

In the opinion of Bond Counsel, assuming compliance with certain covenants in the Indenture (as hereinafter defined), interest on the Bonds is excluded from gross income for purposes of federal income taxation and the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes. See, however, "Tax Matters" herein for a description of certain federal minimum and other special taxes that may affect the tax treatment of interest on the Bonds.

\$27,165,000
FLORIDA MUNICIPAL LOAN COUNCIL
Revenue Bonds,
Series 2002C

Dated: November 1, 2002**Due:** November 1, as shown on the inside cover

The Revenue Bonds, Series 2002C (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 May 1 and November 1, commencing May 1, 2003. The principal of, premium, if any, and interest on the Bonds will be paid by Wachovia Bank, National Association, as Trustee. 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 and 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 4 State of Florida municipalities (City of Belle Isle, City of Oldsmar, City of Sunny Isles Beach, and Village of Wellington) (collectively referred to as the "Borrowers") pursuant to loan agreements between the Issuer and each of the Borrowers (the "Loan Agreements") for the purposes of (i) providing funds to finance various governmental undertakings of the Borrowers and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for the municipal bond insurance policy and debt service reserve fund surety bond.

Payments made by the Borrowers in repayment of the loans (the "Loan Repayments") will be assigned by the Issuer to Wachovia Bank, National Association, as Trustee, pursuant to a Trust Indenture, dated as of November 1, 2002 between the Issuer and the Trustee (the "Indenture").

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from the (i) payments to be made by the Borrowers pursuant to the Loan Agreements (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) 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.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



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.

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 and Olive, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Kraig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A., West Palm Beach, Florida. First Southwest Company, Orlando, 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 November 22, 2002.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

<u>Amount</u>	<u>Maturity (November 1)</u>	<u>Interest Rate</u>	<u>Price</u>
\$ 950,000	2003	3.000%	101.425%
980,000	2004	3.000	102.278
1,005,000	2005	3.250	103.263
1,045,000	2006	3.250	103.139
1,070,000	2007	4.000	105.548
1,115,000	2008	3.500	102.154
1,160,000	2009	5.000	110.207
1,210,000	2010	5.000	109.738
1,280,000	2011	4.000	102.264
1,325,000	2012	4.000	101.641
1,255,000	2013	5.250	111.191
1,325,000	2014	5.250	110.063
1,395,000	2015	5.250	109.035
1,465,000	2016	5.250	108.038
1,545,000	2017	5.250	107.136
1,625,000	2018	5.250	106.332
1,715,000	2019	5.250	105.536
1,805,000	2020	5.250	104.747
1,895,000	2021	5.250	103.965
2,000,000	2022	5.250	103.276

(Accrued interest from November 1, 2002 to be added)

Florida Municipal Loan Council

c/o Florida League of Cities, Inc.
301 South Bronough Street
Suite 300
Tallahassee, Florida 32302
(850) 222-9684

Original Members

City of Deland, Florida
City of Rockledge, Florida
City of Stuart, Florida

Directors

Raul Martinez, Chairman, Mayor, City of Hialeah
Jeffrey A. Krauskopf, Vice-Chairman, Commissioner, City of Stuart
Evelyn L. Greer, Mayor, Village of Pinecrest
H.L. (Roy) Tyler, Commissioner, City of Haines City
Emmett W. Pacetti, Mayor, City of St. Augustine Beach

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Financial Advisor

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Florida League of Cities, Inc.
Tallahassee, Florida

NO BROKER, DEALER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS AND THERE SHALL BE NO OFFER, SOLICITATION, OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM PUBLIC DOCUMENTS, RECORDS AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE BORROWERS SINCE THE DATE HEREOF.

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 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 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.

TABLE OF CONTENTS

(The Table of Contents for this Official Statement is for convenience of reference only and is not intended to define, limit or describe the scope or content of any provisions of this Official Statement.)

	<u>Page</u>
INTRODUCTION	1
THE BONDS	3
General Description	3
Redemption Provisions	3
Book-Entry Only System	5
THE ISSUER	7
THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT	8
The Administrator	8
The Administration Agreement	9
THE BORROWERS	9
PURPOSE OF THE BONDS	10
In General	10
Estimated Sources and Uses	11
SECURITY AND SOURCES OF PAYMENT	11
Limited Obligations; Trust Estate	11
Reserve Fund	12
Anti-dilution Covenant	13
Additional Bonds; Permitted Parity Indebtedness	14
The Covenants to Budget and Appropriate	14
City of Belle Isle Loan	15
City of Oldsmar Loan	19
Financial Statements of the Borrowers	21
MUNICIPAL BOND INSURANCE	21
General	21
Municipal Bond Insurance	21
DEBT SERVICE REQUIREMENTS	24
TAX MATTERS	25
General	25
Tax Treatment of Bond Premium	26
LITIGATION	27
VALIDATION	27
LEGAL MATTERS	27
RATINGS	28
UNDERWRITING	28
FINANCIAL ADVISOR TO THE ISSUER	28
CONTINUING DISCLOSURE	29
ENFORCEABILITY OF REMEDIES	29
MISCELLANEOUS	29

APPENDIX A --	Form of Continuing Disclosure Agreement for Borrowers
APPENDIX B --	Form of Continuing Disclosure Agreement for Issuer
APPENDIX C --	Form of the Indenture
APPENDIX D --	Form of the Covenant Loan Agreement
APPENDIX E --	Form of Opinion of Bond Counsel
APPENDIX F --	Specimen Financial Guaranty Insurance Policy
APPENDIX G --	Financial Information Regarding City of Belle Isle
APPENDIX H --	Financial Information Regarding City of Oldsmar
APPENDIX I --	Financial Information Regarding City of Sunny Isles Beach
APPENDIX J --	Financial Information Regarding Village of Wellington

OFFICIAL STATEMENT

Relating To

\$27,165,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2002C

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 \$27,165,000 Florida Municipal Loan Council Revenue Bonds, Series 2002C (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, 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. 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"), authorizing resolutions adopted by the Issuer on December 17, 1998 and October 23, 2002 and a Trust Indenture (the "Indenture"), dated as of November 1, 2002, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to various municipalities 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 4 State of Florida municipalities (City of Belle Isle, City of Oldsmar, City of Sunny Isles Beach and Village of Wellington) (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of November 1, 2002, 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 (a "Project") and to pay a proportionate share of the costs of issuance of the Bonds. Each Project to be financed or refinanced with proceeds of the Bonds is briefly described herein under the caption "Purpose of the Bonds."

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 to 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 Program

Administrator 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 City of Sunny Isles and the Village of Wellington have both agreed to appropriate in their annual budgets, by amendment, if required, and to pay when due under their respective Loan Agreements (such Loan Agreements being referred to herein as the "Covenant Loan Agreements"), 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 whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Loan Agreement between the City of Belle Isle and the Issuer is referred to herein as the "Belle Isle Loan Agreement." The Loan Repayment obligations of the City of Belle Isle will be payable from and secured solely by a pledge of and lien upon the City's Half-Cent Sales Tax (hereinafter described). Further information concerning the Belle Isle Loan Agreement and the Half-Cent Sales Tax is contained herein under the caption "Security and Sources of Payment - City of Belle Isle Loan."

The Loan Agreement between the City of Oldsmar and the Issuer is referred to herein as the "Oldsmar Loan Agreement." The Loan Repayment obligations of the City of Oldsmar will be payable from and secured solely by a pledge of and lien upon the City's Public Service Tax (hereinafter described). Further information concerning the Oldsmar Loan Agreement and the Public Service Tax is contained herein under the caption "Security and Sources of Payment - City of Oldsmar Loan."

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee 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.

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 (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) 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.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

There follow in this Official Statement descriptions of the Bonds, the Issuer, the Insurer, 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 1640 Gulf-to-Bay Boulevard, FL2-020-01-04, Clearwater, Florida 33755 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. 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 November 1, 2002, 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 May 1 and November 1 (each, an "Interest Payment Date"), commencing May 1, 2003.

The principal and premium of the Bonds shall be payable when due by check or draft, upon presentation and surrender of the Bonds at the Designated Office (initially, Charlotte, North Carolina) of Wachovia Bank, National Association, as Trustee (the "Trustee"), and interest will be payable by check or draft 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 (or of all Bonds if less than \$1,000,000 shall be outstanding) 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.

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 November 1, 2012 are not subject to optional redemption prior to maturity. The Bonds maturing after November 1, 2012 are subject to redemption at the option of the Issuer on or after November 1, 2012 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, during the following periods and at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

Redemption Period (Both dates inclusive)	Redemption Price
November 1, 2012 through October 31, 2013	101%
November 1, 2013 and thereafter	100%

Extraordinary Mandatory Redemption. The Bonds are also subject to extraordinary mandatory redemption as a result of acceleration of a Loan pursuant to a Loan Agreement at any time, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan. "Liquidation Proceeds" means amounts received by the Trustee or the Issuer 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. "Insurance Proceeds" means amounts which are deposited by the Insurer with the Trustee pursuant to Article IX of the Indenture as a condition of the direction of acceleration of all or a portion of the Bonds by the Insurer.

Whenever any Event of Default shall have occurred with respect to any Loan Agreement, the Issuer or the Trustee, shall, with the written consent of the Insurer, or upon the direction of the Insurer, accelerate the Loan made pursuant to such Loan Agreement. Such Events of Default include, but are not limited to, failure by any Borrower to timely pay any Loan Repayment, a failure by any Borrower to observe and perform any covenant, condition or agreement contained in the Loan Agreement, subject to certain provisions regarding notice and an opportunity to cure, bankruptcy of any Borrower and other events. See "Appendix C - Form of the Indenture" and "Appendix D - Form of the Covenant Loan Agreement," for a further description of the events which might trigger an acceleration.

To the extent that one or more Loan or Loans, but not all Loans, are being accelerated, the Bonds to be redeemed shall be selected by the Trustee by lot or in such other manner as the Issuer in its discretion may deem appropriate, provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the principal loan payment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event the Liquidation Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds to the total amount of Bonds which corresponds to the Loan or Loans being accelerated.

Selection of Bonds to Be Redeemed. The Bonds may be redeemed only in Authorized Denominations. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise 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, the Trustee shall cause notice of such redemption to be given to the registered Owner of any Bonds designated for redemption in whole or in part, at such Owner's address as the same shall last appear on the Bond registration books, by mailing a copy of the redemption notice by first class mail at least thirty days prior to the redemption date. 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.

Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all of the outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

Notice of redemption is also required to be sent by registered or certified mail or overnight delivery service to certain securities depositories, provided, however, that such mailing is not a condition precedent

to any redemption and a failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

Effect of Calling for Redemption. 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 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, as hereinafter described, The Depository Trust Company ("DTC"), New York, New York, 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 fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee on behalf of DTC.

DTC, the world's largest 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 "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts, thereby eliminating 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 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 (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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.

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, defaults and proposed amendments to Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or 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 only to Cede & Co. for so long as it is the registered owner of the Bonds. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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).

Payments of principal, premium, if any, and interest 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 on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Direct or Indirect 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 of principal, premium, if any, and interest to DTC is the responsibility of the Issuer or

the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSON 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. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, 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.

