's governmental funds reported combined ending fund balances of \$3,360,935, an increase of \$218,833 in comparison with the prior year. As of the end of fiscal year 2016, \$73,287 of the fund balance is designated as non-spendable to indicate that it is not available for new spending because it has already been spent on prepaid items. A portion of the fund balances is restricted in use by outside parties for the following: \$86,330 for debt purposes; \$5,515 for historic preservation; \$1,277,014 for stormwater construction; \$14,477 for education; \$1,429 for law enforcement; and \$16,016 building department operations. \$225,574 is committed by ordinance for stormwater utility management. Additionally, \$5,633 has been assigned by the Town Commission for capital improvements. The remaining amount, \$1,655,624 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The following summaries the Town's capital assets as of September 30, 2016 and 2015:

	2016	2015
Capital assets, not being depreciated –		
Land	\$ 897,742	\$ 897,742
Construction in progress		205,126
Total capital assets, not being depreciated	897,742	1,102,868
Capital assets, being depreciated –		
Buildings and improvements	3,669,447	3,656,715
Equipment	1,892,470	1,770,509
Infrastructure	6,068,055	5,848,555
Total capital assets, being depreciated	11,629,972	11,275,779
Less: accumulated depreciation	(4,333,175)	(4,021,484)
Total capital assets, being depreciated, net	7,296,797	7,254,295
Governmental activities capital assets, net	\$ 8,194,539	\$ 8,357,163

Additional information on the Town's capital assets can be found in Note 6 on page 32 of this report.

**Long-term Debt.** At the end of the 2016 fiscal year, the Town had total bonded debt and notes payable principal outstanding of \$3,756,798.

The following summaries the Town's long-term debt (excluding the net pension liability and OPEB obligation) as of September 30, 2016 and 2015:

	2016	2015
Notes and bonds payable	\$ 3,783,000	\$ 4,003,000
Less deferred amounts:		
Original issue premium	23,693	26,816
Original issue (discount)	(49,895)	(56,473)
Total notes and bonds payable	3,756,798	3,973,343
Capital leases	295,983	295,223
Compensated absences	156,723	157,826
Total	\$ 4,209,504	\$ 4,426,392

The Town's long-term liabilities decreased by \$216,888 during the current fiscal year. This decrease was attributable to repayment of bonds, notes and capital leases and a decrease for compensated absences.

Additional information on the Town's long-term liabilities can be found in Notes 7 and 8 on pages 32-33 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Town Commission approved a millage rate of 4.1584 for Fiscal Year 2017. The millage rate for Fiscal Year 2016 was 4.1105. The taxable value of real property increased by 6.87% percent for Fiscal Year 2016 and is expected to increase in Fiscal Year 2017.

TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
SEPTEMBER 30, 2016

**Other Factors**

The Town is close to build out as far as vacant home sites are concerned; however, we are continuing to see trends toward major remodeling and rebuilding on existing home sites. We anticipate that the Town will continue to issue single family home building permits next year.

Several cost increases are anticipated in the next fiscal year due to salary and insurance increases and increases to the general operating expenses of the Town. Capital outlay expenditures are expected to increase due to the purchase of an additional Police vehicle, the addition of a full time Fire Manager position, improvements to the Fire Department exhaust system and non-skid floors as well as purchasing additional SCBA equipment. Public Works anticipates upgrades to Ocean and Ryckman Park. Additional repairs and improvements are anticipated for Town roads, including striping and re-pavement and curb replacement.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, 507 Ocean Avenue, Melbourne Beach, Florida 32951.

<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,812,518
Investments	425,505
Receivables, net	162,411
Due from other governments	57,159
Prepays	73,287
Capital assets:	
Non-depreciable capital assets	897,742
Other capital assets, net of depreciation	7,296,797
Total assets	<u>\$ 11,725,419</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>\$ 311,490</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 33,714
Accrued payroll and employee benefits	39,193
Customer deposits	5,467
Unearned revenue	6,736
Accrued interest payable	59,837
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	231,000
Capital leases	66,566
Compensated absences	78,362
Due in more than one year:	
Bonds and notes payable	3,525,798
Capital leases	229,417
Compensated absences	78,361
Net OPEB obligation	3,000
Net pension liability	1,153,014
Total liabilities	<u>\$ 5,510,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>\$ 65,647</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 5,418,772
Restricted for:	
Debt service	26,493
Capital projects	21,567
Law enforcement	14,598
Building department education	1,308
Unrestricted	978,059
Total net position	<u>\$ 6,460,797</u>

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

TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	
Governmental activities:			
General government	\$ 866,869	\$ 790	\$ (838,097)
Public safety	1,276,137	105	(1,110,488)
Physical environment	345,887	84,334	(207,358)
Culture and recreation	89,432	23,173	(65,007)
Interest on long-term debt	202,139	-	(202,139)
Total governmental activities	<u>\$ 2,780,464</u>	<u>\$ 88,431</u>	<u>\$ (2,421,089)</u>
			1,647,536
General revenues:			234,799
Property taxes			298,020
Sales and use taxes			32,271
Franchise and utility taxes			78,033
Public service taxes			2,399
Investment earnings (loss)			22,579
Miscellaneous revenues			233,588
Total general revenues and transfers			<u>2,644,677</u>
Change in net position			6,237,209
Net position - beginning			<u>\$ 6,460,797</u>
Net position - ending			<u>\$ 6,460,797</u>

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

TOWN OF MELBOURNE BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General	Building Department	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,180,338	\$ -	\$ 86,330	\$ 1,288,354	\$ 257,496	\$ 2,812,518
Investments	425,505	-	-	-	-	425,505
Receivables, net	162,411	-	-	-	-	162,411
Due from other governments	57,159	-	-	-	-	57,159
Due from other funds	26,174	-	-	-	-	26,174
Prepaid items	73,287	-	-	-	-	73,287
Total assets	<u>\$ 1,924,874</u>	<u>\$ -</u>	<u>\$ 86,330</u>	<u>\$ 1,288,354</u>	<u>\$ 257,496</u>	<u>\$ 3,557,054</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 33,003	\$ 555	\$ -	\$ 156	\$ -	\$ 33,714
Accrued liabilities	35,388	3,805	-	-	-	39,193
Customer deposits	5,467	-	-	-	-	5,467
Unearned revenue	6,736	-	-	-	-	6,736
Due to other funds	-	26,174	-	-	-	26,174
Total liabilities	<u>\$ 80,594</u>	<u>\$ 30,534</u>	<u>\$ -</u>	<u>\$ 156</u>	<u>\$ -</u>	<u>\$ 111,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	<u>\$ 84,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,835</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items	\$ 73,287	\$ -	\$ -	\$ -	\$ -	\$ 73,287
Restricted for:						
Debt service	-	-	86,330	-	-	86,330
Historic preservation	-	-	-	5,551	-	5,551
Stormwater construction	-	-	-	1,277,014	-	1,277,014
Law enforcement	-	-	-	-	1,429	1,429
Law enforcement education	-	-	-	-	13,169	13,169
Building department education	-	-	-	-	1,308	1,308
Old Town Hall	-	-	-	-	16,016	16,016
Committed to:						
Stormwater utility	-	-	-	-	225,574	225,574
Assigned to:						
Capital improvements	-	-	-	5,633	-	5,633
Unassigned	1,686,158	(30,534)	-	-	-	1,655,624
Total fund balances	<u>\$ 1,759,445</u>	<u>\$ (30,534)</u>	<u>\$ 86,330</u>	<u>\$ 1,288,198</u>	<u>\$ 257,496</u>	<u>\$ 3,360,935</u>

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

TOWN OF MELBOURNE BEACH, FLORIDA  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2016

<b>Fund balances - total governmental funds</b>	<b>\$ 3,360,935</b>	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	12,527,714	
Less: accumulated depreciation	(4,333,175)	8,194,539
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(1,153,014)	
Deferred outflows related to pensions	311,490	
Deferred inflows related to pensions	(65,647)	(907,171)
Because some of the City's revenues will not be collected for several months after the close of the City's fiscal year end, they are not considered as "available" revenues in the governmental funds, and therefore, reported as deferred inflows of unavailable revenues. In the statement of net position, which is presented on an accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.		
		84,835
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(3,806,693)	
Capital leases payable	(295,983)	
Loss on refunding of debt	49,895	
Accrued interest payable	(59,837)	
Net OPEB obligation	(3,000)	
Compensated absences	(156,723)	(4,272,341)
<b>Net position of governmental activities</b>	<b>\$ 6,460,797</b>	

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

TOWN OF MELBOURNE BEACH, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Building Department	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 2,117,683	\$ -	\$ 323,604	\$ -	\$ -	\$ 2,441,287
Licenses and permits	17,584	550	-	-	371	18,505
Intergovernmental	267,581	-	-	57,750	-	325,331
Charges for services	36,166	110,174	-	-	54,195	200,535
Fines and forfeitures	8,687	1,650	-	-	593	10,930
Interest revenues (loss)	2,399	-	-	-	-	2,399
Miscellaneous	52,242	-	-	1,280	1,531	55,053
Total revenues	2,502,342	112,374	323,604	59,030	56,692	3,054,042
<b>Expenditures</b>						
Current:						
General government	661,083	-	-	-	-	661,083
Public safety	1,017,301	137,398	-	-	1,700	1,156,399
Parks and recreation	9,512	-	-	-	375	9,887
Physical environment	253,602	-	-	2,481	27,858	283,941
Capital outlay	213,725	-	-	94,067	1,680	309,472
Debt service	-	-	-	-	-	-
Principal	76,332	-	220,000	-	-	296,332
Interest and fiscal charges	15,441	-	180,250	-	-	195,691
Total expenditures	2,246,996	137,398	400,250	96,548	31,613	2,912,805
<b>Excess (deficiency) of revenues over (under) expenditures</b>	255,346	(25,024)	(76,646)	(37,518)	25,079	141,237
<b>Other financing sources (uses)</b>						
Transfers in	18,000	-	126,548	52,000	-	196,548
Transfers out	(178,548)	(18,000)	-	-	-	(196,548)
Proceeds from sale of capital assets	504	-	-	-	-	504
Issuance of debt	77,092	-	-	-	-	77,092
Total other financing sources (uses)	(82,952)	(18,000)	126,548	52,000	-	77,596
<b>Net change in fund balances</b>	172,394	(43,024)	49,902	14,482	25,079	218,833
<b>Fund balances, beginning of year</b>	1,587,051	12,490	36,428	1,273,716	232,417	3,142,102
<b>Fund balances, end of year</b>	\$ 1,759,445	\$ (30,534)	\$ 86,330	\$ 1,288,198	\$ 257,496	\$ 3,360,935

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

TOWN OF MELBOURNE BEACH, FLORIDA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 218,833</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	309,472
Depreciation expense	(461,111)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Proceeds from issuance of long-term debt	(77,092)
Principal repayment of general long-term debt	298,340
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(10,985)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Collection of grant receivable reported as deferred inflow in prior year	(57,750)
Net payments on unavailable receivable	7,256
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	5,253
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in accrued interest on long-term debt	(9,731)
Change in compensated absences liability	1,103
<b>Change in net position of governmental activities</b>	<b>\$ 223,588</b>

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

TOWN OF MELBOURNE BEACH, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,097,041	\$ 2,097,041	\$ 2,117,683	\$ 20,642
Licenses and permits	14,100	14,100	17,584	3,484
Intergovernmental	242,957	242,957	267,581	24,624
Charges for services	25,961	25,961	36,166	10,205
Fines and forfeitures	11,900	10,700	8,687	(2,013)
Interest revenues	850	850	2,399	1,549
Miscellaneous	36,860	36,860	52,242	15,382
Total revenues	2,429,669	2,428,469	2,502,342	73,873
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	98,494	98,494	88,169	10,325
Executive	141,216	139,952	127,067	12,885
Finance	97,229	119,445	121,363	(1,918)
Legal	60,575	85,286	85,285	1
Grants & special projects	24,000	24,000	16,138	7,862
Contingency and other	296,490	289,955	238,605	51,350
Public Safety:				
Police	1,010,426	970,098	993,015	(22,917)
Fire	204,843	204,843	242,092	(37,249)
Code enforcement	16,013	16,013	14,905	1,108
Parks and recreation	9,600	9,600	9,512	88
Physical environment	311,098	311,098	310,845	253
Total expenditures	2,269,984	2,268,784	2,246,996	21,788
<b>Excess (deficiency) of revenues over (under) expenditures</b>	159,685	159,685	255,346	95,661
<b>Other financing sources (uses)</b>				
Transfers in	18,000	18,000	18,000	-
Transfers out	(177,935)	(177,935)	(178,548)	(613)
Proceeds from sale of capital assets	250	250	504	254
Issuance of debt	-	-	77,092	77,092
Total other financing sources (uses)	(159,685)	(159,685)	(82,952)	76,733
<b>Net change in fund balances</b>	-	-	172,394	172,394
<b>Fund balances, beginning of year</b>	1,587,051	1,587,051	1,587,051	-
<b>Fund balances, end of year</b>	\$ 1,587,051	\$ 1,587,051	\$ 1,759,445	\$ 172,394

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

TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUILDING DEPARTMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 1,100	\$ 1,100	\$ 550	\$ (550)
Charges for services	105,011	105,011	110,174	5,163
Fines and forfeitures	1,881	1,881	1,650	(231)
<b>Total revenues</b>	<u>107,992</u>	<u>107,992</u>	<u>112,374</u>	<u>4,382</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Building Department	131,693	131,693	137,398	(5,705)
<b>Total expenditures</b>	<u>131,693</u>	<u>131,693</u>	<u>137,398</u>	<u>(5,705)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(23,701)</u>	<u>(23,701)</u>	<u>(25,024)</u>	<u>(1,323)</u>
<b>Other financing sources (uses)</b>				
Transfers out	(18,000)	(18,000)	(18,000)	-
<b>Net change in fund balances</b>	<u>(41,701)</u>	<u>(41,701)</u>	<u>(43,024)</u>	<u>(1,323)</u>
<b>Fund balances, beginning of year</b>	12,490	12,490	12,490	-
<b>Fund deficits, end of year</b>	<u>\$ (29,211)</u>	<u>\$ (29,211)</u>	<u>\$ (30,534)</u>	<u>\$ (1,323)</u>

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

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TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

	Municipal Police Officers' Retirement Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents with trustee	\$ 79,086
Receivables	
Employer contributions receivable	1,024
Investments, at fair value	
Mutual and pooled funds	2,677,181
<b>Total assets</b>	<u>\$ 2,757,291</u>
<b>NET POSITION</b>	
Restricted for pensions	<u>\$ 2,757,291</u>

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

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TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Municipal Police Officers' Retirement Trust Fund
<b>Additions</b>	
Contributions:	
Employer	\$ 186,596
Plan members	23,298
State - insurance premium taxes	32,271
<b>Total contributions</b>	<u>242,165</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	221,491
<b>Total additions</b>	<u>463,656</u>
<b>Deductions</b>	
Benefit payments	260,105
Administrative expenses	16,803
<b>Total deductions</b>	<u>276,908</u>
<b>Change in net position</b>	<u>186,748</u>
<b>Net position restricted for pensions, beginning of year</b>	2,570,543
<b>Net position restricted for pensions, end of year</b>	<u>\$ 2,757,291</u>

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

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TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(1) Summary of Significant Accounting Policies:

The financial statements of the Town of Melbourne Beach, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town is a municipal corporation created by the Laws of Florida, located in Brevard County. The Town was originally incorporated under the general Laws of Florida in 1923, and adopted its first charter in November 1973, under the provisions of Chapter 9833, Laws of Florida, Acts of 1923. The legislative branch of the Town is composed of an elected five-member Town Commission consisting of the Mayor and four commissioners. The Town Commission is governed by the Town Charter and by state and local laws and regulations. The Town Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed Town Manager.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the Town Commission of the Town, the reporting entity of government for which the Town Commission is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations. The Town has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, physical environment, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds of the Town.