The Issuer and the Trustee have entered into a letter of representations (the "Book-Entry Agreement") with DTC providing for such book-entry only system. However, the book-entry only system may be terminated upon the happening of either of the following: (a) DTC discontinues providing its services as securities depository by giving reasonable notice to the Issuer or the Trustee, or (b) the Issuer, elects to terminate the book-entry only system by notice to DTC. If the Issuer does not replace DTC, the Trustee shall notify DTC of the availability of definitive or temporary Bond certificates (the "Replacement Bonds") to Beneficial Owners requesting the same in an aggregate outstanding amount representing the interest of each such Beneficial Owner, making such adjustments and allowances as the Trustee may find necessary or appropriate as to accrued interest and previous payments of principal. Definitive Replacement Bonds shall be issued only upon surrender to the Trustee of the Bonds of each maturity by DTC, accompanied by registration instructions for the definitive Replacement Bonds for such maturity from DTC. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and conclusively may rely on and shall be protected in relying on such instructions of DTC.

THE ISSUER

The Issuer was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended, through an Interlocal Agreement dated as of December 1, 1998 (the "Interlocal Agreement"), initially by and among the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida.

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 re-finance 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 eighth series of bonds to be issued by the Issuer.

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

<u>Name</u>	<u>Elected Position</u>
Raul Martinez	Mayor, City of Hialeah
Jeffrey A. Krauskopf	Commissioner, City of Stuart
Evelyn L. Greer	Mayor, Village of Pinecrest
H.L. (Roy) Tyler	Commissioner, City of Haines City
Emmett W. Pacetti	Mayor, City of St. Augustine 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 Program Administration Agreement (hereinafter described).

The Administrator is a Florida corporation not-for-profit. 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 52 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's seven 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 on current and emerging constitutional, legislative, and

regulatory issues. The Administrator has 160 full-time employees and an annual operating budget of approximately \$15.7 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. The annual amount of the fee does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

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 4 State of Florida municipalities. A brief description of each Borrower is set forth below. Financial information with respect to each of the Borrowers is contained in Appendices G through J hereof.

City of Belle Isle - The City of Belle Isle is located in Orange County, Florida and was incorporated in 1924. The City of Belle Isle has an estimated population of approximately 6,500 people.

City of Oldsmar - The City of Oldsmar is located in Pinellas County, Florida and was incorporated in 1963. The City of Oldsmar has an estimated population of approximately 12,000 people.

City of Sunny Isles Beach - The City of Sunny Isles Beach is located in Miami-Dade County, Florida and was incorporated in 1997. The City of Sunny Isles Beach has an estimated population of approximately 15,300 people.

Village of Wellington - The Village of Wellington is located in Palm Beach County, Florida and was incorporated in 1995. The Village of Wellington has an estimated population of approximately 42,000 people.

PURPOSE OF THE BONDS

In 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 premiums for the Bond Insurance Policy and the Debt Service Reserve Fund Surety Bond described below.

Under the terms of the Indenture, proceeds of the Bonds representing accrued interest will be deposited into the Revenue Fund, 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 into the Project Loan Fund, to be disbursed upon requisition therefor to the respective Borrowers. 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.

City of Belle Isle - The City of Belle Isle is borrowing the proceeds of \$955,000 principal amount of the Bonds (which inclusive of original issue premium is \$995,523.90) for the purpose of financing various capital expenditures. The loan to City of Belle Isle is expected to be repaid over a period of 10 years.

City of Oldsmar - The City of Oldsmar is borrowing the proceeds of \$2,425,000 principal amount of the Bonds (which inclusive of original issue premium is \$2,562,031.70) for the purpose of acquiring land and/or building(s) to be used for cultural arts, a library, leisure services or other governmental purposes. The Loan to City of Oldsmar is expected to be repaid over a period of 20 years.

City of Sunny Isles Beach - The City of Sunny Isles Beach is borrowing the proceeds of \$17,495,000 principal amount of the Bonds (which inclusive of original issue premium is \$18,485,320.90) for the purpose of financing various capital expenditures. The Loan to City of Sunny Isles Beach is expected to be repaid over a period of 20 years.

Village of Wellington - The Village of Wellington is borrowing the proceeds of \$6,290,000 principal amount of the Bonds (which inclusive of original issue premium is \$6,645,920.70) for the purpose of financing various capital expenditures. The Loan to Village of Wellington is expected to be repaid over a period of 20 years.

The annual debt service on each Loan is set forth below under the caption "Debt Service Requirements."

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	\$27,165,000.00
Original Issue Premium	1,523,797.20
Accrued Interest	<u>74,104.49</u>
 TOTAL SOURCES:	 \$28,762,901.69
 USES OF FUNDS:	
Deposit to Project Loan Fund	\$28,118,337.79
Costs of Issuance(1)	570,459.41
Deposit to Revenue Fund(2)	<u>74,104.49</u>
 TOTAL USES:	 \$28,762,901.69

- (1) This includes legal fees, underwriter's discount, bond insurance and reserve surety premiums, costs of printing and other incidental expenses.
- (2) Accrued interest.

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 Loan Agreements (as defined herein), (ii) all amounts in certain funds and accounts created pursuant to the Indenture and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) 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.

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 payments to the Trustee (the "Basic Payments") 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 a 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.

The City of Sunny Isles and the Village of Wellington have both agreed to appropriate in their annual budgets, by amendment, if required, and to pay when due under their respective Loan Agreements (such Loan Agreements being referred to herein as the "Covenant Loan Agreements"), 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 whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Loan Agreement between the City of Belle Isle and the Issuer is referred to herein as the "Belle Isle Loan Agreement." The Loan Repayment obligations of the City of Belle Isle will be payable from and secured solely by a pledge of and lien upon the City's Half-Cent Sales Tax (hereinafter described). Further information concerning the Belle Isle Loan Agreement and the Half-Cent Sales Tax is contained herein under the caption "Security and Sources of Payment - City of Belle Isle Loan."

The Loan Agreement between the City of Oldsmar and the Issuer is referred to herein as the "Oldsmar Loan Agreement." The Loan Repayment obligations of the City of Oldsmar will be payable from and secured solely by a pledge of and lien upon the City's Public Service Tax (hereinafter described). Further information concerning the Oldsmar Loan Agreement and the Public Service Tax is contained herein under the caption "Security and Sources of Payment - City of Oldsmar Loan."

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee 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, as the source of payment of and security for the Bonds.

Reserve Fund

The Indenture establishes a Reserve Fund which is required to be and which shall be funded at closing by the Debt Service Reserve Fund Surety Bond described below.

The Debt Service Reserve Fund Surety Bond also serves as the reserve fund for the Issuer's (i) Revenue Bonds, Series 2001A, issued November 15, 2001, and outstanding as of the date of this Official Statement in the principal amount of \$87,170,000, (ii) Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$49,775,000, and (iii) Revenue Bonds, Series 2002B, issued August 15, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$66,385,000. The Insurer has also issued financial guaranty insurance policies with respect to these prior bonds of the Issuer.

The Indenture provides that the Issuer may issue additional bonds and that the Debt Service Reserve Fund Surety Bond may serve as the reserve fund for such additional bonds, but only with the written consent of the Insurer. The Issuer may also substitute an Alternate Surety Bond for the Debt Service Reserve Fund Surety Bond, again only with the written consent of the Insurer.

Moneys on deposit in the Reserve Fund (including the Debt Service Reserve Fund Surety Bond) shall be applied to cure any deficiency in the Revenue Fund.

MBIA Insurance Corporation (the "Insurer") has committed to issue a debt service reserve surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Issuer or the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Issuer or the Trustee

an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Issuer or the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Issuer or the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with the Trustee sufficient for the payment of amounts which are then due to the Trustee (as specified in the Demand for Payment, subject to the Debt Service Reserve Fund Surety Bond coverage).

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Issuer. The Issuer and the Insurer have entered into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the Issuer is required to reimburse the Insurer from amounts it has received, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Revenue Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, from the funds supplied to the Trustee, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Bonds corresponding to a Loan with respect to which a draw has been made under the Debt Service Reserve Fund Surety Bond may be made until the Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is provided as an alternative to the Issuer depositing funds in the Reserve Fund. The Debt Service Reserve Fund Surety Bond has already been issued in the face amount of \$5,862,500 and the premium therefor has been previously paid. At the time of issuance of the Bonds, the face amount of the Debt Service Reserve Fund Surety Bond will be increased by \$1,358,250, to \$7,220,750, and the premium for such increase will be paid by the Issuer at the time of delivery of the Bonds.

Anti-dilution Covenant

The City of Sunny Isles Beach and the Village of Wellington have each covenanted pursuant to their respective Loan Agreement that as soon as practicable upon the issuance of debt which is secured by its Non-Ad Valorem Revenues, it will deliver to the Issuer and the Insurer a certificate setting forth the calculations of the financial ratios described below and certifying that it is in compliance with such covenants:

- (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 150%; and
- (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as General Fund, Special Fund, Debt Service Fund and Capital Projects Fund), exclusive of (x) ad valorem revenues restricted to payment of debt service on any debt and (y) any debt proceeds, based on the particular Borrower's audited financial statements (average of actual receipts over the prior two years).

For purposes of the foregoing, "maximum annual debt service" means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by the Borrower's Non-Ad Valorem Revenues.

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 Borrowers except as may result from compliance with the obligations described above under the caption "Anti-dilution Covenant," or below under the captions "City of Belle Isle Loan" and "City of Oldsmar Loan," as applicable.

The Covenants to Budget and Appropriate

The information under this caption applies only to the City of Sunny Isles Beach and the Village of Wellington (the "Covenant Borrowers").

In General. In each Loan Agreement, each Covenant Borrower covenants and agrees to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in its annual budget, 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 of the Covenant Borrower to satisfy its Loan Repayment obligations. Such covenant is subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Covenant Borrowers 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 derived from any source whatever, other than ad valorem taxation on real and personal property, and which are legally available for Loan Repayments.

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 their Loan Repayments.

Under the terms of the Loan Agreements, each Covenant Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future and certain Covenant Borrowers 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 of each of the Covenant Borrowers 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 a Covenant Borrower is, in certain circumstances, beyond the control of the Covenant Borrower.

City of Belle Isle Loan

The Loan Repayment Obligations of the City of Belle Isle in connection with the Belle Isle Loan Agreement are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of the City of Belle Isle with respect to the Belle Isle Loan Agreement are payable from and are secured by a pledge of and lien upon the "Half-Cent Sales Tax Revenues" of the City (the "Half-Cent Sales Tax"). Except as described under this caption, the Belle Isle Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

Half-Cent Sales Tax in General. The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program which distributes sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the Program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

Since 1993, the proportion of sales tax revenues deposited in the Local Government Half-Cent Sales Tax Trust Fund in the State Treasury (the "Trust Fund") has been constant at 9.653%. Therefore, 9.653% of the sales tax remitted to the State of Florida by each sales tax dealer located within a particular county (the "Half-Cent Sales Tax Revenues") is deposited in the Trust Fund and is earmarked for distribution to the governing body of such county and each participating municipality within that county pursuant to a distribution formula. The Half-Cent Sales Tax Revenues are distributed from the Trust Fund on a monthly basis to participating units of local government in accordance with Part VI, Chapter 218, Florida Statutes (the "Sales Tax Act"). The general rate of sales tax in the State is currently 6%, and therefore, for every dollar of taxable sales price of an item, approximately .58¢ is deposited into the Trust Fund.

The amount of Half-Cent Sales Tax Revenues distributed to the City of Belle Isle is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within Orange County, Florida (the county in which the City is located), (ii) legislative changes relating to the sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited in the Trust Fund, (iii) changes in the relative population of Orange County, Florida and the municipalities therein, including the City of Belle Isle, which effect the percentage of Half-Cent Sales Tax Revenues distributed to the City of Belle Isle, and (iv) other factors, some or all of which may be beyond the control of the City of Belle Isle.

Eligibility. To be eligible to participate in the Half-Cent Sales Tax Program, each municipality, including the City of Belle Isle, is required to have

- (i) reported its finances for its most recently completed fiscal year to the State Department of Banking and Finance as required by Florida law;
- (ii) made provisions for annual post audits of financial accounts in accordance with provisions of law;
- (iii) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of 3 mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such 3 mill ad valorem tax, to have received certain revenues from the county, an occupational license tax, utility tax, or ad valorem tax, or any combination of those four sources;
- (iv) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation;
- (v) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation;
- (vi) certified that each dependent special district that is budgeted separately from the general budget of such municipality has met the provisions for annual post audit of its financial accounts in accordance with law; and
- (vii) certified to the Department of Revenue that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the municipality as required by law.

The City of Belle Isle has complied with all of the requirements for eligibility set forth in the Sales Tax Act for the current fiscal year. The City of Belle Isle covenants in the Belle Isle Loan Agreement to take all lawful action necessary or required to remain an eligible recipient of its portion of the funds in the Trust Fund so long as the Belle Isle Loan remains outstanding.

Although the Sales Tax Act does not impose any limitation on the number of years during which the City of Belle Isle can receive distributions of the Half-Cent Sales Tax Revenues from the Trust Fund, there may be amendments to the Sales Tax Act in subsequent years imposing additional requirements of eligibility for municipalities and counties participating in the Half-Cent Sales Tax Revenues or the distribution formula in Section 218.62, Florida Statutes may be revised. To be eligible to participate in the Trust Fund in future years, the City of Belle Isle must comply with the financial reporting and other requirements of the Sales Tax Act. Otherwise, the City of Belle Isle would lose its Trust Fund distributions for twelve (12) months following a "determination of noncompliance" by the State Department of Revenue.

Distribution. Half-Cent Sales Tax Revenues collected within a county are distributed among such county and the eligible municipalities therein in accordance with the following formula:

$$\begin{array}{l}
 \text{County's Share} \\
 \text{(percentage of} \\
 \text{total Half-Cent Sales} \\
 \text{Tax Revenues)}
 \end{array}
 =
 \frac{\text{unincorporated county population}}{\text{total county population}}
 +
 \frac{2/3 \text{ incorporated area population}}{2/3 \text{ incorporated area population}}$$

$$\begin{array}{l} \text{Municipal} \\ \text{Share} \\ \text{(percentage of} \\ \text{total Half-Cent Sales} \\ \text{Tax Revenues)} \end{array} = \frac{\text{municipality population}}{\text{total county population} + \text{2/3 incorporated area population}}$$

Historical Collection and Distribution Data. The following table sets forth historical sales tax collection information for the State of Florida and Orange County, Florida.

**State of Florida and Orange County
Total Historical Sales Tax Collections
State Fiscal Years 1998 through 2002**

State Fiscal Year Ended <u>June 30</u>	Total Collections <u>State of Florida(1)</u>	Percentage <u>Increase</u>	Total Collections <u>Orange County</u> ⁽¹⁾	Percentage Increase <u>(Decrease)</u>
1998	\$12,944,936,819	N/A		\$1,271,205,251
	N/A			
1999	13,858,158,449	7.05%	1,346,612,848	5.93%
2000	14,933,807,688	7.76	1,490,057,490	10.65
2001	15,733,732,456	5.35	1,567,421,663	5.19
2002	15,985,431,641	1.59	1,480,717,095	(5.85)

⁽¹⁾ Represent net total collections after refunds and adjustments.

Source: Florida Department of Revenue.

The table below sets forth the total distribution of Half-Cent Sales Tax Revenues to Orange County, Florida and the municipalities therein for the State fiscal years ended June 30, 1998 through 2002.

**State Distributions of Half-Cent Sales Tax Revenues to Orange County, Florida
and Municipalities Therein
State fiscal years ended June 30⁽¹⁾**

State Fiscal Year <u>Ended June 30</u>	Half-Cent Sales <u>Tax Distributions</u>	Percentage Increase <u>(Decrease)</u>
1998	\$115,695,421	N/A
1999	\$123,295,203	6.57%
2000	\$136,818,513	10.97
2001	\$143,807,725	5.11
2002	\$138,612,044	(3.61)

⁽¹⁾ Source: Florida Department of Revenue.

The percentage of the total Half-Cent Sales Tax Revenues Distributed to Orange County, Florida and the municipalities therein in a particular fiscal year that is distributed to the City of Belle Isle is referred to as the "Distribution Factor" for the City of Belle Isle. The table below sets forth the Distribution Factors for the City of Belle Isle for the City's fiscal years ended September 30, 1998 through 2002.

Sales Tax Distribution Factors⁽¹⁾

<u>City Fiscal Year Ended June 30</u>	<u>Belle Isle Distribution Factor</u>	<u>Percentage Increase (Decrease)</u>
1998	0.585679%	N/A
1999	0.568358%	(2.96%)
2000	0.55963%	(1.54)
2001	0.549309%	(1.84)
2002	0.505283%	(8.01)

⁽¹⁾ Source: Florida Department of Revenue.

The table below sets forth the annual changes (by percentage) of the Half-Cent Sales Tax Revenues received by the City of Belle Isle for the fiscal years ended September 30, 1997 through 2001.

<u>Fiscal Year Ended</u>	<u>Half-Cent Sales Tax Revenue Collections⁽¹⁾</u>	<u>Percentage Increase (Decrease)</u>
1998	\$687,159.66	N/A
1999	719,596.04	4.72%
2000	770,579.87	7.09
2001	785,839.56	1.98
2002	706,378.14	(10.11)

⁽¹⁾ Source: Florida Department of Revenue.

The following table sets forth the pro-forma debt service coverage for the Belle Isle Loan:

Historical Coverage of Maximum Annual Debt Service Fiscal Years Ended September 30					
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Belle Isle Half-Cent Sales Tax Revenues ⁽¹⁾	\$687,159.66	\$719,596.04	\$770,579.87	\$785,839.56	\$706,378.14
Debt Service ⁽²⁾	\$ 119,600	\$ 119,600	\$ 119,600	\$ 119,600	\$ 119,600
Debt Service Coverage	5.75x	6.02x	6.44x	6.57x	5.91x

⁽¹⁾ Source: State of Florida Department of Revenue.

⁽²⁾ Maximum annual debt service for the Basic Payments portion of Belle Isle Loan.

The City of Belle Isle has no other debt payable from the Belle Isle Half-Cent Sales Tax Revenues.

Under the terms of the Belle Isle Loan Agreement, the City of Belle Isle is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Half-Cent Sales Tax Revenues on a parity with the Loan Repayment obligations under the Belle Isle Loan Agreement provided that, among other things, the amount of Half-Cent Sales Tax Revenues received by the City for any twelve consecutive months within the 18 months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the City of Belle Isle Loan Agreement (Basic Payments only) and the proposed parity debt. The Belle Isle Loan Agreement does not contain any limitation upon the issuance of indebtedness of the City of Belle Isle that is not payable from or secured by the Half-Cent Sales Tax Revenues; the Anti-dilution Covenant described herein is not contained in the Belle Isle Loan Agreement.

The City of Belle Isle does not plan on incurring any indebtedness payable from Half-Cent Sales Tax Revenues for the foreseeable future.

City of Oldsmar Loan

The Loan Repayment Obligations of the City of Oldsmar in connection with the Oldsmar Loan Agreement are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of the City of Oldsmar with respect to the Oldsmar Loan Agreement are payable from and are secured by a pledge of and lien upon the "Public Service Tax Revenues" of the City (the "Public Service Tax Revenues"). Except as described under this caption, the Oldsmar Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

"Public Service Tax Revenues" means the proceeds of the tax levied and collected by Oldsmar on each sale of electricity, metered or bottled gas, bulk gas, fuel oil or potable water sales within the corporate territorial limits of the City of Oldsmar pursuant to Section 166.231, Florida Statutes, including but not limited to the public service tax currently imposed pursuant to Ordinance No. 2001-16 of Oldsmar. The Public Service Tax Revenues do not include the City of Oldsmar's communication services tax authorized by Section 337.401(3) Florida Statutes.

The Public Service Tax In General. Section 166.231, Florida Statutes, authorizes each Florida municipality to levy a tax on the purchase within such municipality of electricity, metered natural gas, liquified petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service, as well as services competitive with the foregoing, including fuel oil. Under present law, the tax may not exceed ten percent of the payments received by the seller of the taxable item, except that fuel oil may be taxed at a rate of not to exceed four cents per gallon.

A municipality may exempt from the tax any amount up to and including the first five hundred kilowatt hours of electricity purchased per month for residential use. The purchase of natural gas or fuel oil by a public or private utility, and the purchase of fuel oil or kerosene for use as an aircraft engine fuel or as propellant or for use in internal combustion engines is also exempt from taxation. A municipality may also exempt from the tax the purchase of metered or bottled gas or fuel oil for agricultural purposes. Purchases by the United States government, the State of Florida, and all counties, school districts and municipalities of the State of Florida, purchases by recognized churches and purchases by public bodies exempted by law or court order are also exempt from the tax. The Florida Statutes also authorize municipalities to exempt certain other categories of purchasers from the tax.

Public Service Taxes are collected by the seller of the taxable item of service and remitted to the taxing municipality. Each seller of services or items subject to the Public Service Tax is entitled to retain one percent of the amount of the tax collected in a form of a deduction from the amount collected as compensation for collecting and remitting the tax.

Oldsmar first imposed the Public Service Tax effective during 1980. Oldsmar imposes a tax on the purchase of electricity and metered or bottled gas (natural, liquified, petroleum gas, or manufactured), in the amount of 9% of the sale price, except for any fuel adjustment charge (a separately stated charge on some electric bills). Oldsmar also levies a tax on purchase of fuel oil at the rate of \$0.036 per gallon. Oldsmar does not exempt any sales except those required to be exempt by State statute.

The following table sets for the amount of Public Service Taxes collected by Oldsmar during the fiscal years ended September 30, 1998 through 2002, and pro-forma debt service coverage for the Oldsmar Loan:

Historical Coverage of Maximum Annual Debt Service Fiscal Years Ended September 30					
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Oldsmar Public Service Tax Revenues ⁽¹⁾	\$691,120	\$757,531	\$815,847	\$882,019	\$966,573
Debt Service ⁽²⁾	\$196,662	\$196,662	\$196,662	\$196,662	\$196,662
Pro-Forma Debt Service Coverage	3.51x	3.85x	4.15x	4.48x	4.91x

⁽¹⁾ Source: City of Oldsmar Finance Department.

⁽²⁾ Maximum annual debt service for the Basic Payments portion of Oldsmar Loan.

In the Oldsmar Loan Agreement, Oldsmar has covenanted to continue to impose the Public Service Tax while the Loan is outstanding and that it will not take any action or fail to take any action that might result in a suspension or termination of the receipt of the Public Service Tax Revenues; that it will take all appropriate action to keep and maintain the Public Service Tax Revenues at levels sufficient to enable it to perform its obligations under the Oldsmar Loan Agreement and, to the extent necessary to levy and impose Public Service Tax at a rate up to the maximum lawful rate on all or such purchases as shall be permitted by law, in order to enable Oldsmar to fulfill its obligations under the Oldsmar Loan Agreement. However, Oldsmar reserves the right to reduce or revise the Public Service Tax if such reduction or revision will not result in a violation of the foregoing covenants.