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TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(1) **Summary of Significant Accounting Policies:** (Continued)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

The Town's fiduciary fund is presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund Town activities has been eliminated from the government-wide financial statements.

(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 fiduciary fund financial statements. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(1) **Summary of Significant Accounting Policies:** (Continued)

- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of a resolution.
- v. The Town Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The Town Manager may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the Commission. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the Town Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. Each of the Town's governmental funds have legally adopted budgets.

For the year, the Town exceeded its approved budget in various departments within the General Fund, including Finance (\$1,918), Police (\$22,917), and Fire (\$37,249), and Transfers out (\$613). This was primarily due the necessary budget amendments to reflect debt proceeds and capital outlay not being made for two capital leases entered into during the year. The building department fund exceeded its budget by \$5,705.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **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."

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed; therefore, these amounts are fully allowed for an no provision for taxes receivable has been made on the Town's financial statements.

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of all funds combined) for the determination of major funds.

The Town reports the following major governmental funds:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town are financed through revenues received by the General Fund.

The **Building Department Fund** is a special revenue fund which accounts for the financial resources related to the Town's building department.

The **Debt Service Fund** is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt service requirements of the Town's governmental long-term debt. The Town operates multiple debt service funds that account for all general fund debt service expenses.

The **Capital Projects Fund** is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The Town operates multiple capital projects funds that account for all general fund capital outlay expenses.

Additionally, the Town reports the following fiduciary fund:

The **Pension Trust Fund** accounts for the financial activities of the Police Officers' Retirement Trust Fund, which accumulates financial resources to pay pension benefits to qualified police officers.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to September 1<sup>st</sup>, the Town Manager submits a preliminary budget to the Town Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the Town Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.

TOWN OF MELBOURNE BEACH, FLORIDA  
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(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Building Improvements	7-30 years
Buildings	25 - 40 years
Equipment	3-18 years
Infrastructure	20 - 50 years
Leased Property	3-12 years
Vehicles	5-15 years

(j) **Compensated absences**—It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and a portion of sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(k) **Long-term obligations**—In the government-wide financial statements, long-term debt obligations are reported as liabilities, net of any outstanding premiums or discounts. Debt issuance costs are expensed when paid.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (10).

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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the two items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available, and deferred inflows of resources related to pensions, as discussed further in Note (10).

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property held for sale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Commission or the Town Manager.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(n) **Net position flow assumption**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(o) **Implementation of new accounting standards**—At September 30, 2016 and for the year then ended, the Town has implemented Governmental Accounting Standards Board (GASB) *Statement No. 72, Fair Value Measurement and Application*. See Note (4) for the effects of GASB 72 on investment disclosures.

(4) **Deposits and Investments:**

The Town, for accounting and investment purposes, maintains a pooled noninterest-bearing banking account for substantially all Town funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others.

State statutes authorize the Town to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2016, all Town deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the Town is authorized to deposit funds only in Qualified Public Depositories.

The Town is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. As of September 30, 2016, the investment pool had a weighted average of 50 days to maturity and was rated AAAM by Standard & Poor’s.

The Town held no assets or investments carried at fair value at September 30, 2016, and subject to the required disclosures of GASB 72.

**Town Investment Portfolio**

As of September 30, 2016, the Town’s governmental investment portfolio is not subject to GASB 72 disclosures and is composed of the following investments:

Investment Type	Credit Quality Rating (S&P)	Carrying Value	Maturities (in Years)		
			Less Than 1	1-5	Over 5
SBA funds	AAAm	\$ 425,505	\$ 425,505	-	-

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2016, the millage rate assessed by the Town was 4.1105 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The Town recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredemmed tax certificates may be made by the certificate holder after a period of two years. The Town tax calendar is as follows:

Valuation Date:	January 1, 2015
Preliminary Tax Roll Date:	July 1, 2015
Commission Tax Rate Hearings:	September 2015
Levy Date:	November 1, 2015
Due Date:	March 31, 2016
Lien Date:	June 1, 2016

(4) **Deposits and Investments:** (Continued)

*Interest Rate Risk:* The Town limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the Town’s surplus funds are invested in the Local Government Surplus Trust Fund. Investments held in the Town’s Police pension trust fund are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Town’s bank deposits are held in noninterest-bearing accounts.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Town’s portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

*Concentration of Credit Risk:* In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. The Town’s policy limits certain type of investments to no more than 5% of the total portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2016, the Town’s investment of \$425,505 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

**Municipal Police Officers’ Retirement Trust Fund Investment Portfolio**

The Municipal Police Officers’ Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Plan is subject to using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

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(4) **Deposits and Investments:** (Continued)

The following chart shows the Municipal Police Officers' Retirement Trust Fund investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

Investment Type	Carrying Value	Maturities (in years) Less Than 1	Credit Rating Range (S&P)	Fair Value Hierarchy Classification
Mutual funds - fixed income	\$ 885,613	\$ 885,613	BBB	Level 1
Common stock	687,852	687,852	NR	Level 1
Foreign stock	27,049	27,049	NR	Level 1
Mutual funds - equity	1,053,894	1,053,894	NR	Level 1
Exchange-traded investment trusts	22,773	22,773	NR	Level 1
Total Portfolio	\$ 2,677,181	\$ 2,677,181		

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2016, all investments were held in cash or other assets that could be liquidated at any time.

**Credit Risk:** Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2016.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pension Plan trust fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2016, the investment portfolios met these limitations.

**Custodial Credit Risk:** Custodial credit risk is the risk that the Town may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2016, the investment portfolio had no foreign investments.

(5) **Accounts Receivable:**

The Town's receivables consists \$162,411 at September 30, 2016, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2016.

Of the above amount, \$84,835 is due from the Melbourne Beach Volunteer Fire Department, Inc. for their share of the total purchase price and debt requirements for a vehicle (50-percent share) and fire truck (100-percent share). These receivables are scheduled out relative to the respective capital lease obligations and were not received within 60 days of year-end and therefore have been considered unavailable and recorded as deferred inflows in the general fund.

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TOWN OF MELBOURNE BEACH, FLORIDA  
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(8) **Long-Term Debt:**

Notes and bonds payable at September 30, 2016, are comprised of the following obligations:

Series 2005B Florida Municipal Loan Council Revenue Refunding Bonds, dated May 1, 2005, originally issued to partially defease the Florida Municipal Loan Council Revenue Bonds, Series 1999B, due in payments of principal plus interest ranging from 3.00% to 5.00% semiannually on May 1 and November 1 each year until final maturity on November 1, 2029.	\$ 1,255,000
Series 2009 Stormwater Improvement note payable, dated August 20, 2009, due in payments of principal plus interest at 4.23% semiannually on January 1 and July 1 through July 1, 2028. Repayment of loan balance is secured by a pledge of real property ad valorem tax revenues assessed at 0.9999 mills on all property within the Town.	2,528,000
Total long-term debt, governmental activities	<u>\$ 3,783,000</u>

The Town was in compliance with all applicable debt covenants as of and for the year ended September 30, 2016.

Annual debt service requirements to maturity for the Town's notes and bonds payable are as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 231,000	\$ 168,059	\$ 399,059
2018	243,000	157,662	400,662
2019	251,000	146,845	397,845
2020	263,000	135,563	398,563
2021	276,000	123,736	399,736
2022-2026	1,556,000	421,752	1,977,752
2027-2031	963,000	79,032	1,042,032
Total	\$ 3,783,000	\$ 1,232,649	\$ 5,015,649

For the fiscal year ended September 30, 2016, a summary of the long-term liability transactions for the Town is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes and bonds payable	\$ 4,003,000	\$ -	\$ (220,000)	\$ 3,783,000	\$ 231,000
Less deferred amounts:					
Original issue premium	26,816	-	(3,123)	23,693	-
Original issue (discount)	(56,473)	-	6,578	(49,895)	-
Total notes and bonds payable	3,973,343	-	(216,545)	3,756,798	231,000
Capital leases	295,223	77,092	(76,332)	295,983	66,566
Compensated absences	157,826	73,538	(74,641)	156,723	78,362
Governmental activities - Total long-term liabilities	\$ 4,426,392	\$ 150,630	\$ (367,518)	\$ 4,209,504	\$ 375,928

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(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated -				
Land	\$ 897,742	\$ -	\$ -	\$ 897,742
Construction in progress	205,126	-	(205,126)	-
Total capital assets, not being depreciated	1,102,868	-	(205,126)	897,742
Capital assets, being depreciated -				
Buildings and improvements	3,656,715	68,448	(55,716)	3,669,447
Equipment	1,770,509	225,324	(103,363)	1,892,470
Infrastructure	5,848,555	220,826	(1,326)	6,068,055
Total capital assets, being depreciated	11,275,779	514,598	(160,405)	11,629,972
Less: accumulated depreciation	(4,021,484)	(461,111)	149,420	(4,333,175)
Total capital assets, being depreciated, net	7,254,295	53,487	(10,985)	7,296,797
Governmental activities capital assets, net	\$ 8,357,163	\$ 53,487	\$ (216,111)	\$ 8,194,539

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General governmental	\$ 201,157
Public safety	118,463
Physical environment	61,946
Culture and recreation	79,545
Total depreciation expense - governmental activities	<u>\$ 461,111</u>

(7) **Capital Leases:**

The Town has entered into certain lease agreements as a lessee for financing the acquisition of certain vehicles. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

<b>Asset:</b>	
Equipment	\$ 612,883
Accumulated depreciation	(343,051)
Net book value of leased assets	<u>\$ 269,832</u>

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 66,566	\$ 16,383	\$ 82,949
2018	59,657	12,509	72,166
2019	51,743	9,106	60,849
2020	42,234	6,242	48,476
2021	44,459	4,017	48,476
2022	31,324	1,676	33,000
Total	\$ 295,983	\$ 49,933	\$ 345,916

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TOWN OF MELBOURNE BEACH, FLORIDA  
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(9) **Interfund Loans, Advances, Fees and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2016, are comprised of the following:

	Due From Other Funds	Due to Other Funds
<b>Governmental Activities:</b>		
General Fund:		
Building Department Fund	\$ 26,174	\$ -
Building Department Fund:		
General Fund	-	26,174
Total - All Funds	<u>\$ 26,174</u>	<u>\$ 26,174</u>

For the year ended September 30, 2016, interfund transfers consisted of the following:

	Transfer From	Transfer To
<b>Governmental Activities:</b>		
General Fund:		
Building Department Fund	\$ 18,000	\$ 178,548
Debt Service Fund:		
Capital Projects Fund	-	18,000
Building Department Fund:		
General Fund	-	18,000
Debt Service Fund:		
General Fund	126,548	-
Capital Projects Fund:		
General Fund	52,000	-
Total - All Funds	<u>\$ 196,548</u>	<u>\$ 196,548</u>

The transfer from the building department fund to the general fund represents a fee for services provided. The transfer from the general fund to the debt service fund represents the requirements for debt service. The transfer from the general fund to the capital projects fund represents capital expenditures paid for by the general fund.

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:**

A. **Deferred Compensation Plan**

The Town offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH, 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The Town may also contribute to the plan for participants; these contributions vest at the time such contributions are made to the plan. For the year ended September 30, 2016, employee contributions to the 457 plan were \$4,460. Employer contributions totaled \$4,866 for the year ended September 30, 2016.

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TOWN OF MELBOURNE BEACH, FLORIDA  
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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**B. Florida Retirement System**

**Plan Description and Administration**

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Town's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

TOWN OF MELBOURNE BEACH, FLORIDA  
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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2016, the Town reported a liability of \$280,021 for its proportionate share of the net pension liability, \$142,594 related to FRS and \$137,427 to HIS. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2016 and June 30, 2015, the Town's FRS proportion was 0.000564726% and 0.000570663%, respectively. At June 30, 2016 and June 30, 2015, the Town's HIS proportion was 0.001179170% and 0.001038277%, respectively. For the year ended September 30, 2016, the Town's recognized pension expense of \$22,103 from FRS and \$15,336 from HIS, for a grand total of \$37,439.

*Deferred outflows/inflows related to pensions:*

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,918	\$ (1,328)	\$ -	\$ (313)
Changes of assumptions	8,626	-	21,566	-
Net difference between projected and actual investment earnings	36,859	-	69	-
Change in Town's proportionate share	2,614	(1,091)	22,929	(583)
Contributions subsequent to measurement date	4,854	-	1,389	-
	\$ 63,871	\$ (2,419)	\$ 45,952	\$ (896)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2017	\$ 15,682
2018	15,682
2019	30,039
2020	23,183
2021	9,576
Thereafter	6,104
Total	\$ 100,266

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting, Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridafco.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000

**Contributions**

The Town participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2016, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate
Regular Class	3.00%	7.52%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Town employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	2016	2015	2014
Town Contributions – FRS	\$ 20,010	\$ 14,076	\$ 11,962
Town Contributions – HIS	5,845	4,571	2,950
Employee Contributions – FRS	10,594	10,883	7,375

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.60%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	3.0%
Fixed income	18.0%	4.7%
Global equities	53.0%	8.1%
Real estate	10.0%	6.4%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	100.0%	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.60%	\$ 262,525	\$ 142,594	\$ 42,767
HIS	2.85%	157,660	137,427	120,635

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**C. Municipal Police Officers' Retirement Trust Fund**

The town maintains a separate single-employer defined benefit pension plan for Police officers.

**Plan Description and Administration**

All full-time police officers are eligible to participate in the Police Officers' Pension Plan (the Plan). This is a single employer, defined benefit pension plan. Benefit provisions and other requirements of the plan are established by Florida Statutes and Town Ordinance 2012-02. They are accounted for as pension trust funds and reported on herein as part of the Town's reporting entity. The plan is administered through its own Board of Trustees. Pension plan data is provided from the respective actuarial reports as of October 1, 2015.

**Benefits Provided and Employees Covered**

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustments are provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2015:

Inactive participants	1
Active participants	9
Retired participants	7
Total current membership	<u>17</u>

Benefits vest after ten years of service. Participants may retire upon attainment of the earlier of, age 55 and completion of ten years of credited service, or age 52 and 20 years of credited service. Retirees are entitled to 3.0% of average monthly earnings times years of credited service. The plan also provides service-incurred disability compensation and early retirement. Early retirement may be taken at age 50 and 10 years of credited service with reduced benefits.

**Financial Statements**

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

**Contributions**

The participant contribution rates for the Plan are established by and may be amended by the Town Commission. Employees covered under the plan are required to make contributions of 5% of their compensation. The Town's annual required contribution for the current year was determined as part of the October 1, 2015 actuarial valuations. The Town is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The Town's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The State of Florida also makes contributions to the Plan in accordance with Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The Town's actual annual contribution for the plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2016, were as follows:

Employee contributions	\$ 23,298
Town contributions	186,596
State contributions	32,271
Total contributions	<u>\$ 242,165</u>

**Investment Policy**

See Note (4) for additional discussion of the investment policies for the Plan.

**Net Pension Liability**

At September 30, 2016, the components of the net pension liability for the Plan were as follows:

Total pension liability	\$ 3,630,284
Plan fiduciary net position	(2,757,291)
Net pension liability	<u>\$ 872,993</u>

Plan fiduciary net position as percentage of total pension liability	75.95%
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The total pension liability was determined by an actuarial valuation as of October 1, 2015, with a measurement date of September 30, 2016, using the following actuarial assumptions to all measurement periods.

Inflation	2.50%
Salary increases	6.00%
Discount rate	8.00%
Investment rate of return	8.00%

Mortality rates for the Plan were based on the RP-2000 Mortality Table with no projection. The most recent actuarial experience study used to review the other significant assumptions was March 10, 2008.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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.