Under the terms of the Oldsmar Loan Agreement, the City of Oldsmar is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Public Service Tax Revenues on a parity with the Loan Repayment obligations under the Oldsmar Loan Agreement provided that, among other things, the amount of Public Service Tax Revenues received by the City for any twelve consecutive months within the 30 months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the City of Oldsmar Loan Agreement (Basic Payments only) and the proposed parity debt. The Oldsmar Loan Agreement does not contain any limitation upon the issuance

of indebtedness of the City of Oldsmar that is not payable from or secured by the Public Service Tax Revenues; the Anti-dilution Covenant described herein is not contained in the Oldsmar Loan Agreement.

The Oldsmar Loan Agreement is the only debt of Oldsmar that is secured by the Public Service Tax Revenues.

Financial Statements of the Borrowers

Appendices G through J include financial information about each of the Borrowers.

MUNICIPAL BOND INSURANCE

General

Payment of the principal of and interest on the Bonds will be insured by a Financial Guaranty Insurance Policy (the "Policy") to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

Municipal Bond Insurance

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's Policy.

The Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Holder of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by a Holder thereof; or (iv) any Preference relating to clauses (i) through (iii) of this paragraph. The Insurer's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any Holder of a Bond the payment of an insured amount for which is then due,

that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of Holdership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such Holders of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such Holders or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer 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 the Policy and the Insurer set forth under the heading "Municipal Bond Insurance." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such

statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2002, the Insurer had admitted assets of \$8.7 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$3.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be reversed or withdrawn.

The insurance provided by the Insurer's Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

DEBT SERVICE REQUIREMENTS

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

Year Ending November 1 (inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2003	\$ 950,000	\$1,270,362.50	\$2,220,362.50
2004	980,000	1,241,862.50	2,221,862.50
2005	1,005,000	1,212,462.50	2,217,462.50
2006	1,045,000	1,179,800.00	2,224,800.00
2007	1,070,000	1,145,837.50	2,215,837.50
2008	1,115,000	1,103,037.50	2,218,037.50
2009	1,160,000	1,064,012.50	2,224,012.50
2010	1,210,000	1,006,012.50	2,216,012.50
2011	1,280,000	945,512.50	2,225,512.50
2012	1,325,000	894,312.50	2,219,312.50
2013	1,255,000	841,312.50	2,096,312.50
2014	1,325,000	775,425.00	2,100,425.00
2015	1,395,000	705,862.50	2,100,862.50
2016	1,465,000	632,625.00	2,097,625.00
2017	1,545,000	555,712.50	2,100,712.50
2018	1,625,000	474,600.00	2,099,600.00
2019	1,715,000	389,287.50	2,104,287.50
2020	1,805,000	299,250.00	2,104,250.00
2021	1,895,000	204,487.50	2,099,487.50
2022	<u>2,000,000</u>	<u>105,000.00</u>	<u>2,105,000.00</u>
Total	\$27,165,000	\$16,046,775.00	\$43,211,775.00

The following tables set forth the annual Basic Payments for each Borrower.

Year Ending November 1 (inclusive)	City of <u>Belle Isle</u>	City of <u>Oldsmar</u>	City of Sunny <u>Isles Beach</u>	Village of <u>Wellington</u>
2003	\$116,812.50	\$194,062.50	\$1,403,475.00	\$506,012.50
2004	119,412.50	196,662.50	1,401,075.00	504,712.50
2005	116,862.50	194,112.50	1,403,225.00	503,262.50
2006	119,100.00	196,350.00	1,403,237.50	506,112.50
2007	116,175.00	193,425.00	1,402,600.00	503,637.50
2008	117,575.00	194,825.00	1,401,400.00	504,237.50
2009	119,250.00	196,500.00	1,402,600.00	505,662.50
2010	119,250.00	191,500.00	1,402,350.00	502,912.50
2011	119,000.00	196,500.00	1,405,350.00	504,662.50
2012	119,600.00	192,100.00	1,404,150.00	503,462.50
2013	--	192,700.00	1,401,750.00	501,862.50
2014	--	191,662.50	1,402,650.00	506,112.50
2015	--	195,362.50	1,401,187.50	504,312.50
2016	--	193,537.50	1,402,362.50	501,725.00
2017	--	196,450.00	1,400,912.50	503,350.00
2018	--	193,837.50	1,401,837.50	503,925.00
2019	--	195,962.50	1,404,875.00	503,450.00
2020	--	192,562.50	1,404,762.50	506,925.00
2021	--	193,900.00	1,401,500.00	504,087.50
2022	--	<u>194,712.50</u>	<u>1,405,087.50</u>	<u>505,200.00</u>
Total	\$1,183,037.50	\$3,886,725.00	\$28,056,387.50	\$10,085,625.00

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery 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 the Loan Agreements 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 the aforementioned 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 alternative minimum tax when any Bond is held by a corporation. The alternative minimum taxable income of a corporation must be increased by 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. In addition, in the opinion of Bond Counsel the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

Except as described above, Bond Counsel will express no opinion regarding the 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 15% of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in earning of certain foreign corporations doing business in the United States for purposes of a 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 the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

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. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

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 Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

Tax Treatment of Bond Premium

Each maturity of the Bonds was offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

In addition, the Bonds maturing in the years 2013 and thereafter were offered at prices in excess of the principal amount thereof to achieve a yield based upon the date on which such Bonds are subject to optional redemption by the Issuer (the "Call Date") rather than the maturity date (the "Callable Premium

Bonds”). Under the Code, the excess of the cost basis of a Callable Premium Bond over the amount payable at the Call Date of the Callable Premium Bond that minimizes the yield to a purchaser of a Callable Premium Bond (the "Lowest Yield Call Date") (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as “bond premium.” For federal income tax purposes, bond premium is amortized over the period to the Lowest Yield Call Date of a Callable Premium Bond. A bondholder will therefore be required to decrease his basis in the Callable Premium Bond by the amount of the amortizable bond premium attributable to each taxable year he holds such Callable Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Holders of the Bonds described above should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such Bonds.

LITIGATION

On the date of delivery of the Bonds, counsel to each respective Borrower will render an opinion 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 counsel's knowledge after due inquiry threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would adversely affect such Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the validity or enforceability of the Loan Agreement.

On the date of delivery of the Bonds, counsel to the Issuer will render an opinion 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 his knowledge, after due inquiry of the Issuer, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds, the Indenture or the Loan Agreements.

VALIDATION

On March 15, 1999, 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.

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 and Olive, P.A. bond counsel. Bond counsel has not undertaken to independently verify, and therefore expresses no opinion as to the accuracy, completeness or fairness of any of the statements in this Official Statement or in the Appendices hereto, except as to the fairness and accuracy of the information in the sections hereof captioned "The Bonds" (except for the information contained in the subheading thereunder captioned "Book-Entry Only System" as to which no opinion will be expressed), "Security and Sources of Payment" (except for the information under the subheadings thereunder captioned "City of Belle Isle Loan" and "City of Oldsmar Loan" as to which no opinion will be expressed) and "Tax Matters." A form of the approving opinion of bond counsel is included

herein as Appendix E. Certain legal matters will be passed upon for the Issuer by its counsel, Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A. Certain legal matters will be passed upon for certain of the Borrowers by their respective counsel.

Bond Counsel, counsel to the Issuer and counsel to the Underwriter will receive fees for services rendered in connection with the issuance of the Bonds, which fees are contingent upon the issuance and sale of the Bonds.

RATINGS

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies and Fitch, Inc. have assigned ratings of "AAA" and "AAA," respectively, to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy will be issued by the Insurer. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained only from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of either or both of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the Issuer has undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

UNDERWRITING

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$28,526,005.34 (which includes original issue premium of \$1,523,797.20 and underwriter's discount of \$162,791.86) plus accrued interest, and to reoffer the Bonds at the prices shown on the 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 Borrowers' 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.

FINANCIAL ADVISOR TO THE ISSUER

The Issuer has retained First Southwest Company, Orlando, 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 and each Borrower have entered into a covenant (each, a "Continuing Disclosure Covenant") 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 Covenants for the Issuer and the Borrowers are contained in Appendices A and B hereof.

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 may be 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.

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/ Raul Martinez
Its Chairman

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APPENDIX A

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of _____, 2002 (the "Continuing Disclosure Agreement") is executed and delivered by _____, Florida, a Florida _____ ("Borrower"), 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 Borrower 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 Borrower is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Borrower in accordance with paragraph (b)(5)(i)(A) of the Rule and Section 4 hereof, which contains Annual Financial Information with respect to the Borrower, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with paragraph (b)(5)(i)(B) of the Rule and 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 paragraph (b)(5)(i)(C) of the Rule and Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(D) of the Rule and 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 Financial Information**" shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

"**Annual Report**" means a document or set of documents which (a) identifies the Borrower; (b) contains (or includes by reference to documents which were provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB 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 Borrower; (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 Borrower 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 Borrower 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 date which is 270 days after the end of a Fiscal Year.

"Audited Financial Statements" means the financial statements of the Borrower 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 \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2002C.

"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 Borrower 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.

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

"Final Official Statement" means the Final Official Statement (as defined in paragraph (f)(3) of the Rule) prepared in connection with the Offering of the Bonds.

"Financial Information" means financial information related to the Borrower of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower 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 Borrower which shall approve the Audited Financial Statements.

"Indenture" means the Trust Indenture dated as of _____, 2002 by and between Florida Municipal Loan Council, as Issuer, and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Loan Agreement" means the Loan Agreement dated as of _____, 2002 between the Issuer and the Borrower.

"Listed Events" means any of the events which are listed in paragraph (b)(5)(i)(C) of the Rule as in effect on the date hereof and which are set forth in Section 6 hereof.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

"Offering" shall have the meaning ascribed thereto in paragraph (a) of the Rule.

"Operating Data" means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower 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 Banc of America Securities LLC.

"Rating Agencies" means Fitch, Inc. and Standard & Poor's Ratings Services.

"Repository" or "Repositories" means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

"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.

"SID" means, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

"Trustee" means Wachovia Bank, National Association, as trustee under the Indenture.

"Unaudited Financial Statements" means unaudited financial statements of the Borrower 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. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding Fiscal Year.

SECTION 3. Appointment of Dissemination Agent: Obligations of Borrower Respecting Undertaking. (a) The Borrower 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 Borrower 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 Borrower shall discharge such obligations until such time as the Borrower shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Borrower hereby acknowledges that the Borrower is obligated to comply with paragraph (5)(i) of the Rule in connection with the issuance of the Bonds and that the appointment of the Dissemination Agent as agent of the Borrower for the purposes herein provided does not relieve the Borrower of its obligations with respect to paragraph (5)(i) of the Rule.

SECTION 4. Annual Financial Information. (a) The Annual 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 Borrower is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Borrower of each Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Report Date. The Borrower 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 Borrower 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 each Repository, the Trustee, the Issuer, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Borrower.

(d) The Dissemination Agent shall provide the Issuer, the Borrower 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 each Repository 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 Borrower, the Repositories, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

SECTION 5. Continuing Disclosure Certificates. (a) The Borrower 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 from the information listed in Exhibit B hereto the Borrower will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to of the Borrower) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent to the effect that 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 Borrower 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 Borrower), 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) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Borrower obtains actual knowledge of the occurrence of any of the Listed Events, the Borrower shall, on a timely basis and in any event within ten (10) Business Days, determine whether the occurrence of such event is material to any of the Bondholders.

(c) If the Borrower determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Borrower shall promptly notify the Dissemination Agent of such determination in writing and instruct the Dissemination Agent to provide Event Notice in accordance with Section 6(e) hereof.

(d) If the Borrower determines that the occurrence of the Listed Event described in such notice is not material, the Borrower shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Borrower under this paragraph (d) shall be conclusive and binding on all parties hereto.