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Domestic Equity	55%	7.50%
International Equity	10%	8.50%
Broad Market Fixed Income	30%	2.50%
TIPS	5%	2.50%
Total	<u>100.0%</u>	

**Discount rate:**

The discount rate used to measure the total pension liability for the pension plan was 8.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

**Changes in net pension liability:**

Changes in the plan's net pension liability were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 3,467,690	\$ 2,570,543	\$ 897,147
Changes for year:			
Service cost	90,773	-	90,773
Interest	274,273	-	274,273
Differences between expected/actual experience	(80,473)	-	(80,473)
Change in assumptions	138,126	-	138,126
Contributions - employer	-	186,596	(186,596)
Contributions - state	-	32,271	(32,271)
Contributions - employee	-	23,298	(23,298)
Net investment income	-	221,491	(221,491)
Benefit payments, including refunds	(260,105)	(260,105)	-
Administrative expenses	-	(16,803)	16,803
Net changes	162,594	186,748	(24,154)
Ending Balance	<u>\$ 3,630,284</u>	<u>\$ 2,757,291</u>	<u>\$ 872,993</u>

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Sensitivity of the net pension liability to changes in the discount rate:**

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

Town's Net Pension Liability (Asset)	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Municipal Police Officers' Retirement Trust Fund	\$ 1,259,023	\$ 872,993	\$ 547,123

**Money-weighted rate of return:**

For the year ended September 30, 2016, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return	8.14%
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The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the Town recognized pension expense of \$197,082 in the Plan.

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (62,332)
Changes of assumptions	103,595	-
Net different between projected and actual investment earnings	98,071	-
	<u>\$ 201,666</u>	<u>\$ (62,332)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2017	\$ 42,785
2018	42,787
2019	57,209
2020	(3,447)
Total	<u>\$ 139,334</u>

TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**D. Other Post-Employment Benefits (OPEB)**

The Town of Melbourne Beach, Florida Post-Employment Benefits Plan is a single-employer benefit healthcare plan administered by the Town. Pursuant to Section 112.0801, Florida Statutes, the Town is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible participants include all regular employees of the Town who retire from active service under one of the pension plans sponsored by the Town. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

The Town's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB activity for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan based on the most recent actuarial valuation dated October 1, 2013:

	2016	2015	2014
Annual Required Contribution	\$ 6,000	\$ 6,000	\$ 5,000
Interest on Net OPEB Obligation	-	-	-
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost	6,000	6,000	5,000
Town Contributions Made	(6,000)	(6,000)	(6,000)
Increase (Decrease) in Net OPEB Obligation	-	-	(1,000)
Net OPEB Obligation (beginning of year)	3,000	3,000	4,000
Net OPEB Obligation (end of year)	\$ 3,000	\$ 3,000	\$ 3,000

Three-year trend information is summarized as follows:

Plan Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 6,000	100%	\$ 3,000
2015	6,000	100%	3,000
2014	5,000	120%	3,000

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TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(12) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2016. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(13) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

- (a) GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 74 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.
- (b) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (c) GASB issued Statement No. 77, *Tax Abatement Disclosures*, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.
- (d) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*, in January 2016, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 enhances the comparability of financial statements among governments. The provisions in GASB 80 are effective for fiscal years beginning after June 15, 2016.
- (e) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.

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TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The funded status of the plan as of October 1, 2013, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 26,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 26,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (Active plan members)	\$ 541,000
UAAL as a percentage of covered payroll	4.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The calculations are based on the type of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between the Town and the plan member at that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial Valuation Date	October 1, 2013
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar, open
Remaining Amortization Period	10 years
Actuarial Assumptions:	
Investment Rate of Return with Inflation	4.00%
Health Care Inflation	8.00% grading to 5.50% for 2019

It should be noted that the percent of Annual OPEB Cost contributed is based upon actuarial calculations regarding the Town's and State's contribution. The Town's contribution is dependent upon the estimated state contributions that are not known and received at the end of the fiscal year. The Town has typically used the general fund to liquidate net pension obligations.

Additional trend information related to the retirement plan is presented in the required supplementary information, as listed in the table of contents. The information is presented to enable the reader to assess the progress made by the Town retirement plans in accumulating sufficient assets to pay retirement benefits as they become due.

No actuarial accrued liability has been calculated for the Plan as the Plan utilizes the aggregate actuarial cost method.

(11) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

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TOWN OF MELBOURNE BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

(13) **Recent Accounting Pronouncements:** (Continued)

- (f) GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in GASB 82 are effective for periods beginning after either June 15, 2016 or June 15, 2017, if certain assumptions are met.
- (g) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (h) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (i) GASB issued Statement No. 85, *Omibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.

(14) **Deficit Fund Balance:**

At September 30, 2016, the Building Department Fund reported a fund balance deficit of (\$30,534). This cumulative deficit was the result of expenditures exceeding revenues in the current year and is expected to be recovered from subsequent periods' revenues.

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TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - OPEB  
 SEPTEMBER 30, 2016

TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB  
 SEPTEMBER 30, 2016

Other Post Employment Benefit Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$-	\$43,000	\$43,000	0.00%	\$474,000	9.50%
10/1/2013	-	26,000	26,000	0.00%	541,000	4.80%

Other Post-Employment Benefit Plan			
Year Ended September 30	Annual Required Contribution	Town Contribution	Percentage Contribution
2016	\$ 6,000	\$ 6,000	100
2015	6,000	6,000	100
2014	5,000	6,000	120
2013	6,000	6,000	100
2012	7,000	7,000	100

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TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
 SEPTEMBER 30, 2016

TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
 SEPTEMBER 30, 2016

For the year ended September 30,	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 90,773	\$ 95,129	\$ 92,542
Interest	274,273	266,454	257,604
Differences between expected/actual experience	(80,473)	(3,954)	-
Changes of assumptions	138,126	-	-
Benefit payments	(260,105)	(250,963)	(233,262)
Net change in total pension liability	162,594	106,666	116,884
Total pension liability - beginning	3,467,690	3,361,024	3,244,140
Total pension liability - ending (a)	\$ 3,630,284	\$ 3,467,690	\$ 3,361,024
<b>Total Fiduciary Net Position</b>			
Contributions - employer	\$ 186,596	\$ 222,353	\$ 200,907
Contributions - state	32,271	-	32,044
Contributions - employee	23,298	22,464	21,403
Net investment income	221,491	(22,583)	255,971
Benefit payments	(260,105)	(250,963)	(233,262)
Administrative expense	(16,803)	(23,280)	(8,111)
Net change in plan fiduciary net position	186,748	(52,009)	268,952
Plan fiduciary net position - beginning	2,570,543	2,622,552	2,353,600
Plan fiduciary net position - ending (b)	\$ 2,757,291	\$ 2,570,543	\$ 2,622,552
Net pension liability - ending (a) - (b)	\$ 872,993	\$ 897,147	\$ 738,472
Plan fiduciary net position as a percentage of the total pension liability	75.95%	74.13%	78.03%
Covered payroll	\$ 465,956	\$ 467,561	\$ 428,060
Net pension liability as a percentage of covered payroll	187.36%	191.88%	172.52%

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Excess (Deficiency)	Covered Payroll	Contributions as Percentage of Employee Payroll
2016	\$ 218,394	\$ 218,867	\$ (473)	\$ 465,956	46.97%
2015	222,353	222,353	-	467,561	47.56%
2014	232,950	232,950	-	428,060	54.42%

**Notes to Schedule:**

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry age normal actuarial cost method  
 Amortization Method: Level percentage of pay, closed  
 Remaining Amortization Period: 27 years (as of 10/1/2013)  
 Asset Valuation Method: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric four year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value of assets.

Inflation: 2.00% per year.  
 Salary Increases: 6.00% per year.  
 Interest Rate: 8.00% per year, compounded annually, net of investment-related expenses.  
 Payroll Growth: 2.00% for amortization of all UAAL bases prior to the 2011 benefit change. All bases after that point will be amortized using level-dollar amortization.  
 Retirement Age: Earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 20 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. See table below.

Termination Rates: See table below.  
 Disability Rates: See table below.  
 Mortality: RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.14%	17.2%
30	0.18%	15.0%
40	0.30%	8.2%
50	1.00%	1.7%

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TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
 SEPTEMBER 30, 2016

For the Year Ended September 30	Annual Money-Weighted Rate of Return
2016	8.64%
2015	-0.87%
2014	10.99%

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TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - FRS/HIS  
 SEPTEMBER 30, 2016

	2016	2015	2014
<b>Florida Retirement System (FRS)</b>			
Proportion of the net pension liability (NPL)	0.000564726%	0.000570663%	0.000546111%
Proportionate share of the NPL	\$ 142,594	\$ 73,709	\$ 33,581
Covered payroll	352,113	362,777	245,833
Proportionate share of the NPL as percentage of covered payroll	40.50%	20.32%	13.66%
Plan fiduciary net position as a percentage of the NPL	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>			
Proportion of the net pension liability (NPL)	0.001179170%	0.001038277%	0.000861064%
Proportionate share of the NPL	\$ 137,427	\$ 105,888	\$ 80,512
Covered payroll	352,113	362,777	245,833
Proportionate share of the NPL as percentage of covered payroll	39.03%	28.19%	32.57%
Plan fiduciary net position as a percentage of the NPL	0.97%	0.50%	0.99%

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TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - FRS/HIS  
 SEPTEMBER 30, 2016

For the Plan Year ended June 30,	2016	2015	2014
<b>Florida Retirement System (FRS)</b>			
Contractually required contribution	\$ 20,010	\$ 14,076	\$ 11,962
Contributions in relation to contractually required contribution	20,010	14,076	11,962
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 352,113	\$ 362,777	\$ 245,833
Contributions as percentage of covered payroll	5.68%	3.88%	4.87%
<b>Health Insurance Subsidy Program (HIS)</b>			
Contractually required contribution	\$ 5,845	\$ 4,571	\$ 2,950
Contributions in relation to contractually required contribution	5,845	4,571	2,950
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 352,113	\$ 362,777	\$ 245,833
Contributions as percentage of covered payroll	1.66%	1.26%	1.20%

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TOWN OF MELBOURNE BEACH, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Law Enforcement	Police Education	Police Incentives	Building Education	Old Town Hall	Stormwater Utility	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,429	\$ 9,499	\$ 3,670	\$ 1,308	\$ 16,016	\$ 225,574	\$ 257,496
Total assets	\$ 1,429	\$ 9,499	\$ 3,670	\$ 1,308	\$ 16,016	\$ 225,574	\$ 257,496
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>							
Restricted	\$ 1,429	\$ 9,499	\$ 3,670	\$ 1,308	\$ 16,016	\$ 225,574	\$ 257,496
Law enforcement	-	-	-	-	-	-	-
Law enforcement education	-	9,499	3,670	-	-	-	13,169
Building Department Education	-	-	-	1,308	-	-	1,308
Old Town Hall	-	-	-	-	16,016	-	16,016
Stormwater utility	-	-	-	-	-	225,574	225,574
Total fund balances	\$ 1,429	\$ 9,499	\$ 3,670	\$ 1,308	\$ 16,016	\$ 225,574	\$ 257,496

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

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**TOWN OF MELBOURNE BEACH, FLORIDA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Law Enforcement	Police Education	Police Donations	Building Education	Old Town Hall	Stormwater Utility	Total Nonmajor Governmental Funds
<b>Revenues</b>							
Licenses and permits	\$ -	\$ -	\$ -	\$ 371	\$ -	\$ -	\$ 371
Contributions	-	-	-	-	-	54,195	54,195
Fines and forfeitures	-	593	-	-	-	-	593
Miscellaneous	-	-	105	-	1,428	-	1,533
Total revenues	-	593	105	371	1,428	54,195	56,692
<b>Expenditures</b>							
Current:							
Police safety	-	1,700	-	-	-	-	1,700
Parks and recreation	-	-	-	-	375	-	375
Physical environment	-	-	-	-	-	27,858	27,858
Capital outlay	-	-	1,680	-	-	-	1,680
Total expenditures	-	1,700	1,680	-	375	27,858	31,613
<b>Net change in fund balances</b>							
	1,429	(1,107)	(1,575)	371	1,053	26,337	25,079
<b>Fund balances, beginning of year</b>							
	1,429	10,606	5,245	937	14,963	199,237	232,417
<b>Fund balances, end of year</b>							
	\$ 1,429	\$ 9,499	\$ 3,670	\$ 1,308	\$ 16,016	\$ 225,574	\$ 257,496

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 12, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses:

**2016-001 – Segregation of Duties (Third-Year Repeat Comment)**

We noted the Finance Manager to be responsible for overlapping aspects of various key financial processes, including, but not limited to, accounts payable and payroll processing; the preparation, approval, and posting of journal entries; and bank reconciliations. While this is not uncommon for

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an entity of the Town's size, this presents a greater risk of error and/or misappropriation due to the lack of segregation of duties. We recommend the Town consider opportunities to achieve a greater level of segregation of duties over these key financial processes by segregating key functions to other individuals of departments (such as moving human resources function from Finance Manager to Town Clerk so that payroll and HR functions are not handled by the same position).

**2016-002 – Investment Account Controls**

We noted the Town does not have a formal understanding of the process and/or policy as it relates to the Town's investment account with the SBA and the movement of monies to or from this account. To ensure adequate controls are in place and the risk of error and/or fraud is mitigated to a low level, we recommend the Town obtain and understanding of the process and implement a formal policy and set of internal controls to safeguard this account and any transactions therein.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency:

**2016-003 – Reconciliation of Subsidiary Ledgers**

We noted no formal process to be in place related to the regular reconciliation of significant account balances to the respective subsidiary ledgers for items such as accounts receivable and accounts payable. While a year-end analysis identified no significant discrepancies, we recommend management reconcile these accounts on no less than a monthly basis to help provide for proper identification of any errors or improper activity on a timely basis.

**2016-004 Prior Period Adjustment**

Prior year governmental activities showed a \$1.2 million amount as restricted for community development projects, related to unspent stormwater bond proceeds. However, these amounts were already incorporated into the net investment in capital assets classification of equity, and were double-counted in this group, resulting in understated unrestricted net position of the Town's governmental activities by the same amount. We recommend all equity classifications at year-end be reviewed and stated in accordance with generally accepted accounting principles.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

**2016-005 – Expenditures in Excess of Appropriations (Third-Year Repeat Comment)**

We noted the Town's general fund and building department fund each had expenditures in certain departments in excess of the approved budget. We recommend the Town ensure all budget amendments are properly tracked and approved at the department level and for any final adjustments to be approved within 60 days of year-end to maintain budgetary compliance.

**Town of Melbourne Beach, Florida's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 63. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daytona Beach, Florida  
May 12, 2017

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the Town of Melbourne Beach, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 12, 2017.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 12, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Two findings and recommendations from the prior year's audit (ML 2014-001 and ML 2014-002) had been repeated for two or more years and have not yet been fully corrected. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

- 2014-002 Reconciliation of Cash Accounts** – Corrective action taken.
- 2014-003 Receivables and Amounts Due from Other Governments** – Corrective action taken.
- 2014-005 Financial Reporting to Management** – Corrective action taken.
- 2014-006 Year-End Close of Financial Records and Annual Financial Reporting** – Corrective action taken.

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related to information technology in order to finalize a document which includes the designation of responsibilities for the management and maintenance of the Town's information systems, including policies for updates, patches, anti-virus software, backup procedures, etc.

**2016-007 – Capital Asset Inventory**

A physical inventory of fixed assets has not been performed in recent years. We recommend the Town complete an inventory verification of fixed assets to ensure the assets recorded represent the assets in service.

**2016-008 – Adoption of Annual Budget (Repeat Comment)**

We noted the Town's adoption of the FY17 budget contained procedural errors in the initial adoption and it had to be re-advertised and approved subsequent to the start of the fiscal year, resulting in additional costs to the Town. We recommend the Town ensure all applicable statutes are being followed in the annual budget adoption process.

**2016-009 – OPEB Valuation**

In FY16, the Town relied primarily upon an actuarial valuation over other postemployment benefits (OPEB) performed in 2013. GASB 74 will be required to be implemented in FY17 and will encompass significant changes to the overall OPEB reporting requirements. We recommend the Town obtain a new actuarial valuation in preparation for the FY17 financial statements.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Town of Melbourne Beach, Florida's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 63. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, the Town Commission, management, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
May 12, 2017

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**ML 2014-001 Segregation of Duties** – Corrective action not taken. See repeat comment 2016-001.

**ML 2014-002 Expenditures in Excess of Appropriations** – Corrective action not taken. See repeat comment 2016-005.

**ML 2015-001 Investment Policy** – Corrective action taken.

**ML 2015-002 Budget Administration (Timeliness)** – Corrective action not taken. See repeat comment at 2016-008.

**ML 2015-003 Dissemination of Police Pension Plan Performance** – Corrective action taken.

**ML 2015-004 Excessive Journal Entries** – Corrective action taken.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

**Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

**2016-006 – IT Policies and Procedures**

While the Town has formally adopted policies and procedures related to accounting and financial reporting, we noted the Town does not have a formal set of policies and procedures related to information technology. We recommend the Town develop a formal set of policies and procedure

**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida

We have examined the Town of Melbourne Beach, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town of Melbourne Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Daytona Beach, Florida  
May 12, 2017

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## Town of Melbourne Beach

Brevard County's Oldest Beach Community \* Established 1883

May 12, 2017

### MANAGEMENT'S RESPONSE TO FINDINGS

2016-001 Segregation of Duties: Due to the limited number of employees in Town Hall there is overlap in duties performed by the Finance Manager. Moving the HR functions to the Town Clerk will be reviewed for feasibility.

2016-002 Investment Account Controls: Finance in conjunction with the Town Manager and Town Clerk, will develop and implement internal controls to enhance the safeguards to the SBA Investment Fund.

2016-003 Reconciliation of Subsidiary Ledgers: Finance will reconcile the subsidiary ledgers on a monthly basis to accounts receivable and accounts payable.

2016-004 Prior Period Adjustment: Finance acknowledges the correction to the classification of the Town's net position for the prior (FY15) year. The Town's current-year net position amounts have been reviewed for financial accuracy and will continue in the future.

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2016-005 Expenditures in Excess of Appropriations: Finance will make all appropriate adjustments within 60 days of year-end close to maintain budgetary compliance by department within the general fund.

2016-006 IT Policies and Procedures: Finance will meet with the Town Manager, Town Clerk and Building Clerk to draft policies and procedures related to information technology for the management and maintenance of the Town's information systems.

2016-007 Capital Asset Inventory: Finance will coordinate with the Town Manager and department heads to obtain a complete inventory of the Town's fixed assets; updates will be quarterly or as needed.

2016-008 Adoption of Annual Budget: Finance, the Town Manager and the Town Clerk will make every effort to ensure that the FY18 budget is advertised and approved prior to the end of the fiscal year FY17.

2016-009 OPEB Valuation: The Town will obtain a new actuarial valuation for FY17 and every three (3) years thereafter.

Elizabeth Mascaro  
Finance Manager

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**APPENDIX H**

**FINANCIAL INFORMATION REGARDING CITY OF VALPARAISO**

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Vale of Paradise



# City of Valparaiso, Florida Financial Statements September 30, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of Valparaiso, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

1

## II. FINANCIAL SECTION

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Streets Fund, and Stormwater Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-8, budgetary comparison information on pages 62-64, Schedules of Proportionate Share of Net Pension Liability for the Florida Retirement System and Health Insurance Subsidy on pages 65-66, Schedule of Contributions for the Florida Retirement System and Health Insurance Subsidy on pages 67-68, Schedule of Changes in Net Pension Liability and Related Ratios for the Public Safety Pension Plan on page 69, Schedule of Contributions for the Public Safety Pension Plan on page 70, and Notes to the Schedule of Contributions for the Public Safety Pension Plan on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2017, on our consideration of the City of Valparaiso, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valparaiso, Florida's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
April 10, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis (MD&A) of the City of Valparaiso, Florida's (the City) financial performance provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues for the fiscal year ended September 30, 2016. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

### FINANCIAL HIGHLIGHTS

- Total assets decreased \$541,400.
- Net position decreased by \$101,594.
- Total revenues decreased by 4.0% or \$299,364 and total expenses increased by 7.9% or \$540,787. A significant portion of the decrease in revenues relates to timing of grant funding. A significant portion of the increase in expenses is due to paying out a legal settlement during the year, as well as increased costs related to providing communication services.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement 37. The statement of net position and the statement of activities (on pages 9-10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### REPORTING THE CITY AS A WHOLE

#### Government-Wide Financial Statements

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.



In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City’s basic services are reported here, including the police, fire, public works, cemetery, library, parks, and general administration. Taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City’s utility, communication, and sanitation systems are included here.

**REPORTING THE CITY’S FUNDS**

**Fund Financial Statements**

Our analysis of the City’s funds begins on page 9. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliation’s on pages 12 and 14.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City’s proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE CITY AS TRUSTEE**

**REPORTING THE CITY’S FIDUCIARY RESPONSIBILITIES**

The City is the trustee, or fiduciary, for its employees’ pension plan. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 20 and 21.

We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE FINANCIAL ANALYSIS)**

The following table reflects the net position of the City’s governmental activities and business-type activities and is compared to the prior year.

**Table 1  
CITY OF VALPARAISO, FLORIDA  
STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,684,936	\$ 2,631,230	\$ 3,394,758	\$ 3,622,552	\$ 6,079,694	\$ 6,253,782
Capital assets, net	3,768,065	3,884,215	4,090,486	4,339,848	7,858,551	8,224,063
<b>Total assets</b>	<b>6,451,001</b>	<b>6,515,445</b>	<b>7,485,244</b>	<b>7,962,400</b>	<b>13,936,245</b>	<b>14,477,845</b>
Deferred outflows or resources	95,170	113,473	20,066	5,409	115,236	118,882
Current liabilities	110,440	120,251	435,744	325,875	546,184	446,126
Other liabilities	825,725	972,830	3,199,337	3,513,811	4,025,062	4,486,441
<b>Total liabilities</b>	<b>936,165</b>	<b>1,092,881</b>	<b>3,635,081</b>	<b>3,839,686</b>	<b>4,571,246</b>	<b>4,932,567</b>
Deferred inflows of resources	39,962	106,379	46,665	62,579	86,627	168,958
Net position						
Net investment in capital assets	3,154,371	3,162,692	1,159,224	1,066,412	4,313,595	4,229,104
Restricted	671,861	609,171	585,405	892,833	1,257,266	1,502,004
Unrestricted	1,743,812	1,657,795	2,078,935	2,106,299	3,822,747	3,764,094
<b>Total net position</b>	<b>\$ 5,570,044</b>	<b>\$ 5,429,658</b>	<b>\$ 3,823,564</b>	<b>\$ 4,065,544</b>	<b>\$ 9,393,608</b>	<b>\$ 9,495,202</b>

For more detailed information, see the accompanying statement of net position.

Total assets decreased by \$541,400 during the fiscal year ended September 30, 2016 primarily due to disposals of capital assets. Total liabilities decreased by \$361,321 from one year ago September 30, 2016 primarily due to a decrease in bonds payable in the business-type and governmental activities.

The table below reflects the changes in net position of the City’s governmental activities and business-type activities and compares the current and previous fiscal year.

**Table 2  
CITY OF VALPARAISO, FLORIDA  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 562,167	\$ 531,913	\$ 3,806,097	\$ 3,865,652	\$ 4,368,264	\$ 4,397,565
Operating grants and contributions	64,781	46,287	-	38,293	64,781	84,580
Capital grants and contributions	-	294,647	-	-	-	294,647
General revenues						
Property taxes	959,745	832,092	-	-	959,745	832,092
Public service taxes	1,083,022	1,066,059	-	-	1,083,022	1,066,059
Franchise taxes	328,228	367,275	-	-	328,228	367,275
Intergovernmental, unrestricted	394,365	382,593	-	-	394,365	382,593
Investment earnings	25,188	124,071	2,643	2,119	27,831	126,190
Sales of investments and capital assets	32,440	5,537	3,570	11,050	36,010	16,587
Miscellaneous	18,656	16,095	6,696	3,279	25,352	19,374
<b>TOTAL REVENUES</b>	<b>3,468,592</b>	<b>3,666,569</b>	<b>3,819,006</b>	<b>3,920,393</b>	<b>7,287,598</b>	<b>7,586,962</b>
<b>EXPENSES</b>						
Primary government						
General government	948,967	751,459	-	-	948,967	751,459
Public safety	1,286,020	1,290,037	-	-	1,286,020	1,290,037
Physical environment	195,798	362,706	-	-	195,798	362,706
Transportation	348,683	223,413	-	-	348,683	223,413
Culture and recreation	520,769	510,370	-	-	520,769	510,370
Debt service interest	27,969	35,528	-	-	27,969	35,528
Business-type activities						
Utility	-	-	1,438,025	1,267,205	1,438,025	1,267,205
Communication	-	-	1,880,255	1,690,562	1,880,255	1,690,562
Sanitation	-	-	742,706	717,125	742,706	717,125
<b>TOTAL EXPENSES</b>	<b>3,328,206</b>	<b>3,173,513</b>	<b>4,060,986</b>	<b>3,674,892</b>	<b>7,389,192</b>	<b>6,848,405</b>
<b>CHANGE IN NET POSITION</b>	<b>140,386</b>	<b>493,056</b>	<b>(241,980)</b>	<b>245,501</b>	<b>(101,594)</b>	<b>738,557</b>
<b>NET POSITION – BEGINNING</b>	<b>5,429,658</b>	<b>4,936,602</b>	<b>4,065,544</b>	<b>3,820,043</b>	<b>9,495,202</b>	<b>8,756,645</b>
<b>NET POSITION – ENDING</b>	<b>\$ 5,570,044</b>	<b>\$ 5,429,658</b>	<b>\$ 3,823,564</b>	<b>\$ 4,065,544</b>	<b>\$ 9,393,608</b>	<b>\$ 9,495,202</b>

For more detailed information, see the accompanying Statement of Activities.

The City’s total revenues decreased by \$299,364 or 3.9% and total expenses increased by \$540,787, or 7.9%. Net position decreased by \$101,594 for fiscal year 2016. Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental Activities**

The City’s revenue for governmental activities decreased \$197,977, or 5.4%, compared to the prior year. This decrease is attributable to the City not receiving a FDOT grant that was received in the prior year. Expenses increased \$154,693, or 4.9% from the previous year.

**Business-type Activities**

Revenues of the City’s business-type activities show a decreased of 2.6% or \$101,387 from the previous fiscal year. This decrease is primarily related to a decrease in equity earnings in joint venture. Expenses increased 10.5% or \$386,094. The increase correlates to the increases in direct costs of providing services to the citizens.

**THE CITY’S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1.9 million, which is \$12 thousand lower than last year’s total.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2016, the City had approximately \$7.9 million invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of \$367,514 or 4.5% over the fiscal year 2015 total. See note 4 for additional information. A listing of capital assets of governmental and business-type activities by major category, net of depreciation, for the current and prior year follows:

**Table 3  
CITY OF VALPARAISO, FLORIDA  
CAPITAL ASSETS  
(net of depreciation)  
AS OF SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 455,209	\$ 455,209	\$ 90,603	\$ 90,603	\$ 545,812	\$ 545,812
Buildings and improvements	1,051,781	1,103,738	1,972,217	2,016,935	3,023,998	3,120,673
Infrastructure	1,701,392	1,868,506	-	-	1,701,392	1,868,506
Machinery, equipment and vehicles	557,683	456,762	2,027,664	2,232,310	2,585,347	2,689,072
<b>Total</b>	<b>\$ 3,766,065</b>	<b>\$ 3,884,215</b>	<b>\$ 4,090,484</b>	<b>\$ 4,339,848</b>	<b>\$ 7,856,549</b>	<b>\$ 8,224,063</b>

**CITY OF VALPARAISO, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/program activities	Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Program Revenues	Capital Grants and Contributions	Primary Government Activities
Governmental activities				
General government	\$ 948,967	\$ 458,322	\$ -	\$ -
Public safety	1,285,020	28,327	-	(490,645)
Police department	348,683	73,195	-	(1,257,593)
Transportation	520,769	2,223	-	(348,683)
Culture and recreation	27,969	64,781	-	(453,765)
Debt service interest				(27,589)
Total governmental activities	3,328,206	562,167	(2,701,250)	(2,701,250)
Business-type activities				
Utility	1,435,025	1,343,983	-	(91,042)
Sanitation	742,706	765,040	-	(22,334)
Total business-type activities	4,060,986	3,806,097	-	(254,889)
<b>Total primary government activities</b>	<b>7,389,192</b>	<b>3,868,264</b>	<b>64,781</b>	<b>(2,956,147)</b>
General revenues				
Taxes				
Property taxes		\$ 959,745		\$ 959,745
Utility taxes		604,516		604,516
Sales taxes		478,506		478,506
Franchise taxes		328,228		328,228
Intergovernmental, unrestricted		394,385		394,385
Investment earnings		2,643		2,643
Capital assets		32,446		32,446
Miscellaneous		18,656		18,656
Total general revenues		2,841,544		2,841,544
Change in net position		140,396	(241,900)	(101,504)
Net position at beginning of year		5,429,658	4,065,544	9,495,202
Net position at end of year		\$ 5,570,044	\$ 3,823,564	\$ 9,393,698

See notes to the financial statements.  
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**CITY OF VALPARAISO, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Cash and cash equivalents	\$ 1,150,595	\$ 862,867	\$ 2,013,462
Investments	309,330	-	309,330
Accounts receivables, net	9,609	230,009	239,618
Internal balances	440,467	(440,467)	-
Due from other governments	94,716	-	94,716
Inventory, at cost	-	70,373	70,373
Prepaid items	8,358	14,625	22,983
Restricted assets			
Cash and cash equivalents	19,074	879,527	898,601
Capital assets			
Non-depreciable	455,209	90,603	545,812
Depreciable, net	3,310,856	3,999,883	7,310,739
Other assets			
Investment in joint venture	-	1,777,824	1,777,824
Net pension asset	652,787	-	652,787
<b>TOTAL ASSETS</b>	<b>6,451,001</b>	<b>7,485,244</b>	<b>13,936,245</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>95,170</b>	<b>20,066</b>	<b>115,236</b>
<b>LIABILITIES</b>			
Accounts payable	68,421	237,168	305,589
Accrued liabilities	27,331	11,160	38,491
Accrued interest	53	64,085	64,138
Due to other governments	14,635	-	14,635
Payable from restricted assets			
Customer deposits	-	123,331	123,331
Non-current liabilities			
Due within one year			
Compensated absences	145,350	39,460	184,810
Lease payable	9,423	-	9,423
Bonds payable	-	35,000	35,000
Due in more than one year			
Net pension liability	68,681	57,824	126,505
Lease payable	-	-	-
Bonds payable, net	602,271	3,067,053	3,669,324
<b>TOTAL LIABILITIES</b>	<b>936,165</b>	<b>3,635,081</b>	<b>4,571,246</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>39,962</b>	<b>46,665</b>	<b>86,627</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,154,371	1,159,224	4,313,595
Restricted			
Debt service	-	443,107	443,107
Capital projects	-	142,298	142,298
Library	10,227	-	10,227
Public safety	8,847	-	8,847
Pension	652,787	-	652,787
Unrestricted	1,743,812	2,078,935	3,822,747
<b>TOTAL NET POSITION</b>	<b>\$ 5,570,044</b>	<b>\$ 3,823,564</b>	<b>\$ 9,393,608</b>