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

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

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

SECTION 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Borrower 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 Borrower 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 Borrower 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 Borrower 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 one or more members of the Borrower), to the effect 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 the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

SECTION 9. Assignment. The Borrower 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 Borrower 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 Borrower 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 Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes.

SECTION 11. Concerning the Dissemination Agent and the Borrower. (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 Borrower assumes no obligations hereunder other than those specifically assumed by the Borrower 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 Borrower, 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 Borrower and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

_____, as Borrower

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 _____, 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 _____, 2002 (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 270 days after 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 Master 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 the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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:

as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

The undersigned duly appointed and acting _____ of _____
_____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of _____, 2002 (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. Written Undertaking. On behalf of the Borrower, the Borrower hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2002C.

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 _____

(b) Operating Data _____

5. 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 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 _____ day of _____, 20__.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____

Its: _____

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR ISSUER

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of _____, 2002 (the "Continuing Disclosure Agreement") is executed and delivered by 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 270 days after the end of each Fiscal Year of the Issuer in accordance with paragraph (b)(5)(i)(A) of the Rule and 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 paragraph (b)(5)(i)(B) of the Rule and 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 paragraph (b)(5)(i)(C) of the Rule and 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 paragraph (b)(5)(i)(D) of the Rule and 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 Financial Information" shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

"Annual Report" means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB 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 Certificate" means an Annual Report Certificate in the form attached hereto as Exhibit A.

"Annual Report Date" means the date which is 270 days after 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 \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2002C.

"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 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.

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

"Final Official Statement" means the Final Official Statement (as defined in paragraph (f)(3) of the Rule) 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 as of _____, 2002, by and between the Issuer and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Listed Events" means any of the events which are listed in paragraph (b)(5)(i)(C) of the Rule as in effect on the date hereof and which are set forth in Section 6 hereof.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

"Offering" shall have the meaning ascribed thereto in paragraph (a) of the Rule.

"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 Banc of America Securities LLC.

“Rating Agencies” means Fitch, Inc. and Standard & Poor’s Ratings Services.

"Repository" or "Repositories" means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

"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.

"SID" means, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

"Trustee" means Wachovia Bank, National Association, 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. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding 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 paragraph (5)(i) of the Rule in connection with the issuance of the Bonds 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 paragraph (5)(i) of the Rule.

SECTION 4. Annual Financial Information. (a) The Annual 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 Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each

Report Date. The Issuer 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 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 each Repository, the Trustee, the Rating Agencies 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 each Repository 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 Repositories, 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 B 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 from the information listed in Exhibit B hereto the Issuer will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to of the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent to the effect that 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 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) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Issuer obtains actual knowledge of the occurrence of any of the Listed Events, the Issuer shall, on a timely basis and in any event within ten (10) Business Days, determine whether the occurrence of such event is material to any of the Bondholders.

(c) If the Issuer determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Issuer shall promptly notify the Dissemination Agent of

such determination in writing and instruct the Dissemination Agent to provide Event Notice in accordance with Section 6(e) hereof.

(d) If the Issuer determines that the occurrence of the Listed Event described in such notice is not material, the Issuer shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Issuer under this paragraph (d) shall be conclusive and binding on all parties hereto.

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

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

(g) 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 each Repository, the Insurer, the Rating Agencies and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with each Repository, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to each Repository in accordance with this Section 6(g).

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 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 the Repositories of any such amendment and shall provide the Repositories 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 Annual Report Certificate

The undersigned duly appointed and acting _____ of Florida Municipal Loan Council, as Issuer under the Continuing Disclosure Agreement (hereinafter described) (the "Issuer"), hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of _____, 2002 (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. 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 270 days after 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 Master 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 the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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 Issuer 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 _____, ____.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____
Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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 _____, 2002 (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 \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2002C.

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 _____ day of _____, 20__.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

APPENDIX C

FORM OF TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of November 1, 2002, by and between 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 WACHOVIA BANK, NATIONAL ASSOCIATION, 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, including particularly Part I of Chapter 163, 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 Borrowers, such bonds to be secured by instruments evidencing and securing loans to said Borrowers and to be payable solely out of the payments made by such Borrowers pursuant to 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 Loan Agreements between the respective Borrowers and the Council; and

WHEREAS, the Council has previously by a resolution adopted on December 17, 1998, as amended and supplemented (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in the aggregate principal amount of not exceeding \$500,000,000, 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 \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2002C 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) budget and appropriate legally available non-ad valorem funds of the Borrowers sufficient for that purpose, (ii) pay from ad valorem funds of the Borrowers or (iii) pay from specific revenues of the Borrowers; and

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

NOW, THEREFORE, THIS TRUST INDENTURE

W I T N E S S E T H:

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, a security interest in 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 and 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 and 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 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 the Loan Agreements more fully described in Granting Clause First hereof pledged for the payment of such Bonds, the Funds and Accounts set forth in Granting Clause Second hereof established for such Bonds and the Revenues, proceeds of the Bond Insurance Policy 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 otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture, have the meanings herein specified.

“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 166, Part II, Florida Statutes, and Chapter 125, Part I, as amended, and all other applicable provisions of law.

“Additional Payments” means payments required by Section 5.03 of the Loan Agreement.

“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” with respect to any Term Bonds, shall mean 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.

“Arbitrage Regulations” means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code, as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

“Authorized Denominations” means \$5,000 and 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 or Vice Mayor thereof and, when used with reference to a Borrower which is a County means the person performing the functions of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrowers, and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

“Basic Payments” means the payments denominated as such in Section 5.01 of the Loan Agreement.

“Board” means the governing body of the Borrower.

“Bond Counsel” means Bryant, Miller and Olive, P.A., Tampa, Florida, or any other nationally recognized bond counsel which is selected by the Council and acceptable to the Trustee.

“Bondholder” or “Holder” or “holder of Bonds” or “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 financial guaranty insurance policy of the Bond Insurer which insures payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Insurance Premium” with respect to the Bonds, means the premiums payable to the Bond Insurer for the Bond Insurance Policy.

“Bond Insurer” means MBIA Insurance Corporation, and any successor thereto.

“Bonds” means the Florida Municipal Loan Council Revenue Bonds, Series 2002C issued hereunder.

“Bond Service Requirement” for any Bond Year shall mean the sum of: (1) the amount required to pay the interest becoming due on the Bonds during such Bond Year, (2) the amount required to pay the principal of the Bonds maturing in such Bond Year, and (3) the amount required to pay the Amortization Installment becoming due during such Bond Year.

“Bond Year” means a 12-month period beginning on November 2, ending on and including the following November 1, except for the first period which begins on November 21, 2002.

“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.

“Business Day” means a day of the year which is not a Saturday or Sunday or a day on which the Trustee is lawfully 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, Executive Director or such other person as may be designated and authorized to sign for the Council. 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 this Indenture and a Loan Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed, or applicable thereunder.

“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.

“Council” means the Florida Municipal Loan Council.

“Cost” means “Cost” as defined in the Act.

“Cost of Issuance Fund” means the fund by that name created by Section 4.02 hereof.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Council or the Borrower.

“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.

“Depository” means the securities depository acting as Depository under this Indenture, which may be the Council.

“Designated Member” means any designated person selected by the Council.

“Designated Office” means, with respect to the Trustee, the office set forth in or pursuant to Section 14.05 hereof.

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

“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 his successor.

“Financial Guaranty Agreement” means the agreement of that name dated May 1, 2002 between the Council and the Surety Bond Provider.

“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.

“Fiscal Year” means the fiscal year of the Borrower.

“Fitch” means Fitch Ratings, 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, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

“Florida Municipal Investment Trust” means the investment trust administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentalities and high grade corporate securities.

“Funds” means the funds created pursuant to Section 4.02 hereof.

“Governmental Obligations” means (a) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, and (b) pre-refunded municipal obligations meeting the following criteria:

(i) the municipal obligations must be rated AAA by S&P and AAA by Fitch and may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(ii) the municipal obligations are secured by cash or securities described in clause (a) above (the “Defeasance Obligations”), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;

(iii) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(iv) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(v) the Defeasance Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent.

Additionally, evidences of ownership of proportionate interests in future interest and principal payments of Defeasance Obligations are permissible. Investments in these proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in a special account separate and apart from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

“Indenture” means this Trust Indenture dated as of November 1, 2002 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) 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 Proceeds” means amounts which are deposited by the Bond Insurer with the Trustee pursuant to Article IX hereof as a condition of the direction of acceleration of all or a portion of the Bonds by the Bond Insurer.

“Interest Payment Date” means May 1 and November 1 of each year.

“Interest Period” means the period commencing on an Interest Payment Date and ending on the day preceding the next Interest Payment Date, provided that the initial Interest Period shall commence on the dated date of the Bonds.

“Interlocal Act” means Chapter 163, Part I, Florida Statutes.

“Interlocal Agreement” means that certain Interlocal Agreement originally dated as of December 1, 1998, among the various governmental entities executing it from time to time, (until the withdrawal of such members) the original parties to which are the City of Stuart, the City of Deland and the City of Rockledge.

“Investment Securities” means any of the following investments:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):
 - I. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - 2. Farmers Home Administration (FMHA)
Certificates of beneficial ownership
 - 3. Federal Financing Bank
 - 4. Federal Housing Administration Debentures (FHA)
 - 5. General Services Administration
Participation certificates
 - 6. Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations
(not acceptable for certain cash-flow-sensitive issues.)
 - 7. U.S. Maritime Administration
Guaranteed Title XI financing
 - 8. U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures-U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds

- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):
1. Federal Home Loan Bank System
Senior debt obligations
 2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates
Senior debt obligations
 3. Federal National Mortgage Association (FNMA or “Fannie Mae”) Mortgage-backed securities and senior debt obligations
 4. Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations
 5. Resolution Funding Corp. (REFCORP) obligations
 6. Farm Credit System
Consolidated systemwide bonds and notes
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AAA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2.”
- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC’s, acceptable to the Bond Insurer.
- H. Commercial paper rated, at the time of purchase, “Prime - 1 by Moody’s and “A-1” or better by S&P.
- I. Bonds or notes issued by any state or municipality that are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

- J. Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unwarranted obligation rating of “Prime - 1,” or “M” or better by Moody’s and “A- 1” or “A” or better by S&P.
- K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by the Bond Insurer:

- 1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list that are rated “A” or better by S&P and Moody’s, or
 - b. Banks rated “A” or above by S&P and Moody’s .
- 2. The written repo contract must include the following:
 - a. Securities that are acceptable for transfer are:
 - (i) Direct U.S. governments, or
 - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
 - d. Valuation of Collateral
 - (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as

collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion that must be delivered to the municipal entity:
 - a. Repo meets guidelines under state law for legal investment of public funds.
12. The Florida Municipal Investment Trust 1 - 3 year High Quality Bond Fund.
13. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.
14. The Florida Municipal Investment Trust Enhanced Cash Portfolio
15. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Bond Insurer.

“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 the Loan Agreement.

“Loans” means all loans made by the Council under this Indenture to Borrowers.

“Loan Agreement” or “Loan Agreements” means the Loan Agreement or Loan Agreements between the Council and the Borrower(s) 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 made by the Council to such participating Borrower(s) from proceeds of a Series of Bonds and establishing the terms and conditions upon which such Loans are to be made.

“Loan Repayment Date” means October 20, 2002 and thereafter each October 20th and April 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 the Loan Agreement.

“Loan Term” means the term provided for in Article IV of the Loan Agreement.

“Moody’s” means Moody’s Investors Service and its successors and assigns.