See notes to the financial statements.  
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**CITY OF VALPARAISO, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2016**

ASSETS	General Fund			Stormwater Fund		Total Governmental Funds	
	General Fund	Streets Fund	Stormwater Fund	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
Cash and cash equivalents	\$ 775,673	\$ 246,201	\$ 128,721	\$ -	\$ -	\$ -	\$ 1,150,595
Investments	309,330	-	-	-	-	-	309,330
Accounts receivables, net	4,715	-	4,894	-	-	-	9,609
Due from (to) other governments	535,773	(98,247)	2,941	-	-	-	440,467
Due from other governments	68,621	26,095	-	-	-	-	94,716
Prepaid items	8,358	-	-	-	-	-	8,358
Restricted assets							
Cash and cash equivalents	19,074	-	-	-	-	-	19,074
<b>TOTAL ASSETS</b>	<b>\$ 1,721,544</b>	<b>\$ 174,049</b>	<b>\$ 136,556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,032,149</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 63,040	\$ 4,089	\$ 1,292	\$ -	\$ -	\$ -	\$ 68,421
Accrued liabilities	26,362	952	17	-	-	-	27,331
Due to other governments	14,635	-	-	-	-	-	14,635
<b>TOTAL LIABILITIES</b>	<b>104,037</b>	<b>5,041</b>	<b>1,309</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>110,387</b>
<b>FUND BALANCE</b>							
Nonspendable	8,358	-	-	-	-	-	8,358
Restricted	19,074	-	-	-	-	-	19,074
Committed	226,118	-	135,247	-	-	-	361,365
Assigned	29,288	169,008	-	-	-	-	198,296
Unassigned	1,334,669	-	-	-	-	-	1,334,669
<b>TOTAL FUND BALANCE</b>	<b>1,617,507</b>	<b>169,008</b>	<b>135,247</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,921,762</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,721,544</b>	<b>\$ 174,049</b>	<b>\$ 136,556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,032,149</b>

See notes to the financial statements.  
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**CITY OF VALPARAISO, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Fund balance, total governmental funds (page 11)	\$ 1,921,762	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable assets	455,209	
Governmental depreciable assets	7,968,513	
Less accumulated depreciation	<u>(4,657,657)</u>	3,766,065
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Net pension asset		652,787
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.		
Deferred outflows of resources related to pensions	95,170	
Deferred inflows of resources related to pensions	<u>(39,962)</u>	55,208
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	(602,271)	
Lease payable	(9,423)	
Accrued interest	(53)	
Compensated absences	(145,350)	
Net pension liability	<u>(68,681)</u>	(825,778)
Net position of governmental activities (page 9)		<u>\$ 5,570,044</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,455,962	\$ 225,174	\$ -	\$ 1,681,136
Permits and fees	399,472	-	-	399,472
Intergovernmental	719,994	121,293	-	841,287
Charges for services	383,128	-	46,225	429,353
Fines and forfeits	13,295	-	-	13,295
Miscellaneous	80,038	57,929	2,837	140,804
Total revenues	<u>3,051,889</u>	<u>404,396</u>	<u>49,062</u>	<u>3,505,347</u>
<b>EXPENDITURES</b>				
Current				
General government	976,558	-	-	976,558
Public safety	1,260,694	-	-	1,260,694
Physical environment	170,879	-	11,400	182,279
Transportation	-	188,864	-	188,864
Culture and recreation	437,009	-	-	437,009
Capital outlay	128,676	176,227	15,435	320,338
Debt service				
Principal and interest	9,382	51,095	-	60,477
Total expenditures	<u>2,983,198</u>	<u>416,186</u>	<u>26,835</u>	<u>3,426,219</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>68,691</u>	<u>(11,790)</u>	<u>22,227</u>	<u>79,128</u>
<b>OTHER FINANCING SOURCES</b>				
Payment to refund bond escrow	(143,750)	(549,769)	-	(693,519)
Refunding bonds issued	105,905	496,366	-	602,271
Total other financing sources	<u>(37,845)</u>	<u>(53,403)</u>	<u>-</u>	<u>(91,248)</u>
<b>NET CHANGE IN FUND BALANCE</b>	30,846	(65,193)	22,227	(12,120)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	1,586,661	234,201	113,020	1,933,882
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1,617,507</u>	<u>\$ 169,008</u>	<u>\$ 135,247</u>	<u>\$ 1,921,762</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balance – governmental funds (page 13)	\$ (12,120)	
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.		
Expenditures for capital assets	320,338	
Loss on disposal of capital assets	(36,755)	
Less current year depreciation	<u>(401,734)</u>	(118,151)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal payments on bond	693,519	
Principal payments on lease	18,581	
Proceeds from bond insurance	(602,271)	
Change in accrued interest on long-term debt	<u>13,928</u>	123,757
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in net pension asset and related deferred inflows and outflows of resources	83,221	
Change in long-term compensated absences	(6,821)	
Settlement of loss contingency	<u>70,500</u>	146,900
Change in net position of governmental activities (page 10)		<u>\$ 140,386</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	Utility Fund	Communication Fund	Sanitation Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 320,834	\$ 202,408	\$ 339,625	\$ 862,867
Accounts receivables, net	111,969	59,469	58,571	230,009
Inventory, at cost	45,907	24,466	-	70,373
Prepaid items	-	14,625	-	14,625
Total current assets	<u>478,710</u>	<u>300,968</u>	<u>398,196</u>	<u>1,177,874</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	874,082	5,445	-	879,527
Capital assets				
Non-depreciable	40,287	50,316	-	90,603
Depreciable, net	2,385,790	1,220,305	393,788	3,999,883
Total capital assets	<u>2,426,077</u>	<u>1,270,621</u>	<u>393,788</u>	<u>4,090,486</u>
Other assets				
Investment in joint venture	1,777,824	-	-	1,777,824
Total non-current assets	<u>5,077,983</u>	<u>1,276,066</u>	<u>393,788</u>	<u>6,747,837</u>
<b>TOTAL ASSETS</b>	<u>5,556,693</u>	<u>1,577,034</u>	<u>791,984</u>	<u>7,925,711</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	5,802	5,466	8,798	20,066

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION – CONTINUED  
 SEPTEMBER 30, 2016

	Utility Fund	Communication Fund	Sanitation Fund	Total
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	159,291	71,414	6,463	237,168
Accrued liabilities				
Compensated absences	10,031	12,929	16,500	39,460
Other	3,583	3,364	4,213	11,160
Due to other funds	253,404	98,251	88,812	440,467
Payable from restricted assets				
Customer deposits	123,331	-	-	123,331
Accrued interest	38,888	25,197	-	64,085
Revenue bonds payable	35,000	-	-	35,000
Total current liabilities	623,528	211,155	115,988	950,671
Non-current liabilities				
Net pension liability	16,719	15,752	25,353	57,824
Revenue bonds payable, net	1,932,161	1,134,892	-	3,067,053
Total non-current liabilities	1,948,880	1,150,644	25,353	3,124,877
<b>TOTAL LIABILITIES</b>	<b>2,572,408</b>	<b>1,361,799</b>	<b>141,341</b>	<b>4,075,548</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>13,493</b>	<b>12,712</b>	<b>20,460</b>	<b>46,665</b>
<b>NET POSITION</b>				
Net investment in capital assets	629,707	135,729	393,788	1,159,224
Restricted				
Debt service	437,662	5,445	-	443,107
Capital projects	142,298	-	-	142,298
Unrestricted	1,766,927	66,815	245,193	2,078,935
<b>TOTAL NET POSITION</b>	<b>\$ 2,976,594</b>	<b>\$ 207,989</b>	<b>\$ 638,981</b>	<b>\$ 3,823,564</b>

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utility Fund	Communication Fund	Sanitation Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,332,934	\$ 1,677,074	\$ 785,040	\$ 3,795,048
<b>OPERATING EXPENSES</b>				
Personal services	288,591	291,317	372,170	952,078
Operating	809,683	1,306,364	292,423	2,408,470
Depreciation expense	236,551	210,656	78,113	525,320
Total operating expenses	1,334,825	1,808,337	742,706	3,885,868
<b>OPERATING INCOME (LOSS)</b>	<b>(1,891)</b>	<b>(131,263)</b>	<b>42,334</b>	<b>(90,820)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest expense	(98,161)	(69,954)	-	(168,115)
Other debt service costs	(5,039)	(1,964)	-	(7,003)
Equity earnings in joint venture	8,758	-	-	8,758
Interest income	1,899	445	299	2,643
Miscellaneous	2,291	6,696	3,570	12,557
Total non-operating revenues (expenses)	(90,252)	(64,777)	3,869	(151,160)
<b>CHANGE IN NET POSITION</b>	<b>(92,143)</b>	<b>(196,040)</b>	<b>46,203</b>	<b>(241,980)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>3,068,737</b>	<b>404,029</b>	<b>592,778</b>	<b>4,065,544</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 2,976,594</b>	<b>\$ 207,989</b>	<b>\$ 638,981</b>	<b>\$ 3,823,564</b>

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utility Fund	Communication Fund	Sanitation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,414,460	\$ 1,665,550	\$ 809,466	\$ 3,889,476
Payments to suppliers	(687,832)	(1,305,621)	(299,398)	(2,292,851)
Payments to employees	(295,195)	(294,954)	(373,051)	(963,200)
Miscellaneous income	2,291	6,696	3,570	12,557
Net cash provided by operating activities	433,724	71,671	140,587	645,982
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Receipts (payments) on interfund balances	(32,483)	(170,822)	71,199	(132,106)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets related to joint venture	(3,875)	-	-	(3,875)
Purchase and construction of capital assets	(185,153)	(90,805)	-	(275,958)
Principal paid on bonds	(189,732)	(122,101)	-	(311,833)
Interest paid on bonds	(111,768)	(89,277)	-	(201,045)
Other debt service costs	(5,039)	(1,964)	-	(7,003)
Net cash used in capital and related financing activities	(495,567)	(304,147)	-	(799,714)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	1,899	445	299	2,643
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(92,427)</b>	<b>(402,853)</b>	<b>212,085</b>	<b>(283,195)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,287,343</b>	<b>610,706</b>	<b>127,540</b>	<b>2,025,589</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,194,916</b>	<b>\$ 207,853</b>	<b>\$ 339,625</b>	<b>\$ 1,742,394</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>				
Current	\$ 320,834	\$ 202,408	\$ 339,625	\$ 862,867
Restricted	874,082	5,445	-	879,527
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,194,916</b>	<b>\$ 207,853</b>	<b>\$ 339,625</b>	<b>\$ 1,742,394</b>

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS – CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utility Fund	Communication Fund	Sanitation Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (1,891)	\$ (131,263)	\$ 42,334	\$ (90,820)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	236,551	210,656	78,113	525,320
Miscellaneous revenue	2,291	6,696	3,570	12,557
Decrease (increase) in assets:				
Accounts receivable, net	77,057	(11,524)	24,426	89,959
Inventory	8,395	(263)	-	8,132
Prepaid items	-	(8,753)	-	(8,753)
Increase in deferred outflow of resources	(4,238)	(3,993)	(6,426)	(14,657)
Increase (decrease) in liabilities:				
Accounts payable	113,456	9,759	(6,975)	116,240
Customer deposits – restricted	4,469	-	-	4,469
Salaries and benefits payable	(2,096)	(2,680)	(2,382)	(7,158)
Accrued compensated absences	(2,144)	1,271	5,084	4,211
Net pension liability	6,475	6,101	9,820	22,396
Decrease in deferred inflow of resources	(4,601)	(4,336)	(6,977)	(15,914)
Net cash provided by operating activities	\$ 433,724	\$ 71,671	\$ 140,587	\$ 645,982

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016**

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,787
Investments, at fair value	
Fixed income mutual funds	876,016
Equity mutual funds	1,329,588
Due from State of Florida	6,099
Employer receivable	7,587
Plan member receivable	948
<b>TOTAL ASSETS</b>	<u>\$ 2,238,025</u>
<b>FIDUCIARY NET POSITION</b>	
Held in trust for pension and employee retirement benefits	<u>\$ 2,238,025</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY**

**Description of City**

The City of Valparaiso, Florida (the City) was incorporated on May 6, 1921 under the provisions of the Laws of Florida, Ch. 9101 (1921). The City operates under a Commission-Mayor form of government and provides the following services: public safety (law enforcement and fire control), streets, utilities, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental and financial reporting principles.

The following is a summary of the more significant accounting policies of the City:

**The Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include, or exclude, a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement 61. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Valparaiso Cable Authority, established on June 11, 2007 by Ordinance No. 564 qualifies as a blended component unit and is designated as the Communication Fund in the Proprietary Fund financial statements. The City does not issue a separate financial statement for this component unit.

Related organizations are those legally separate entities for which the City is responsible for appointing the board members or Trustees and for which the City is not otherwise financially accountable. These organizations are not included in the primary governments' financial statements as they are not considered to be part of the financial reporting entity. There were no entities meeting these criteria.

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**CITY OF VALPARAISO, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 83,738
Plan members	10,430
State of Florida	80,993
Total contributions	<u>175,161</u>
Investment income	
Net appreciation (decline) in fair value of investments	160,112
Less investment expense	<u>(4,022)</u>
Net investment income (loss)	<u>156,090</u>
<b>TOTAL ADDITIONS</b>	<u>331,251</u>
<b>DEDUCTIONS</b>	
Pension benefits paid	30,039
Professional services	4,500
Administrative expense	1,000
<b>TOTAL DEDUCTIONS</b>	<u>35,539</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	295,712
<b>FIDUCIARY NET POSITION AT BEGINNING OF YEAR</b>	<u>1,942,313</u>
<b>FIDUCIARY NET POSITION AT END OF YEAR</b>	<u>\$ 2,238,025</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED**

**Government-Wide and Fund Financial Statements**

Government-wide financial statements, including the statement of net position and statement of activities, present information about the City as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

The effects of interfund activity have been eliminated from the government-wide financial statements.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund financial statements are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "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 pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Measurement Focus and Basis of Accounting – Continued**

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30th.

The following is the current property tax calendar:

Lien Date	January 1, 2016
Levy Date	November 1, 2016
Due Date	November 1, 2016
Delinquent Date	April 1, 2017

One-percent discounts are granted for each month taxes are paid prior to March 2016.

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

**Basis of Presentation**

The following three broad classifications are used to categorize the fund types used by the City:

**Governmental**

Governmental funds include the following major funds:

*General Fund* – the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity  
 Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less.

The City maintains its deposits with banks that are qualified public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized pursuant to the Public Depository Security Act of the State of Florida.

Under this method, all the City's deposits are fully insured or collateralized at the highest level of security as defined by Governmental Accounting Standards Board, Statement Number 40, Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board, Statement Number 3).

**Investments**

The City's investment policy, in compliance with state statutes, authorizes investments in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Obligations of federal agencies and instrumentalities.

The City believes that by adhering to the above deposits and investments policy credit risk and custodial risk will be minimal. The City does not have a policy related to interest rate risk.

The police and firefighters pension trust funds are allowed to invest in corporate stocks and bonds subject to certain limitations. The police and firefighter pension plan investments consist primarily of mutual funds: Large Cap Equity, Growth Fund, Index Fund, Small Cap Equity and an International Fund. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. These investments are part of a local government investment pool and therefore, are considered an external investment pool for GASB reporting requirements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Basis of Presentation – Continued**

**Governmental – Continued**

*Streets Fund* – a special revenue fund used to account for state revenues restricted for the use and expenditures of transportation.

*Stormwater Fund* – used to account for revenues and expenditures related to storm drainage.

**Proprietary**

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds include the following fund types:

*Utility Fund* – used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents and the operations associated with sewer collection, treatment and disposal services to area residents.

*Sanitation Fund* – used to account for the operations associated with sanitation collection and disposal services for the residents of the City.

*Communication Fund* – used to account for the operating activities of the City's cable television, internet, telephone, and security services.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales of water, sewer, and communication services. Operating expenses for enterprise 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 non-operating revenues and expenses.

**Fiduciary**

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

*Pension Trust Fund* – custodial in nature and does not present results of City operations or have a measurement focus. Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the City's Police Officers' Retirement Trust Fund and the Firefighters' Retirement Trust Fund.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –  
 Continued**

**Receivables and Payables**

Internal Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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 "internal balances."

Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables in governmental funds are shown net of an allowance for uncollectible amounts. At September 30, 2016, accounts receivable totaled \$25,522, net of an allowance of doubtful accounts of \$15,913.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Enterprise Fund Receivables

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At September 30, 2016, accounts receivable totaled \$440,981, net of an allowance for doubtful accounts of \$210,972.

**Inventories and Prepaid Items**

Inventories in proprietary funds consist of expendable supplies held for consumption. They are reported at cost on a first-in, first-out basis or, in instances where cost is not determinable, at an approximate cost based upon current invoice prices. Maintenance and operation supplies are expensed when purchased rather than when consumed.

Payments to vendors that benefit future reporting periods are recorded as prepaid items. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –  
 Continued**

**Restricted Assets**

Certain resources in the following funds are restricted for specific purposes:

**General Fund** – A police forfeiture fund was established to receive monies and proceeds from sale of confiscated property. Expenditures are made from this fund according to State Statute. A library fund was established to receive donations from private sources to be used for the operating activities of the library.

**Proprietary Funds** – Water and sewer meter deposits received from customers of the water and sewer system are placed in a meter deposit account in the Utility Fund. The money is restricted to use as payment for the final customer bill or returned to the customer upon settlement of final bill.

Certain resources set aside for capital improvements are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "project" account is used to segregate bond proceeds for capital improvements in the Communication Fund and Utility Fund.

**Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and a useful life in excess of one year. Such assets meeting these criteria are capitalized at historical cost, if purchased, while others are charged to expense. Donated assets are stated at fair value on the date donated.

The City's infrastructure asset records include only those infrastructure assets categorized during the past ten years. An estimation of infrastructure costs before this period has not been made. The City elected not to retroactively report major infrastructure assets before this time under GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –  
 Continued**

**Compensated Absences – Continued**

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are recorded as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

**Deferred Revenues**

Revenues collected in advance are deferred and recognized as revenue in the period earned.

**Long-Term Obligations**

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the fund and in the government-wide statement of net position. For proprietary fund types, 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.

**Net Pension Liability**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. See Notes 8 and 9 for defined timeframes on the Florida Retirement System/Health Insurance Subsidy and Public Safety Pension Plan, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –  
 Continued**

**Capital Assets – Continued**

Capital assets are depreciated using the straight-line method generally over the following estimated useful lives:

Assets	Years
Buildings	40-50 Years
Building improvements	15-25 Years
Infrastructure	20-50 Years
Vehicles	5-10 Years
Office equipment	5-10 Years
Machinery and equipment	5-15 Years
CATV system	5-15 Years
Water and sewer systems	20-50 Years

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 8 and 9 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 7 and 8 for additional information on the City's deferred inflows of resources.

**Compensated Absences**

Vested or accumulated leave (annual, personal and sick) that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All vested or accumulated leave is accrued when incurred in the government-wide and proprietary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay or personal leave benefits.

The policy of the City for sick leave is that all full-time, permanent employees accrue 80 hours or 10 days per calendar year to a maximum of 240 hours. The policy of the City for vacation leave is that all full-time, permanent employees accrue vacation leave benefits in varying amounts to a maximum of 240 hours depending on length of employment. The estimated liabilities include required salary-related payments. Governmental funds report only matured compensated absences payable to currently terminating employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –  
 Continued**

**Categories and Classification Fund Equity**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- **Nonspendable** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- **Restricted** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed** – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (an Ordinance) of the government's highest level of decision making authority (City Commission). Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- **Assigned** – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Commission or (b) a body (for example: a budget or finance committee) or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes. The City Commission is the body with authority to assign amounts. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- **Unassigned** – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City does not have a formal fund balance policy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity – Continued**

**Categories and Classification Fund Equity – Continued**

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**Net Position**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

**Capital Contributions**

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

**Estimates**

The financial statements and related disclosures are prepared in conformity with principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Subsequent Events**

Subsequent events were evaluated through April 10, 2017, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information**

Annual appropriated budgets are adopted for the General Fund, Streets Fund, and proprietary funds. The annual budgets for the General Fund and Streets Fund are adopted using the cash basis of accounting, which is not in accordance with U.S. GAAP required for governmental fund types. Every appropriation, except an appropriation for a capital expenditure, lapses at the end of the year to the extent it has not been expended or encumbered.

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3. CASH AND INVESTMENTS – CONTINUED

**Fair Value of Investments**

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three tiered fair value hierarchy as follow:

- **Level 1** – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – inputs other quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- **Level 3** – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The following table presents the investments carried at fair value on September 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Intermediate HQ Bond Fund	\$ 52,087	\$ -	\$ 52,087	\$ -
Board Market HQ Bond Fund	398,987	-	398,987	-
High Quality Growth Portfolio	220,213	-	220,213	-
Russell 1000 Enhanced Index	561,166	-	561,166	-
Large Cap Diversified Value	230,471	-	230,471	-
Core Plus Fixed Income	529,167	-	-	529,167
Diversified Small to Mid Cap Equity	251,243	-	251,243	-
International Equity Portfolio	217,892	-	217,892	-
Expanded High Yield Bond	53,707	-	-	53,707
Total Investments Measured at Fair Value	\$2,514,933	\$ -	\$1,932,059	\$ 582,874

**Investments**

As of September 30, 2016, the City's investments consist of those held in the general fund as well as the pension trust funds. The types of investments, which can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

**Budgetary Information – Continued**

Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds on or before October 1 of each year as required by state statute. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. Budgets are amended through a resolution passed by a majority vote of the City Commission at a publicized meeting. The total revenue(s) and/or expenditure(s) must exceed \$5,000 before the amendment will be considered. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments.

Budgets for all funds are prepared on the cash receipts and disbursements basis of accounting which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Occasionally, a portion of unassigned fund balance from the previous year will be included as budgeted source for the current year.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Expenditures are not to exceed appropriations at the fund level.

3. CASH AND INVESTMENTS

**Deposits**

**Custodial Credit Risk** – It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

At year-end, the value of the City's deposits was \$2,623,887, all of which was held by qualified public depositories under Chapter 280, Florida Statutes.

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3. CASH AND INVESTMENTS – CONTINUED

**Investments – Continued**

The City has a beneficial interest in shares in a local government investment pool and not the individual securities held within each portfolio. As of September 30, 2016, the asset allocation for the defined benefit plan investment pool was as follows:

Investment Portfolio/Funds	Asset Allocation Percentage
Cash and Money Market	0.8%
FMlvt Broad Market High Quality Bond	15.6%
FMlvt Core Plus	23.8%
FMlvt High Quality Growth	7.6%
FMlvt Large Cap Diversified Value	8.2%
FMlvt Russell 1000 Enhanced Index	22.9%
FMlvt Diversified Small to Mid Cap Equity	11.3%
FMlvt International Equity	9.8%
Total	100%

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk since all of its bank deposits and certificate of deposits are held with qualified public depositories or insured by the federal depository insurance.

Investment in money market, open-end mutual funds, and external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The City's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

**Credit Risk** – State law limits investments in money market funds and mutual bond funds to funds with the highest credit quality rating from nationally recognized statistical rating organizations. As of September 30, 2016, the City's investments were rated as follows:

Credit Risk for Investment Pool	Fitch Rating
<b>Fixed Income Funds</b>	
FMlvt Broad Market High Quality Bond Fund	AAf/S4
FMlvt Intermediate High Quality Bond Fund	AAf/S3
FMlvt Core Plus Fixed Income Fund	Not Rated
<b>Equity Portfolios</b>	
FMlvt High Quality Growth	Not Rated
FMlvt Large Cap Diversified Value	Not Rated
FMlvt Russell 1000 Enhanced Index	Not Rated
FMlvt Diversified Small Cap Equity	Not Rated
FMlvt International Equity	Not Rated

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3. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

*Interest Rate Risk* – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation mode. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

Fixed Income Funds	Interest Rate Risk Information	
	Duration (Effective)	WAM
FMIvT Broad Market High Quality Bond	4.45 Years	5.90 Years
FMIvT Core Plus Fixed Income Fund	2.04 Years	6.84 Years

A reconciliation of cash and investments as shown on the balance sheet and statement of net position is as follows:

Deposits	\$ 2,929,850
Investments	2,514,934
<b>Total</b>	<b>\$ 5,444,784</b>
Cash and cash equivalents, primary government	\$ 2,013,462
Restricted cash and cash equivalents, primary government	898,601
Investments, primary government	309,330
<b>Total primary government</b>	<b>3,221,393</b>
Cash and cash equivalents, fiduciary funds	17,787
Investments, fiduciary funds	2,205,604
<b>Total fiduciary funds</b>	<b>2,223,391</b>
<b>Grand total</b>	<b>\$ 5,444,784</b>

Governmental Fund

The City participates in the Florida Municipal Investment Trust administered by the Florida League of Cities Inc. to invest excess cash in its General Fund. The City has a beneficial interest in shares in the local government investment pool and not the individual securities held within each portfolio. As of September 30, 2016, the City participated in the Intermediate High Quality Bond Fund, Broad Market High Quality Bond Fund, Expanded High Yield Bond Fund, High Quality Growth Equity Portfolio, Diversified Value Portfolio and Russell 1000 Enhanced Index Portfolio.

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3. CASH AND INVESTMENTS – CONTINUED

Governmental Fund – Continued

The City's primary government investments at September 30, 2016 are presented below:

	Fair Value
Intermediate HQ Bond Fund	\$ 52,087
Broad Market HQ Bond Fund	52,138
High Quality Growth Portfolio	51,235
Russell 1000 Enhanced Index	52,010
Large Cap Diversified Value	48,153
Expanded High Yield Bond	53,707
	<b>\$ 309,330</b>

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the exposure of the City's debt type investments to this risk, using the segmented time distribution model is illustrated in the table above. In addition, the Fund chooses to present its exposure to interest rate changes by using the weighted average maturity (WAM) and duration methods. The WAM for the Intermediate High Quality Bond Fund was 3.20 years and effective duration was 2.95 years at September 30, 2016. The WAM for the Broad Market High Quality Bond Fund was 5.90 years and effective duration was 4.45 years at September 30, 2016. The WAM for the Expanded High Yield Bond Fund was 6.29 years and effective duration was 3.52 years at September 30, 2016. The Russell 1000 Enhanced Index, Large Cap Diversified Value, and Expanded High Yield Bond are equity funds, and thus have no exposure to interest rate risk.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the provisions of Florida Statute 218.415, which state that investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. All of the City's investments at September 30, 2016 are with the Florida Municipal Investment Trust and therefore, are not categorized as to concentration to credit risk.

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4. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 455,209	\$ -	\$ -	\$ 455,209
Capital assets being depreciated				
Buildings	2,251,123	27,723	(2,382)	2,276,464
Infrastructure	3,537,197	-	-	3,537,197
Machinery, equipment, and vehicles	2,134,913	292,615	(272,676)	2,154,852
Total capital assets being depreciated	7,923,233	320,338	(275,058)	7,968,513
Less accumulated depreciation				
Buildings	(1,147,384)	(79,681)	2,382	(1,224,683)
Infrastructure	(1,668,691)	(167,114)	-	(1,835,805)
Machinery, equipment, and vehicles	(1,678,151)	(154,939)	235,921	(1,597,169)
Total accumulated depreciation	(4,494,226)	(401,734)	238,303	(4,657,657)
Total capital assets being depreciated, net	3,429,007	(81,396)	(36,755)	3,310,856
<b>Governmental activities, net</b>	<b>\$ 3,884,216</b>	<b>\$ (81,396)</b>	<b>\$ (36,755)</b>	<b>\$ 3,766,065</b>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 90,603	\$ -	\$ -	\$ 90,603
Capital assets being depreciated				
Buildings and improvements	6,579,869	117,332	(15,595)	6,681,606
Machinery, equipment, and vehicles	4,862,015	158,624	(338,272)	4,682,367
Total capital assets being depreciated	11,441,884	275,956	(353,867)	11,363,973
Less accumulated depreciation				
Buildings and improvements	(4,562,934)	(162,050)	15,595	(4,709,389)
Machinery, equipment, and vehicles	(2,629,705)	(363,270)	338,272	(2,654,703)
Total accumulated depreciation	(7,192,639)	(525,320)	353,867	(7,364,092)
Total capital assets being depreciated, net	4,249,245	(249,364)	-	3,999,881
<b>Business-type activities, net</b>	<b>\$ 4,339,848</b>	<b>\$ (249,364)</b>	<b>\$ -</b>	<b>\$ 4,090,484</b>

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4. CHANGES IN CAPITAL ASSETS – CONTINUED

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

<b>Governmental activities</b>	
General government	\$ 33,816
Public safety	101,351
Physical environment	13,611
Transportation	166,356
Culture and recreation	86,600
Total depreciation/amortization expense – governmental activities	<b>\$ 401,734</b>
<b>Business-type activities</b>	
Utility	\$ 236,552
Communication	210,655
Sanitation	78,113
Total depreciation/amortization expense – business-type activities	<b>\$ 525,320</b>

5. JOINT VENTURE

A regional sanitary sewer system designed to provide service to residents of Valparaiso, Niceville, and Okaloosa County was completed and placed in service during the fiscal year ending September 30, 1982. During 2012, Okaloosa County transferred its ownership to the City of Niceville, as described in the subsequent paragraph. The project was funded 75% by U.S. Environmental Protection Agency (EPA) grants under provision of Public Law 92-500 and 25% by the local government applicants. The in-service cost of the property, plant and equipment paid for through the initial combined funding of the participants and the EPA was recorded pro-rata on the accounting records of the individual participants. The City's initial portion of property, plant and equipment were accounted for in its Utility Fund; however, all current and future additions related to the regional sanitary sewer system obtained by the City are recorded to the investment in joint venture.

In April 2012, the City of Niceville, Florida and Okaloosa County, Florida entered into an Amendment to the Operational Agreement which resulted in the transfer of Okaloosa County's share of wastewater treatment capacity at the plant to the City of Niceville. As a result of the transfer of capacity, Okaloosa County is no longer a member of the Board and the City of Niceville and Valparaiso are now 80% and 20% owners, respectively. In June 2012, the Board of Directors approved the change of the Board's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board to Niceville-Valparaiso Regional Sewer Board. In April 2012, the City of Niceville and the City of Valparaiso entered into a memorandum of understanding. As part of this agreement, Niceville agrees that the cost for treatment of non-flow proportional related expenses of the City of Valparaiso will remain the same as if Okaloosa County's wastewater was still being treated at the Board's facility. Niceville will continue to assume responsibility for these additional costs until such time as Niceville's annual flow is equal to the sum of its flow and Okaloosa County's flow for the immediately preceding 12 months once Okaloosa diverts its flow from the Board's facility.

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

5. JOINT VENTURE – CONTINUED

The net operating results of the system are accounted for as a joint venture and accounted for under the equity method. The City's investment in joint venture increased \$12,633 for the year ended September 30, 2016, which is composed of \$8,758 in equity earnings and \$3,875 for the City's portion of the ongoing facility upgrades. The City's portion of the equity in the joint venture is \$1,777,824 at September 30, 2016.