“Non-Ad Valorem Revenues” means, with respect to certain Borrowers, all revenues and taxes of such Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

“Opinion of Bond Counsel” means an opinion by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income of interest payable on obligations of states and their instrumentalities and political subdivisions, and which is selected by the Council and acceptable to the Trustee and the Bond Insurer.

“Opinion of Counsel” means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, a Borrower or 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.

“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 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.

“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 any 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.

“Purchase Price” means the purchase price of one or more items of a Project negotiated by a Borrower with the seller of such items.

“Rating Category” means one of the generic rating categories of either Fitch, Moody’s or S&P, without regard of any refinement or graduation of such rating category by a numerical modifier or otherwise.

“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 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.

“Registrar” means the Trustee.

“Representation Letter” shall mean the Representation Letter from the Council to DTC.

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

“Reserve Requirement” shall mean five percent of the original par amount of the Bonds provided that such par amount shall exclude the par amount allocable to the loans which are general obligations of the Borrowers.

“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, a division of The McGraw-Hill Companies, Inc., 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 as a record date for the payment of defaulted interest 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 surety bond 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.

“Surety Bond Provider” means MBIA Insurance Corporation and any successors thereto.

“Term Bonds” shall mean the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

“Trustee” means Wachovia Bank, National Association, as Trustee, or any successor thereto under this Indenture.

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

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 reference 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.

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 Revenue Bonds, Series 2002C”. At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amount of _____ Dollars (\$_____). 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, as hereinafter defined, 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 as hereinafter defined, 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 Series. 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 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 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, premium, if any, and interest 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, 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 Bonds shall designate, in accordance with the provision hereof.

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated as of November 1, 2002. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. 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 payment date, in which case it shall bear interest from its date. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$ _____ Serial Bonds

Maturity (_____ 1)	<u>Amount</u>	<u>Interest Rate</u>	Maturity (_____ 1)	<u>Amount</u>	<u>Interest Rate</u>
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\$ _____ % Term Bonds due November 1, _____

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 corporate trust office of the Trustee, or any successor paying agent and registrar appointed pursuant to the provisions of Sections 10.12 and 10.13 hereof (the "Paying Agent" or "Registrar"), 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, a Special Record Date established pursuant to Section 9.05), by check mailed on the Interest Payment Date to such registered owner at his address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of 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 Insurance Policy. So long as the Bond Insurance Policy shall be in full force and effect, the Council and the Trustee hereby agree to comply with the following provisions:

A. In the event that, on the second Business Day, and again on the Business Day prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of, and interest on the Bonds due on the second following, or next following as the case may be, Business Day, the Trustee shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telegraph confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. 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.

C. In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal, or interest on the Bonds to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Bonds as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy (the "Bond Insurance Policy") payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holder; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bond surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying

Agent is received), (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Council and the Trustee hereby agree for the benefit of the Bond Insurer that:

1. They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Council, with interest thereon as provided and solely from the sources stated in this Indenture and the Bonds; and

2. They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

G. Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to S&P.

H. The Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

I. The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Borrower's audited financial statements and annual budget.

Any notice that is required to be given to a holder of the Bonds or to the Trustee pursuant to this 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 113 King Street, Armonk, New York 10504, Attention: Surveillance.

SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer. 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 accelerated or are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Bonds to the Bondholders prior to the stated maturity dates thereof.

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 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 (i) 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 (ii) 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 nor 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 his 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 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 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 variations, omissions and insertions 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 November 1, 20__ are not subject to optional redemption prior to their maturities. The Bonds maturing after November 1, 20__ are subject to redemption at the option of the Council on or after November 1, 20____, 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, during the following periods and at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
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SECTION 3.02. Mandatory Redemption of Bonds.

(a) The Bonds that mature on November 1, 20__ are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, beginning on November 1, 20____, and on each November 1 thereafter in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
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*Maturity

(b) The Bonds are also subject to extraordinary mandatory redemption as a result of acceleration of any Loan pursuant to a Loan Agreement at any time, in whole or in part, at a

redemption price of the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan or Loans. To the extent that all Loans are not being accelerated, Bonds to be redeemed shall be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the principal loan payment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event Liquidation Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

SECTION 3.03. Notice of Redemption. In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the registered Owner of any Bonds designated for redemption in whole or in part, at his address as the same shall last appear upon the Bond registration books by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the redemption date. 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. A copy of any such notice shall also be sent by the Registrar to the Bond Insurer and any person necessary to ensure compliance by the Council with applicable rules and regulations regarding such notices.

Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

The Registrar also shall mail a copy of such notice by registered or certified mail or overnight delivery service (or by telecopy where permitted) for receipt not less than thirty (30) days before such redemption date to the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

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.

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 of Florida 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 of Florida 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: (1) the Project Loan Fund, with an Account relating to each Borrower therein, (2) the Principal Fund, (3) the Revenue Fund, (4) the Cost of Issuance Fund, (5) the Reserve Fund, and (6) the Rebate Fund.

SECTION 4.03. Project Loan Fund. Moneys in the Project Loan Fund shall be segregated at Closing into separate Accounts for each Loan to a Borrower as provided in Section 4.07(iii) upon the submission of the documents by Borrowers as required by, and upon the terms and conditions specified in, Article V hereof. Interest earnings on investments in each Account of the Project Loan Fund shall be held in and credited to such Account. Upon the occurrence of an event of default under a Loan Agreement and the exercise by the Trustee of the remedy of acceleration as specified in such Loan Agreement, any moneys in the Account of the Project Loan Fund relating to such Borrower and not yet disbursed to the defaulting Borrower, if any, shall be transferred by the Trustee to the Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof.

SECTION 4.04. Principal Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds or Insurance Proceeds, the Trustee shall deposit in the appropriate Account of 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: (1) to pay scheduled principal payments of the Bonds and (2) 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. Upon acceleration of

maturity of the Bonds pursuant to Section 9.02, all amounts in the Principal Fund shall be used to pay maturing principal of and interest on the Bonds.

SECTION 4.05. Revenue Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds, Insurance 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:

- (1) On each Interest Payment Date, to pay interest due on the Bonds;
- (2) At such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (3) 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 4.12 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;
- (4) On each Interest Payment Date of each year, 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.
- (5) 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, 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 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 nationally recognized rating agencies, 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 (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid, (b) 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 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 and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), 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 May 1, 2003 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 Series 2002C Bonds in the sum of \$_____ shall be deposited with the Trustee as follows:

- (i) In the Revenue Fund, the sum of \$_____, which represents accrued interest;
- (ii) In the Cost of Issuance Fund, the sum of \$_____;
- (iii) In each Account for the respective Borrowers in the Project Loan Fund, the total sum of \$_____, allocated as follows:
 - (a) City of Belle Isle \$
 - (b) City of Oldsmar \$
 - (c) City of Sunny Isles Beach \$
 - (d) Village of Wellington \$

The Council understands that \$_____ is being transmitted by the Banc of America Securities LLC, as Underwriter, directly to Bond Insurer.

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. Such Reserve Fund shall be on a parity with any reserve fund established by the Council in any other approved series of the Council's bonds listed on Annex A to the Surety Bond. If any withdrawal is made under subsection (b)(i) below, the Council shall pay to the Trustee an amount received from the Borrower pursuant to Section 5.03(c) of the Loan Agreement which is sufficient to repay the principal and interest on the Surety Bond 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 Financial Guaranty Agreement. The Surety Bond shall be payable to the Trustee on any interest payment or redemption date on which a deficiency exists 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. 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 of bonds as listed on Annex A to the Surety Bond. The Trustee may deliver a Demand for Payment in an amount less than or equal to the limit of the Surety Bond. If a Demand for Payment is made on behalf of a Borrower which has an outstanding Loan Agreement relating to the Bonds and other loan agreements relating to the other series of the Council's bonds, then the Council's reimbursement, from the payments received by such Borrower, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other loans. 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.

The Trustee shall deliver a Demand for Payment in the form attached to the Surety Bond at least three (3) days prior to the date on which funds are required from the Surety Bond, 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 this 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. The Trustee is required to reimburse the Surety Bond Provider with interest 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 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. The Trustee is hereby authorized to accept an Alternate Surety Bond with the prior written consent of the Bond Insurer.

SECTION 4.09. 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 shall have received an Opinion of Bond Counsel acceptable to the Council 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 4.10. 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 and be subject to the security interest created hereby.

SECTION 4.11. Reports From Trustee. Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer and to any Borrower, upon 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 4.12. 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(3) hereof.

ARTICLE V
PROJECT LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make Loans to Borrowers in order to (i) finance the acquisition, installation and construction of Projects by Borrowers and (ii) refund or refinance debt incurred by Borrowers, or reimburse funds previously expended by Borrowers, to acquire, install and construct Projects, 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 Borrowers 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 Borrowers in the form attached to the 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 Borrower will be made only if such Borrower is not then in default under this Indenture or their 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, the Borrower shall not make more than two (2) requests for a construction or project draw per calendar month. Each draw request must be 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 15th day of the month.

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and the Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or the Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to exclusively rely on such representation and shall be fully indemnified by the 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 Agreement 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 Borrowers and their agents and representatives thereof.

ARTICLE VI

SERVICING OF LOANS

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 the Trustee shall be notified of such default in a written instrument.

ARTICLE VII

INVESTMENT OF MONEYS

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the direction of the Council through its Program Administrator, which direction may be in writing or telephonically, promptly confirmed in writing. The Trustee shall assume that any investment directed by the Council or any Borrower is lawful.

Moneys in the Funds and Accounts shall be invested at the 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 (i.e., for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement. Notwithstanding the foregoing, Loan Repayments may not be invested in investments described under Section 1.01 hereof, Investment Securities sections L, M and N.

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 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 Account.

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 Government Obligations maturing at such times, and in such amounts as are necessary to match the interest payments on the Bonds.

ARTICLE VIII

DISCHARGE OF INDENTURE

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 or the Financial Guaranty Agreement by the Council, 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 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 direction of the Council not be canceled but shall be transferred and pledged as security and a source of payment for the refunding bonds.

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 of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

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 and premium, if any, on such Bond, plus interest thereon 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 time 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 and the Bond Insurer 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. 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 (1) until the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(i) 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);

(ii) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) if all the Bonds are not to be redeemed within 30 days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the Owners of the Bonds that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article 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 (i) hereof; and

(2) if any Bonds are to be redeemed within the next 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 direction of the Council also be invested and reinvested in Governmental Obligations described in clause (i) of the definition thereof, 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 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.

No deposit under this Article shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

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 Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including 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 for the payment of 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 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 and no Bond shall be deemed paid under this Indenture if the Bond Insurer shall have made any payment under the Bond Insurance Policy or Surety Bond 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. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

Prior to any defeasance becoming effective under this Indenture, (i) the Bond Insurer shall have received an opinion of Counsel, satisfactory to the Bond Insurer, to the effect that the proceeds of any deposit to effectuate such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Council or any applicable Borrower, (ii) the amounts required to be deposited in an escrow fund pursuant to this Indenture and the escrow deposit agreement entered into in order to effectuate such defeasance shall be invested only in Government Obligations and (iii) the Bond Insurer shall have received (a) the final official statement delivered in connection with the refunding bonds, (b) a copy of the accountant's verification report, (c) a copy of the escrow deposit agreement in form and substance acceptable to the Bond Insurer, (d) a copy of an opinion of Bond Counsel, dated the date of closing addressed to the Bond Insurer, to the effect that the refunded bonds have been paid within the meaning and with the effect expressed in the Indenture, and the covenants, agreements and other obligations of the Council to the holders of the refunded bonds have been discharged and satisfied. The opinion required by (i) above may be waived in the discretion of the Bond Insurer at the time of such defeasance.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 9.01. Defaults; Events of Default. If any of the following events occurs 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 Bond Insurer approval, 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.