The system is managed and operated by a separate governing body (Niceville-Valparaiso Regional Sewer Board, Inc.) consisting of four members; two appointed by each of the two participants. The Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc. is accounted for, in total, on the books and financial statements of the Board.

The following is a condensed summary of the assets, liabilities and equity, and operating results of the Board's fiscal year ended June 30, 2016. The Regional Sewer Board's audited financial statements can be obtained from the City Clerk's office.

Summary of Assets, Liabilities, and Net Position  
June 30, 2016

Assets	
Current assets	\$ 1,748,989
Capital assets, net of accumulated depreciation	7,377,606
Total assets	\$ 9,126,595
Liabilities and net position	
Liabilities	\$ 177,993
Net position	8,948,603
Total liabilities and net position	\$ 9,126,596

Summary of Operating Results  
For the Year Ended June 30, 2016

Sewer operating revenues	\$ 2,242,986
Operating expenses	2,215,150
Operating income	27,836
Non-operating revenues (expenses), net	15,952
Net income before capital contributions	43,788
Capital contributions	-
Change in net position	\$ 43,788

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

6. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

BUSINESS-TYPE ACTIVITIES	Current	Long-Term	Total
<b>Revenue Bonds</b>			
\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through 2026; interest at 2% to 4%. Issue is pro rated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a CATV distribution plant and updating technology fiber to the plant.	\$ -	\$ 1,802,728	\$ 1,802,728
\$1,465,000 Florida Municipal Loan Council Revenue Bonds, Series 2010C, due in semi annual installments of \$25,000 to \$65,000 through 2040; interest at 2% to 4.5%. Available non ad valorem revenues from Utility Fund are pledged for payment of the bonds. Proceeds used for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the construction and renovation to Niceville Valparaiso Okaloosa wastewater treatment (portion of costs allocated to City of Valparaiso, Florida as a member) and other capital improvements to the City of Valparaiso, Florida's sewer system, and for depositing a portion of the proceeds in the amount of \$91,025 into the Reserve Fund.	35,000	1,285,000	1,320,000
Less unamortized bond discount	-	(20,675)	(20,675)
	35,000	1,264,325	1,299,325
Total revenue bonds	35,000	3,067,053	3,102,053

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

6. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2016, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Capital lease payable	\$ 28,004	\$ -	\$ (18,581)	\$ 9,423	\$ 9,423
Bonds payable	693,519	602,271	(693,519)	602,271	-
Compensated absences	138,529	107,515	(100,694)	145,350	145,350
<b>Total governmental activities</b>	\$ 860,052	\$ 709,786	\$ (812,794)	\$ 757,044	\$ 154,773
<b>Business-type activities</b>					
Bonds payable	\$ 3,435,232	\$ 1,802,729	\$ (2,115,233)	\$ 3,122,728	\$ 35,000
Bond premium	30,108	-	(30,108)	-	-
Bond discount	(21,536)	-	861	(20,675)	-
Deferred refunded costs	(670)	-	670	-	-
Compensated absences	35,249	37,495	(33,284)	39,460	39,460
<b>Total business-type activities</b>	\$ 3,478,383	\$ 1,840,224	\$ (2,177,094)	\$ 3,141,513	\$ 74,460

Description of Long-Term Debt Outstanding

GOVERNMENTAL ACTIVITIES	Current	Long-Term	Total
<b>Lease</b>			
\$55,229 capital lease payable, due in semiannual installments of \$9,512 through December 2016, bearing interest at 1.89%, collateralized by a truck.	\$ 9,423	\$ -	\$ 9,423
<b>Revenue Bonds</b>			
\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through 2026; interest at 2% to 4%. Issue is pro rated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a CATV distribution plant and updating technology fiber to the plant.	-	602,271	602,271
Total revenue bonds	-	602,271	602,271
<b>Accrued Compensated Absences</b>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	145,350	-	145,350
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ 154,773	\$ 602,271	\$ 757,044

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

6. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Accumulated, vested annual compensation for Enterprise Funds	\$ 39,460	\$ -	\$ 39,460
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	\$ 74,460	\$ 3,067,053	\$ 3,141,513
<b>GRAND TOTAL LONG-TERM DEBT</b>			\$ 3,898,557

The City is required to comply with certain debt covenants under the 2010C bond agreement. As of September 30, 2016, the City is not aware of any material noncompliance.

Refunding Disclosure

On September 29, 2016, the City issued \$2,405,000 of Florida Municipal Loan Council Revenue Bonds, Series 2016, for the purpose of refunding the remaining \$510,000 of outstanding principal on its 2005A Bonds, and \$2,153,751 of its 2006 Revenue Bonds. The refunding transaction resulted in an economic gain of \$165,923 and cash flows savings of \$348,210.

Redemption Provisions

Series 2010C Bond Payable

**Optional Redemption:** The bonds maturing on or before the October 1, 2020 are not subject to optional redemption prior to maturity. The bonds maturing after October 1, 2020 are subject to redemption at the option of the issuer on or after October 1, 2020 as a whole or in part at any time, in any manner as determined by the trustee in its discretion taking into consideration the maturity of the loan being prepaid by a particular borrower, at the redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption:

The bonds maturing on October 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2024 and on each October 1 thereafter.

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

6. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2016, are as follows:

Year Ending September 30	Capital Leases			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 9,423	\$ 89	\$ 9,512	\$ -	\$ 8,489	\$ 8,489
2018	-	-	-	72,623	16,065	88,688
2019	-	-	-	75,127	14,212	89,339
2020	-	-	-	76,380	11,557	87,937
2021	-	-	-	78,884	8,846	87,730
2022-2026	-	-	-	245,416	20,815	266,231
2027	-	-	-	53,841	606	54,447
Total	\$ 9,423	\$ 89	\$ 9,512	\$ 602,271	\$ 80,590	\$ 682,861

Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2017	\$ 35,000	\$ 80,334	\$ 115,334
2018	252,377	102,223	354,600
2019	259,873	95,801	355,674
2020	263,620	86,981	350,601
2021	271,115	77,817	348,932
2022-2026	934,584	300,392	1,234,976
2027-2031	406,159	193,513	599,672
2032-2036	310,000	131,175	441,175
2037-2041	390,000	54,225	444,225
Total	\$ 3,122,728	\$ 1,122,461	\$ 4,245,189

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk class members (sworn law enforcement officers, and firefighters) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

6. LONG-TERM DEBT – CONTINUED

Capital Leases

The cost and accumulated depreciation for capital lease are:

Assets	Streets Fund
Ford F-550 Truck	\$ 55,229
Accumulated depreciation	(13,806)
Assets acquired by lease, net	\$ 41,423

7. FLORIDA RETIREMENT SYSTEM

Certain City employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/](http://www.dms.myflorida.com/)

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular—7.26% and 7.52%; Special Risk—22.04% and 22.57%; Senior Management Service—21.43% and 21.77%; Elected Officers—42.27% and 42.47%; and DROP participants—12.88% and 12.99%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$11,010 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported a liability of \$80,255 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.000317841 percent, which was an increase of 0.00002446 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension income of \$4,549. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,145	\$ 747
Change of assumptions	4,855	-
Net difference between projected and actual earnings on Pension Plan investments	20,745	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	2,907	63,800
City Pension Plan contributions subsequent to the measurement date	998	-
	\$ 35,650	\$ 64,547

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

A component of deferred outflows of resources related to the Pension Plan of \$998 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan, except for changes in the proportion and related differences in the share of contributions, will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 12,516
2017	12,516
2018	4,429
2019	842
2020	206
Thereafter	(614)
	<u>\$ 29,894</u>

**Actuarial Assumptions**

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

**Actuarial Assumptions – Continued**

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed income	18.00%	4.70%	4.60%	4.60%
Global equity	53.00%	8.10%	6.80%	17.20%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	11.10%
Real estate (property)	10.00%	6.40%	5.80%	12.00%
Total	<u>100.00%</u>			

Assumed inflation – mean 2.60% 1.90%

(1) As outlined in the Pension Plan's investment policy

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate**

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's proportionate share of the net pension liability (asset)	\$ 147,755	\$ 80,255	\$ 24,070

**Pension Plan Fiduciary Net Position**

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**HIS Plan**

**Plan Description**

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided**

For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$2,034 for the fiscal year ended September 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2016, the City reported a liability of \$46,252 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.000396859 percent, which was a decrease of 0.000388411 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension income of \$4,463. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 7,258	\$ -
Net difference between projected and actual earnings on Pension Plan investments		23 105
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	-	36,753
City Pension Plan contributions subsequent to the measurement date	286	-
	<u>\$ 7,567</u>	<u>\$ 36,858</u>

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

A component of deferred outflows of resources related to the HIS Plan of \$286 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan, except for changes in the proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 7,021
2017	7,021
2018	7,025
2019	7,028
2020	2,137
Thereafter	(656)
	<u>\$ 29,576</u>

**Actuarial Assumptions**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.85%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

**Plan Description – Continued**

**Benefits Provided**

The Public Safety Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Employees who retire with 6 years of service and are age 55 or who retire with 25 years of service and are age 52 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of average final compensation (average of the highest five years of compensation out of the last 10 years of employment) multiplied by credited service. Employees with ten years of service may retire at or after age 50 and receive reduced retirement benefits. The normal form of benefit is a ten year certain and life annuity.

**Funding Policy**

The City's Public Safety Pension Plan is funded by employer contributions at actuarially determined rates which expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The employees of the plan contribute at a rate of 2% of their annual salary. For 2016, the City contributed \$83,738 in cash and applied \$72,568 of advance contributions to the plan. \$80,993 was contributed by the State of Florida. The employees' contributions to the plan for the current year totaled \$10,430. The contributions are deposited with the Florida Municipal Pension Trust Fund where they are invested in mutual funds. Administration costs of the Public Safety Pension Plan are financed through investment earnings.

**Net Pension Liability**

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information below is presented in accordance with this new standard.

The employer's reporting date is September 30, 2016. The actuary's measurement date is September 30, 2015. The actuarial valuation date is October 1, 2015.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.92%
Salary increases	4.50%
Discount rate	7.00%
Investment rate of return	4.08%

Mortality rates are obtained from the RP 2000 Sex Distinct Combined Healthy Mortality Table, projected to 2016 by Scale AA. Based upon other studies of municipal police officers and firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

The long-term expected rate of return on the Public Safety Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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.

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7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate**

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's proportionate share of the net pension liability (asset)	\$ 53,062	\$ 46,252	\$ 40,601

**Pension Plan Fiduciary Net Position**

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN

**Plan Description**

**Plan Administration**

The Police Officers and Firefighters Retirement Plan (the Public Safety Pension Plan) is a single-employer defined benefit plan, established under Chapters 185 and 175 of the Florida Statutes, which covers all police officers and firefighters hired on or after January 1, 1996. The City of Valparaiso Board of Trustees assigns the authority to establish and amend benefit provisions to this plan. The City's payroll for employees covered by this plan applicable to the October 1, 2016 actuarial valuation was approximately \$405,994. As of October 1, 2016, employee membership data related to the Public Safety Pension Plan as follows:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	12
	<u>16</u>

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8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

**Net Pension Liability – Continued**

**Actuarial Assumptions – Continued**

Best estimates of arithmetic real rates of return for each major asset class included in the Public Safety Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Core bonds	16.00%	0.6%
Multi-sector	24.00%	1.1%
U.S. large cap equity	39.00%	6.1%
U.S. small cap equity	11.00%	6.8%
Non-U.S. equity	10.00%	6.8%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Public Safety 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.

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8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2015	\$ 1,343,118	\$ 1,934,195	\$ (591,077)
Changes:			
Service cost	123,530	-	123,530
Interest	100,326	160,112	(59,786)
Experience	42,204	-	42,204
Contributions – employer	-	166,749	(166,749)
Contributions – employee	-	10,430	(10,430)
Benefit payments, including Refunds of employee contributions	(30,039)	(30,039)	-
Administrative expenses	-	(9,521)	9,521
Net changes during year	236,021	297,731	(61,710)
Balances at September 30, 2016	\$ 1,579,139	\$ 2,231,926	\$ (652,787)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

	Current Discount Rate		
	1% Decrease 6.00%	7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ (412,976)	\$ (652,787)	\$ (849,225)

Pension Plan Fiduciary Net Position

Detailed information about the Public Safety Pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

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8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$106,393 related to the Public Safety Pension Plan. On September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension on the Public Safety Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 119,444	\$ -
Differences between actual and expected experience	-	45,802
Total	\$ 119,444	\$ 45,802

The components reported as deferred outflows of resources and deferred inflows of resources related to the Public Safety Pension Plan will be recognized in pension expense (income) as follows:

Year ended September 30:	
2017	\$ 23,575
2018	23,575
2019	23,576
2020	(3,180)
2021	815
Thereafter	5,281
	\$ 73,642

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9. SUPPLEMENTAL RETIREMENT PLANS

Effective June 14, 2004, the City adopted the Florida Municipal Pension Trust Fund's Section 401(a) Deferred Contribution Plan. The plan is administered by the Florida Municipal Pension Trust Fund. The plan provisions are the same, except that the minimum age requirement was removed. The plan provides retirement benefits to substantially all City employees. All benefits vest after ten years of credited service. To be eligible for the plan, employees must have completed ninety (90) days of service. Contributions to the plan are discretionary, but are currently funded by the City at 9% of each eligible employee's compensation. For the years ended September 30, 2016, 2015, and 2014, the amount of pension expense was \$107,355, \$102,563, and \$96,476, respectively. The City Commission has the authority to establish and amend the provisions of the plan.

Effective January 8, 1996, the City adopted the Florida Municipal Pension Trust Fund's Deferred Compensation Plan under Internal Revenue Code Section 457(b). The plan allows substantially all City employees to make pretax contributions to the plan, in accordance with the plan. The City does not make contributions to this plan.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City provides other postemployment benefits (OPEB) to its employees by providing retirement health care benefits. The City does not pay for any premiums but allows retirees to participate in the health insurance plan.

As of September 30, 2016, there are no participants in the City's OPEB plan, and thus, the City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables reported in the fund financial statements:

September 30, 2016	Receivables	Payables
Governmental funds		
General Fund	\$ 535,773	\$ -
Streets Fund		98,247
Stormwater Fund	2,941	-
Proprietary funds		
Utility Fund	-	253,404
Communication Fund	-	98,251
Sanitation Fund	-	88,812
Total	\$ 538,714	\$ 538,714

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11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

Interfund amounts in the proprietary funds represent expenses paid by the General Fund on behalf of the other funds. The interfund amounts in the governmental funds represent revenues collected for the benefit of the special revenue funds that have not been transferred from the General Fund.

In fiscal year 2016 there were no interfund transfers.

12. LEASE EXPENSE

The City leases utility poles from Gulf Power for pole attachment privileges granted in connection with the furnishing of cable television services. The new agreement states rent is payable in advance annually at the rate of \$7.27 for the calendar year 2012, which will increase by 2% each calendar year extended (\$7.72 for calendar year 2016). Rent paid for the year ended September 30, 2016 was \$10,225. Beginning in October 2016, the lease was not formally renewed and is continuing under the same terms.

13. LEASE REVENUE

The City leases certain property predominantly to wireless telecommunications companies. These are non-cancelable operating leases.

Minimum rentals on non-cancelable leases for the remaining terms are as follows:

	General Fund	Utility Fund
2017	\$ 53,416	\$ 25,664
2018	32,412	26,434
2019	17,951	27,227
2020	7,629	-
Total	\$ 111,408	\$ 79,325

The Utility Fund leases had original terms of five years and can be renewed for 4 successive 5 year periods on similar terms and conditions. The annual rent on these leases will increase by 3-4% per year. There was no unearned rent at September 30, 2016.

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

13. LEASE REVENUE – CONTINUED

The General Fund's lease with two telecommunication companies is for five years with the option of renewing for four additional terms of five years each on the same terms and conditions. The annual rent increases by two percent (2-3%) per year. There was no unearned rent at September 30, 2016.

The General Fund's second lease is for a five year term at an annual rent of \$15,000. A second five year renewal option is available at renegotiated annual rent.

The General Fund and Utility Fund received a total of \$52,658 and \$24,916, respectively, in lease revenues during the current year.

14. GOVERNMENTAL FUND BALANCES

At September 30, 2016, the City's governmental fund balances were classified as follows:

	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 8,358	\$ -	\$ -	\$ 8,358
Restricted for				
Library	10,227	-	-	10,227
Law enforcement	8,847	-	-	8,847
Total restricted	19,074	-	-	19,074
Committed				
Cemetery maintenance	196,503	-	-	196,503
Public safety	29,615	-	-	29,615
Stormwater	-	-	135,247	135,247
Total committed	226,118	-	135,247	361,365
Assigned to				
Library	6,905	-	-	6,905
Parks	22,383	-	-	22,383
Transportation	-	169,008	-	169,008
Total assigned	29,288	169,008	-	198,296
Unassigned	1,334,669	-	-	1,334,669
<b>Total Fund Balance</b>	<b>\$ 1,617,507</b>	<b>\$ 169,008</b>	<b>\$ 135,247</b>	<b>\$ 1,921,762</b>

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CITY OF VALPARAISO, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

15. CONTINGENT LIABILITIES

Litigation

The City is a party to various claims and assessments arising from its actions in the course of carrying out its public services. The City carries general liability coverage and management believes its coverage is sufficient to cover all significant losses arising from the unsuccessful outcome of any pending and/or threatened litigation.

16. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all other risks of loss, including fidelity bond, accidental death and dismemberment and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, for the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability, if any, for reimbursement which may arise as the result of these audits is not believed to be material.

18. LEGAL SETTLEMENT

In 2011, a former police officer filed a wrongful termination lawsuit against the City. In October 2014, a federal jury found in the former police officer's favor, and in December 2014, a judge ordered \$941,000 to be paid to the former officer in damages for future lost wages and benefits, emotional anguish and impairment of reputation, and other costs. In 2016, a final settlement of \$1.2 million was paid out to the plaintiff, which included the original judgement and legal costs. \$200,000 was paid out by the City and \$1,000,000 was paid by the City's insurance.

19. SUBSEQUENT EVENTS

In December 2016, the City entered into a Master Equipment Lease/Purchase Agreement with a financing institution for the purchase a firetruck. The total amount of the lease obligation is \$352,750. Annual payments are to be made in the amount of \$74,145, which includes interest at a rate of 1.68%. The lease will mature in December 2021.

In January 2017, the City entered into an agreement with Okaloosa County and City of Niceville to fund a portion of wastewater force main construction. The City will be responsible to cover costs in the amount of \$178,500, \$89,250 will be due upon 100% completion of planning and \$89,250 will be due after the project has achieved substantial completion.

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CITY OF VALPARAISO, FLORIDA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,417,900	\$ 1,417,900	\$ 1,455,962	\$ 38,062
Permits and fees	371,500	371,500	399,472	27,972
Intergovernmental	688,540	688,540	719,994	31,454
Charges for services	416,000	416,000	383,128	(32,872)
Fines and forfeits	10,500	10,500	13,295	2,795
Miscellaneous	26,100	26,100	80,038	53,938
Total revenues	2,930,540	2,930,540	3,051,889	121,349
<b>EXPENDITURES</b>				
Current				
General government	795,710	995,710	976,558	19,152
Public safety	1,407,285	1,407,285	1,260,694	146,591
Physical environment	210,950	210,950	170,879	40,071
Culture and recreation	474,955	474,955	437,009	37,946
Capital outlay	139,750	139,750	128,676	11,074
Debt service				
Principal and interest	33,890	33,890	9,382	24,508
Total expenditures	3,062,540	3,262,540	2,983,198	279,342
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(132,000)	(332,000)	68,691	400,691
<b>OTHER FINANCING SOURCES (USES)</b>				
Payment to refunded bond escrow	-	-	(143,750)	(143,750)
Refunding bonds issued	26,000	26,000	105,905	79,905
Transfers out	(6,000)	(6,000)	-	6,000
Total other financing sources (uses)	20,000	20,000	(37,845)	(57,845)
<b>NET CHANGE IN FUND BALANCE</b>	(112,000)	(312,000)	30,846	342,846
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	112,000	312,000	1,586,661	1,274,661
<b>FUND BALANCE AT END OF YEAR</b>	\$ -	\$ -	\$ 1,617,507	\$ 1,617,507

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**CITY OF VALPARAISO, FLORIDA  
STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 223,000	\$ 223,000	\$ 225,174	\$ 2,174
Intergovernmental	134,885	134,885	121,293	(13,592)
Miscellaneous	200	200	57,929	57,729
Total revenues	358,085	358,085	404,396	46,311
<b>EXPENDITURES</b>				
Current				
Transportation	288,285	288,285	188,864	99,421
Capital outlay	132,000	132,000	176,227	(44,227)
Debt service				
Principal and interest	58,300	58,300	51,095	7,205
Total expenditures	478,585	478,585	416,186	62,399
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(120,500)	(120,500)	(11,790)	(16,088)
<b>OTHER FINANCING SOURCES (USES)</b>				
Payment to refunded bond escrow	-	-	(549,769)	549,769
Refunding bonds issued	-	-	496,366	(496,366)
Total other financing sources	-	-	(53,403)	53,403
<b>NET CHANGE IN FUND BALANCE</b>	(120,500)	(120,500)	(65,193)	37,315
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	120,500	120,500	234,201	113,701
<b>FUND BALANCE AT END OF YEAR</b>	\$ -	\$ -	\$ 169,008	\$ 169,008

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**CITY OF VALPARAISO, FLORIDA  
STORMWATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 45,000	\$ 45,000	\$ 46,225	\$ 1,225
Miscellaneous	75	75	2,837	2,762
Total revenues	45,075	45,075	49,062	3,987
<b>EXPENDITURES</b>				
Current				
Physical environment	45,075	26,075	11,400	14,675
Capital outlay	-	19,000	15,435	3,565
Total expenditures	45,075	45,075	26,835	18,240
<b>NET CHANGE IN FUND BALANCE</b>	-	-	22,227	18,662
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	-	-	113,020	113,020
<b>FUND BALANCE AT END OF YEAR</b>	\$ -	\$ -	\$ 135,247	\$ 131,682

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**CITY OF VALPARAISO, FLORIDA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)  
FLORIDA RETIREMENT SYSTEM  
LAST TWO YEARS**

	2016	2015
City's proportion of the net pension liability (asset)	0.000317841%	0.000293381%
City's proportionate share of the net pension liability (asset)	\$ 80,255	\$ 37,894
City's covered-employee payroll	\$ 1,356,940	\$ 1,324,519
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.91%	2.86%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%

\* The amounts presented for each fiscal year were determined as of 6/30.

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**CITY OF VALPARAISO, FLORIDA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)  
HEALTH INSURANCE SUBSIDY  
LAST TWO YEARS**

	2016	2015
City's proportion of the net pension liability (asset)	0.000396859%	0.000388411%
City's proportionate share of the net pension liability (asset)	\$ 46,252	\$ 39,612
City's covered-employee payroll	\$ 1,356,940	\$ 1,324,519
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3.41%	2.99%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%

\* The amounts presented for each fiscal year were determined as of 6/30.

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CITY OF VALPARAISO, FLORIDA  
 SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
 FLORIDA RETIREMENT SYSTEM  
 LAST TWO YEARS

	2016	2015
Contractually required contribution	\$ 7,751	\$ 7,153
Contributions in relation to the contractually required contribution	(7,751)	(7,153)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,356,940	\$ 1,324,519
Contributions as a percentage of covered-employee payroll	0.57%	0.54%

\* The amounts presented for each fiscal year were determined as of 9/30.

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CITY OF VALPARAISO, FLORIDA  
 SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
 HEALTH INSURANCE SUBSIDY  
 LAST TWO YEARS

	2016	2015
Contractually required contribution	\$ 2,034	\$ 1,485
Contributions in relation to the contractually required contribution	(2,034)	(1,485)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,356,940	\$ 1,324,519
Contributions as a percentage of covered-employee payroll	0.15%	0.11%

\* The amounts presented for each fiscal year were determined as of 9/30.

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CITY OF VALPARAISO, FLORIDA  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
 AND RELATED RATIOS (UNAUDITED)  
 PUBLIC SAFETY PENSION PLAN

Measurement Date	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 123,530	\$ 99,473
Interest	100,326	89,976
Differences between expected and actual experience	42,204	(34,250)
Benefit payments, including refunds of employee contributions	(30,039)	(29,141)
<b>Net change in total pension liability</b>	236,021	126,058
<b>Total pension liability – beginning</b>	1,343,118	1,217,060
<b>Total pension liability – ending (a)</b>	\$ 1,579,139	\$ 1,343,118
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	\$ 166,749	\$ 153,593
Contributions – employee	10,430	10,255
Interest	140,129	131,153
Net investment income	19,983	(133,786)
Benefit payments, including refunds of employee contributions	(30,039)	(29,141)
Administrative expenses	(9,521)	(10,374)
<b>Net change in plan fiduciary net position</b>	297,731	121,700
<b>Plan fiduciary net position – beginning</b>	1,934,195	1,812,495
<b>Plan fiduciary net position – ending (b)</b>	\$ 2,231,926	\$ 1,934,195
<b>Net pension liability (asset) – ending (a) – (b)</b>	\$ (652,787)	\$ (591,077)
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	141.34%	144.01%
<b>Covered employee payroll</b>	\$ 405,994	\$ 339,428
<b>Net pension liability (asset) as a percentage of covered employee payroll</b>	-160.79%	-174.14%

Notes to schedule:  
 Benefit changes: No changes in benefits.  
 Changes of assumptions: Change in enrolled actuary.

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CITY OF VALPARAISO, FLORIDA  
 SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
 PUBLIC SAFETY PENSION PLAN  
 LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 94,161	\$ 65,087	\$ 226,641	\$ 191,087	\$ 105,205	\$ 139,758	\$ 138,087	\$ 102,297	\$ 97,072	\$ 82,855
Contributions in relation to the actuarially determined contributions	166,749	153,593	146,456	131,683	122,951	127,034	117,539	104,931	146,957	87,274
<b>Contribution deficiency (excess)</b>	\$ (72,588)	\$ (88,506)	\$ 80,175	\$ 60,004	\$ (17,746)	\$ 18,674	\$ 20,848	\$ (2,634)	\$ (49,885)	\$ 5,581
<b>Covered employee payroll</b>	\$ 405,994	\$ 339,428	Not available	\$ 297,243	\$ 337,623	Not available	\$ 374,161	Not available	Not available	Not available
<b>Contributions as a percentage of covered employee payroll</b>	41.07%	45.25%	Not available	44.23%	36.42%	Not available	31.52%	Not available	Not available	Not available

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**CITY OF VALPARAISO, FLORIDA  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)  
PUBLIC SAFETY PENSION PLAN**



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Fort Walton Beach, FL 32548  
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warrenaverett.com

<b>Valuation Date:</b>	October 1, 2015
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial cost method:	Aggregate Cost Method
Financing of unfunded actuarial accrued liabilities:	Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.
Discount rate:	7.0% per year
Wage Inflation Rate:	2.9% per year
Salary increases:	4.5% per year
Mortality:	RP-2000 Combined Healthy Participant Mortality Tables, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected
Retirement:	Retirement is assumed to occur at normal retirement age
Non-investment expenses:	2.3% of covered payroll
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF  
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER  
10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor and  
and Members of the City Commission  
City of Valparaiso, Florida

We have examined the City of Valparaiso, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2016.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Valparaiso, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2016.

*Warren Averett, LLC*  
Fort Walton Beach, Florida  
April 10, 2017



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Honorable Mayor and  
and Members of the City Commission  
City of Valparaiso, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Valparaiso, Florida's basic financial statements and have issued our report thereon dated April 10, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Valparaiso, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Valparaiso, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying findings and responses that we consider to be material weaknesses. [2016-1 and 2016-2]

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Valparaiso, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Valparaiso, Florida's Response to Findings**

City of Valparaiso, Florida's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Valparaiso, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to the City of Valparaiso, Florida, in a separate management letter dated April 10, 2017.

*Warren Averett, LLC*  
Fort Walton Beach, Florida  
April 10, 2017

**FINDING 2016-1: UTILITY AND SANITATION RECEIVABLES**

**Criteria** – Adjustments were proposed by the auditors' and accepted by management to increase the allowance for doubtful accounts in the utility and sanitation funds.

**Condition** – Incorrect parameters were used to generate the utility billing receivable sub ledger at September 30, 2016 and as such management was not aware the allowances were understated. During audit fieldwork management and the auditors worked with the City's software consultants to generate the correct aging reports which resulted in audit adjustments.

**Cause** – City personnel did not have a complete understanding of the parameters needed to generate the reports.

**Effect** – Adjustments were made to the utility fund and sanitation fund at September 30, 2016 which reduced reported income by approximately \$66,000 and \$24,000 respectively.

**Recommendations** – We recommend that the City reconcile the utility billing sub ledger to the control accounts on a monthly basis. In addition the aging should be reviewed to monitor the accounts receivable over 90 days and adjust the allowance as needed.

**Views of the Responsible Officials and Planned Corrective Action** – Management agrees with the recommendation and will implement during the year ended September 30, 2017.

**FINDING 2016-2: CABLE TELEVISION RECEIVABLES**

**Criteria** – The cable television accounts receivable detail did not agree to the control account at September 30, 2016.

**Condition** – Due to an error in a particular type of cash receipt posting, which was essentially posted twice in the sub ledger, the sub ledger was incorrect at September 30, 2016. However because the detail is not reconciled to the control account City personnel were not aware of the error until audit fieldwork. City personnel and the auditor worked with the City's software consultants to determine the nature of the error.

**Cause** - City personnel are not reconciling the sub ledger to the control account on a monthly basis and as such the error in the sub ledger was not detected timely. There were new personnel in the Cable television function which contributed to the error in the cash receipt posting to the sub ledger.

**Effect** – The City's system of internal control should be designed to detect and correct errors on a timely basis. The system did not function properly due to the lack of monthly reconciliations which allowed the system error to go undetected.

**Recommendations** – City personnel should reconcile the cable television sub ledger to the control account on a monthly basis. Written procedures for posting receipts to the cable television software should be created and reviewed by staff responsible for that function.

**Views of the Responsible Officials and Planned Corrective Action** – Management agrees with the recommendation and will implement during the year ended September 30, 2017.

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**MANAGEMENT LETTER**

To the Honorable Mayor and  
and Members of the City Commission  
City of Valparaiso, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Valparaiso, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated April 10, 2017.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Auditor General*.

**Other Reports**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated April 10, 2017 should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City of Valparaiso, Florida has been disclosed in Note 1 to the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether or not the City of Valparaiso, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Valparaiso, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Valparaiso, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Valparaiso, Florida, for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The City of Valparaiso, Florida has no special districts that are component units.

**Other Matters**

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the mayor and members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope this comment and recommendation will be of assistance in the administration and operation of the City. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC  
Fort Walton Beach, Florida  
April 10, 2017

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**APPENDIX I**

**SPECIMEN BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)



**APPENDIX J**  
**FORM OF SURETY BOND**

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# MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: \$

Termination Date:

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AGM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy. Upon such payment, AGM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Insurance Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to AGM by or on behalf of the Issuer. Within three Business Days of such reimbursement, AGM shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall AGM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that AGM has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the

stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 501 NY (6/90)

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