(b) Subject to Bond Insurer approval, 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.

(d) The Trustee shall give written notice of any Event of Default to the Council and the Bond Insurer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee. If an Event of Default has occurred and is continuing, the Bond Insurer shall, subject to the provisions in the following sentence, have the right to direct the Trustee to declare immediately due and payable the principal amount of the Outstanding Bonds, provided that as a condition to such direction of acceleration the Bond Insurer shall have deposited Insurance Proceeds with the Trustee in an amount equal to principal of and interest accrued and to accrue (to a date not less than 30 days following the Bond Insurer's notice of direction to the Trustee of acceleration) on the Bonds Outstanding which are due as a result of such acceleration. **NOTWITHSTANDING THE FOREGOING OR ANY PROVISION HEREIN TO THE CONTRARY, IN THE EVENT AN EVENT OF DEFAULT HAS OCCURRED BECAUSE OF A DEFAULT UNDER LESS THAN ALL OF THE RELATED LOAN AGREEMENTS, THE BOND INSURER SHALL ONLY HAVE THE RIGHT TO DIRECT THE TRUSTEE TO DECLARE IMMEDIATELY DUE AND PAYABLE A PRINCIPAL AMOUNT OF THE OUTSTANDING BONDS IN AN AMOUNT EQUAL TO THE PRINCIPAL AMOUNT OF THE LOAN OR LOANS THEN IN DEFAULT.** In such event, the Bond Insurer shall direct the Trustee as to which of the Outstanding Bonds shall be declared immediately due and payable. In making such declaration, the Council and the Bond Insurer may only declare Bonds immediately due and payable which correspond in terms of amount and scheduled maturity date to the related Loan Repayments. When the Trustee is directed that payment with respect to such Bonds is to be accelerated by the Bond Insurer pursuant to this Section and when the Bond Insurer, in connection with acceleration of such Bonds by the Trustee, shall have elected in its discretion to deposit Insurance Proceeds in an amount sufficient to pay all amounts of principal and interest due on such Bonds including principal due by reason of acceleration and has so notified the Trustee, the Trustee shall mail notice to the registered Owners of such Bonds not less than fifteen days prior to the date (the "Insurance Payment Date") to which interest accrued and to accrue on such Bonds has been provided by the Bond Insurer, which notice shall state the manner in which such Bonds may be assigned to the Bond Insurer or to an agent or designee thereof in exchange for payment thereon and shall state that from and after the Insurance Payment Date, interest shall cease to accrue on such Bonds for the benefit of such registered Owners (provided that an amount equal to such interest shall continue to accrue on such Bonds assigned to the Bond Insurer as aforesaid).

If an Event of Default shall have occurred, and if requested so to do by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and Bond Insurer and indemnified as provided in Section 10.01(k) hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 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 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.

SECTION 9.03. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) or, with consent of the Bond Insurer (provided such consent shall not be required if the Bond Insurer is in default under the Bond Insurance Policy), 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(1) or Section 4.05(2) 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 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 Sections 4.05(3); 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) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal of and interest then due and unpaid upon the Bonds and amounts payable pursuant to Section 4.05(3), with Bond principal and interest to be paid first, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and with the items enumerated in Section 4.05(3) to be paid second to the Persons entitled thereto without any discrimination or privilege.

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 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 and the Bond Insurer 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, 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, 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 may rescind any declaration of maturity of all the Bonds affected thereby (except an acceleration of maturity of all or a portion of such Bonds directed by the Bond Insurer) 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, unless the Bond Insurer is in default under the Bond Insurance Policy) 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, unless the Bond Insurer is in default under the Bond Insurance Policy) 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 arrearages of interest or all arrearages of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all expenses of the Trustee 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 or by the Bond Insurer or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds and the Council shall have had 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 be 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.

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 knowledge of (i) an Event of Default specified in Section 9.01 hereof; (ii) the withdrawal of amounts on deposit in the Reserve Fund; or (iii) 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 and 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 acceleration of the Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent. All rights to collect, receive and dispose of such collateral shall be independent of any rights to effect acceleration of the Bonds.

(b) 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 (unless the Bond Insurer is in default under the Bond Insurance Policy) 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 as defined herein, the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy, shall at all times be deemed the exclusive owner of all Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders for the benefit of the Bondholders under this Indenture.

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. 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 man 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 but shall be answerable for the conduct of the same in accordance with the standard specified above, 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 Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless an officer of the corporate trust department 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 or the Bond Insurer or a court of law or by 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, Bond Insurer and the Borrowers.

(f) The Trustee shall be 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 or 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 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 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 the Trustee has 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 Section 9.02 or 9.07 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.

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 (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, 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 (i) the Bond Insurer, or (ii) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer.

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 \$75,000,000 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 Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Council and signed 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.

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 \$75,000,000 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.

SECTION 10.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his 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 Fitch and 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, at reasonable hours and under reasonable conditions.

SECTION 10.11. [This Section 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.

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 or 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, in the judgment of the Trustee, 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 or 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 as shall be deemed necessary and desirable by the Trustee 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 contained shall permit, or be construed as permitting (1) without the consent of the Owners of all then Outstanding Bonds affected thereby, of (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (e) 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 (2) 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 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 principal corporate trust 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 (1)(a) through (e) of this Section 11.02 constitute consent of the Owners.

SECTION 11.03. Notice to S&P and Fitch. The Trustee shall give notice to the Bond Insurer, S&P and Fitch of any supplemental indentures or any amendments to any Loan Agreement.

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, in the judgment of the Trustee, 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 as in this Section provided. If at any time the Council and a Borrower shall request 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 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.

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.

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 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 13.06 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 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 a copy of the Indenture, the Bond Insurance Policy 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, lien on and security interest in 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 security interest in, or made an assignment or sale of such collateral that ranks on a parity with (except the Reserve Fund) or prior to the lien, security interest 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, lien on, or security interest in such collateral that ranks prior to or on a parity with (except the Reserve Fund) the assignment, lien, or security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

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 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 Bonds and the amount or amounts, numbers and other identification of 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. The Bond Insurer. 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.

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
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Trustee: Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

For purposes of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association
Wachovia Customer Information Center
Corporate Trust Operations
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28262-1153

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.

SECTION 14.09. Reporting Requirements. The Council will file or cause to be filed with the Bond Insurer any official statement issued by, or on behalf of, the Council in connection with the incurrence of any additional indebtedness by such Council.

[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: Raul Martinez
Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By: _____
Name: Michael Sittig
Title: Executive Director

TRUST INDENTURE

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

[SEAL]

By: _____
Name:
Title:

EXHIBIT A

[FORM OF CURRENT INTEREST BOND]

No. R- _____

\$

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BOND
SERIES 2002C

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 _____, _____, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on November 1, 2002, and on each May 1 and November 1 thereafter (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 principal office of _____, as Paying Agent and Registrar (together with any successor thereto, 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 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 Revenue Bonds, Series 2002C” (the “Bonds”), issued in the aggregate principal amount of _____ Dollars (\$_____), 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 _____, 2002, between the Council and Wachovia Bank, National Association, (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 City of Belle Isle, Florida, City of Oldsmar, Florida, City of Sunny Isles Beach, Florida and Village of Wellington, Florida (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 principal corporate trust 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 (as defined in the Indenture) 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 maturing on and before _____ 1, ____ are not subject to optional redemption prior to their maturities. The Bonds maturing on and after _____ 1, ____ are subject to redemption at the option of the Council on or after _____ 1, _____, 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, during the following periods and at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
---	-------------------------

The Bonds that mature on November 1, _____ 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 November 1, _____, and on each November 1 thereafter in the following principal amounts in the following years:

Year

Principal Amount

In addition, the Bonds are also subject to extraordinary mandatory redemption (as a result of acceleration pursuant to the Indenture) at any time, in whole or in part, at a redemption price of the principal amount thereof plus accrued interest to the redemption date, without premium, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds (as such terms are defined in the Indenture) received by the Trustee as a result of an acceleration of any Loan or Loans. If Bonds are to be redeemed in part by extraordinary mandatory redemption, the Bonds to be redeemed will be selected on a proportionate basis from among all of the maturities of such Bonds which correspond to the maturities of such Loan and within each maturity by lot. To the extent that all Loans are not being accelerated, Bonds are to be redeemed as the Council in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the principal loan payment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event that Liquidation Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

In the case of every redemption, the Registrar, at the direction of the Trustee, 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 financial guaranty insurance policy, and the Bonds are accelerated or redeemed pursuant to the terms of the Indenture or Loan, 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.

If an Event of Default (as defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The Indenture and the rights and obligations of the Council and of the Bondholders and of the 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, or 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 said State is 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, as hereinafter defined, 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.

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 March 15, 1999.

By: _____
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Registrar

Date of Authentication:

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

[END OF BOND FORM]

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APPENDIX D

FORM OF LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of _____, 2002 and entered into 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, and the [BORROWER] ("the Borrower"), a duly constituted municipality under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to the authority of the hereinafter defined Act, 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 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 of Florida organized and existing under and by virtue of the Interlocal Agreement 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 Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act, as amended, to enter into this Loan Agreement for the purposes set forth herein; 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 Agreement and that certain Trust Indenture dated as of _____, 2002, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"),

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 nor the State or 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 “Florida Municipal Loan Council Revenue Bonds, Series 2002C” (the “Bonds”) as the same shall become due, and the issuance of the Bonds shall not directly, indirectly or contingently obligate 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 Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

ARTICLE I

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, 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 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, 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.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"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 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 an act or document, also means any other person authorized by resolution to perform such act or sign such document.

"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 and Olive, P.A., Tampa, Florida or any other nationally recognized bond counsel.

"Bondholder" or "Holder" or "holder of Bonds" or "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" means the insurance policy of the Bond Insurer which insures payment of the principal of and interest on the Bonds when due.

"Bond Insurance Premium" means the premiums payable to the Bond Insurer for the Bond Insurance.

"Bond Insurer" means MBIA Insurance Corporation and any successors thereto.

"Bonds" means the Florida Municipal Loan Council Revenue Bonds, Series 2002C issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on _____ 2 and ending on and including the following _____ 1, except for the first period which begins on _____, 2002.

"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" means, collectively, the Borrower executing this Loan Agreement and the other governmental units which have received 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" 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. 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 Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed or applicable thereunder.

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

"Council" means the Florida Municipal Loan Council.

"Cost" means "Cost" as defined in the Act.

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

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

"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 Agreement.

"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.

"Fiscal Year" means the fiscal year of the Borrower.

"Fitch" means Fitch Ratings, 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, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

"Funds" means the funds created pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, including interest on obligations of the Resolution Funding Corporation and (ii) pre-refunded municipal obligations meeting the following criteria:

(a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by cash or securities described in subparagraph (i) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;

(c) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) the Defeasance Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent.

Additionally, evidences of ownership of proportionate interests in future interest and principal payments of Defeasance Obligations are permissible. Investments in these proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in a special account separate and apart from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Indenture" means the Trust Indenture dated as of _____, 2002 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) 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.

"Interest Payment Date" means May 1 and November 1 of each year, commencing November 1, 2002.

"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.

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

"Loan" means the Loan made to the Borrower from Bond proceeds to finance certain Project(s) in the amount specified in Section 3.01 herein.

"Loans" means all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" or "Loan Agreements" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means _____, and thereafter each _____ 20th and _____ 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.

"Moody's" means Moody's Investors Service, 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 Borrower derived from any source whatever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Opinion of Bond Counsel" means an opinion by Bond Counsel which is selected by the Council and acceptable to the Trustee.

"Opinion of Counsel" means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, a Borrower or the Trustee.

"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 IX 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" 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 created by 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.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to any 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.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"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 the Indenture.

"Reserve Fund" means the fund by that name created by Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name created by 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, at maturity or upon acceleration of 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, a division of the McGraw-Hill Companies, Inc., 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 of the Indenture 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 the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds as provided therein or any Alternate Surety Bond.

"Surety Bond Provider" means _____ and any successors 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 Wachovia Bank, National Association, as Trustee, or any successor thereto under the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL

SECTION 2.01. Representations, Warranties and Covenants. The Borrower and the Council represent, warrant and covenant on the date hereof for the benefit of 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 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 State of Florida 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 Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer 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, Banc of America Securities LLC, as underwriter of the Bonds 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 Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower 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, Banc of America Securities LLC, as underwriter of the Bonds 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 Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement and compliance by the Borrower with the provisions of this 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 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 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 Agreement or the Borrower's ability to perform fully its obligations under this 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 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 and/or installation of the Project, including construction and renovation work, the financing or refinancing thereof or the reimbursement of the Borrower therefor, or the use of such 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 or installation of the Project, including construction and renovation work necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefor; and 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, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing for the cost of the Projects as set forth in Exhibit A hereto. 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 _____, use the remainder of the amounts listed in Exhibit A and any investment earnings thereon to pay the cost of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee, and provided further that Borrower may amend Exhibit A without the consent of the Council or the Trustee (but with notice thereto) but with a favorable 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, to provide for the financing of a different or additional Project if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of such Project or the cost of the Project proves to be less than the amounts listed on Exhibit A and the investment earnings thereon. Notwithstanding the foregoing all such proceeds shall be expended prior to _____. Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Loan in the Project Loan Fund.

(2) Items of cost of the Project which may be financed include all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction or installation of the Project, including operational expenses during this construction period which would qualify for capitalization under generally accepted accounting principles, the incidental costs of placing the same in use and financing expenses (including the application or origination fees, if any, of the Bond Insurer and the Council and Borrower's Counsel fees), but not operating expenses.

(3) 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 in an amount equal to a discount as described in Section 3.01 hereof. 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, original issue discount 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. 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 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 into the appropriate Fund or Account created 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.

During such time as the Loan is outstanding hereunder, the Borrower agrees that, as soon as practicable upon the issuance of debt by the Borrower which is secured by its Non-Ad Valorem Revenues, it shall deliver to the Council and the Bond Insurer a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following: (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 1.5x; and (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as general fund, special fund, debt

service fund and capital projects funds), exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Borrower's audited financial statements (average of actual receipts of the prior two years). For the purposes of these covenants maximum annual debt service means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by Borrower Non-Ad Valorem Revenues.

(b) Delivery of Information to 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 Florida law.

(d) [Reserved].

(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. Subject to an annual appropriation of legally available funds, 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 not be included within 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 excluded 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 Bryant, Miller and Olive, P.A. 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.

(j) Information Reports. The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess 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. 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 Trustee or the Bond Insurer, 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, or the Bondholders or 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 said Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this 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. 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 any other Borrower or the Council for any of their respective liabilities, except to the extent expressly provided hereunder.

The Council and the Borrower 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.

(1) Reporting Requirements. (i) 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. Such official statements shall be filed within sixty (60) days after the publication thereof.

(ii) The Borrower agrees to provide not later than December 31 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.

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 \$_____ (\$_____ par amount of Bonds [plus \$_____ reoffering premium][less \$_____ reoffering discount]). This amount includes a discount equal to _____% which reflect the Borrower's share of the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement and in the Indenture. The amounts advanced net of the discount are to be used by the Borrower for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan 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.

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 Borrowers pursuant to Section 5.03(b)(7) hereof) 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 Borrower is providing to the Trustee the following documents each dated the date of such execution and delivery unless otherwise provided below:

- (a) Certified resolutions of the Borrower substantially in the form of Exhibit B attached hereto;
- (b) An opinion of the Borrower's Counsel 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 who sign this Loan Agreement 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 _____, _____, 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) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the resolution authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(g) 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.

All opinions and certificates shall be dated the date of the Closing.

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. 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 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 _____ 20th and _____ 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing _____, 2003, and extending through _____ 20, 20__, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. Payment of Surety Bond Costs. 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. Therefore the Borrower hereby agrees to make deposits 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, Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) 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) 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 and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees of the Trustee following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof;

(5) all taxes (including any recording 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, 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 relating directly to the Loan; and

(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.

(c) For deposit to the Reserve Fund held by the Trustee an amount equal to any amount drawn from the Surety Bond in the Reserve Fund 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 from the Reserve Fund 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 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 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

such defaulting 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 now non-defaulting 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) and (k) hereof, the obligations of 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 Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that 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 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 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.

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 or the Trustee. Provided, however, if, at any time, the Borrower shall have paid, or shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the covenant regarding the Non-Ad Valorem Revenues 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. For purposes of the preceding sentence, deposit of 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 Governmental Obligations, the principal and interest received will be sufficient (as reflected in an accountants verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and redemption premiums, if any, on the Outstanding Bonds, shall be considered "provision for payment."

Nothing herein shall be deemed to require the Council to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Council in determining whether to exercise any such option for early redemption.

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, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 35 days notice by certified or registered mail 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.

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 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, or 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 60 days;

(h) Default under any agreement to which Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the 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 Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by Borrower or any governmental agency or authority, or if Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against Borrower and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) 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) Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes.

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 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, one or more of the following:

(a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem Bonds pursuant to Section 3.02 of the Indenture and all other amounts due hereunder, to be immediately due and payable, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower without further notice or demand.

(b) 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 attorney's fees or other expenses owed by 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).

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
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Trustee: Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

For purposes other than presentation of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

Borrower:

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 of Florida.

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. 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.

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 or premium 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 [Borrower], 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.

(SEAL)

FLORIDA MUNICIPAL LOAN COUNCIL

ATTEST:

By:
Name:
Title: Chairman

By:
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

(SEAL)

[BORROWER]

By:
Name:
Title: Mayor

ATTESTED BY:

By:
Name:
Title: Clerk

Approved as to form and correctness
this ___ day of _____, 2002.

By:
Name:
Title: Attorney

EXHIBIT A

[BORROWER]
USE OF LOAN PROCEEDS

DESCRIPTION OF PROJECT TO BE ACQUIRED OR CONSTRUCTED

PROJECT

**TOTAL AMOUNT
TO BE FINANCED**

[to come]

EXHIBIT B

CERTIFIED ORDINANCE OF THE BORROWER

See Document No. _

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

_____, 2002

Florida Municipal Loan Council
c/o League of Cities, Inc.
301 Bronough Street
Tallahassee, Florida 32301

Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

Bryant, Miller and Olive, P.A.
101 East Kennedy Blvd., Suite 2100
Tampa, Florida 33602

Banc of America Securities LLC
1640 Gulf-to-Bay Boulevard
Clearwater, Florida 33755

MBIA Insurance Corporation
Armonk, New York

Gentlemen:

We are counsel to [Name of Borrower], 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 or refinance or reimburse the Borrower for all or a portion of the cost of a certain Project (the "Project") as defined in, and as described in Exhibit A of, the Loan Agreement, dated as of _____, 2002 (the "Loan Agreement"), between the Council and the Borrower.

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, and ordinances adopted by the [name of governing board] of the Borrower, the Loan Agreement, an Trust Indenture dated as of _____, 2002 (the "Indenture") between the Council and _____, as trustee (the "Trustee") and Ordinance No. _____ enacted by the Borrower on _____, 2002 (the "Ordinance"). 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 and under the provisions of 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 enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly authorized, executed and delivered the Ordinance, 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 Ordinance, the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the purchase or construction of the Project or the reimbursement for costs of the acquisition or construction thereof or the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of 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 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 Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

(e) Any 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.

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 the status of interest on the Bonds under either Federal laws or the laws of the State of Florida.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
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[TO COME]

EXHIBIT E TO LOAN AGREEMENT
FORM OF REQUISITION CERTIFICATE

TO: _____, AS TRUSTEE

FROM: _____ (THE "BORROWER")

SUBJECT: LOAN AGREEMENT DATED AS OF THE _____ DAY OF _____, 2002

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 thereby 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.
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 _____, _____.

[BORROWER]

By:
Name:
Title:

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds in definitive form, Bryant, Miller and Olive, P.A., Bond Counsel, propose to render their separate final approving opinion in substantially the following form:

[dated date of closing]

Florida Municipal Loan Council
Tallahassee, Florida

\$ _____
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2002C

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2002C (the "Bonds"), pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II and Chapter 163, Part I, Florida Statutes, as amended and a Trust Indenture dated as of November 1, 2002, between the Council and Wachovia Bank, National Association, as Trustee (the "Indenture"). All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed in the Indenture.

The proceeds of the Bonds will be loaned to the City of Belle Isle, Florida; City of Oldsmar, Florida; City of Sunny Isles Beach, Florida and Village of Wellington, 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 Loan Agreements between the Council and such Borrowers to be executed simultaneously with the issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and of the Borrowers contained in the Loan Agreements and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Bonds. This opinion should not be construed as offering material relating to the Bonds, but should be considered only for the opinions expressed herein. 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 underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Issuer, as to the due creation and valid existence of the Council, the due authorization, 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. Finally, 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 do not constitute a general obligation 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.

Based on our examination, we are of the opinion, as of the date of delivery of and payment for the Bonds, as follows:

1. The Council is duly created and validly existing as a separate legal entity of the State of Florida with the power to execute the Indenture and perform the agreements on its part contained therein and to issue the Bonds.
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 obligation of the Council enforceable upon the Council in accordance with its terms.
3. 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.
4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery 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. The Council has covenanted in the Indenture and the Borrowers have covenanted in their Loan Agreements to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

Subject to compliance by the Council and the Borrowers with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds are exempt from intangible taxes imposed pursuant to Chapter 199, Florida Statutes, as amended.

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.

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.

Very truly yours,

BRYANT, MILLER AND OLIVE, P.A.

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APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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APPENDIX G

FINANCIAL INFORMATION REGARDING THE CITY OF BELLE ISLE

CITY OF BELLE ISLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Fiscal Years Ended September 30

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Taxes	\$ 1,023,827	\$ 975,991	\$ 969,995
Licenses and permits	7,538	7,053	5,638
Intergovernmental revenues	1,248,728	1,190,895	1,111,423
Fines and forfeitures	22,711	19,126	22,935
Investment income	218,675	202,913	139,384
Miscellaneous	<u>16,030</u>	<u>4,283</u>	<u>3,631</u>
Total Revenues	<u>2,537,509</u>	<u>2,400,261</u>	<u>2,253,006</u>
Expenditures:			
Current:			
General government	725,708	774,433	1,797,134
Public safety	1,012,536	980,394	---
Physical environment	<u>743,606</u>	<u>666,629</u>	<u>263,743</u>
Total Expenditures	<u>2,481,850</u>	<u>2,421,456</u>	<u>2,060,877</u>
Excess (Deficit) of revenues over expenditures	55,659	(21,195)	192,129
Fund Balances – Beginning of Year	<u>3,131,762</u>	<u>3,152,957</u>	<u>2,960,828</u>
Fund Balances – End of Year	<u>\$3,187,421</u>	<u>\$3,131,762</u>	<u>\$ 3,152,957</u>

Certain of the above revenues are not legally available to make the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.



MCDIRMIT DAVIS PUCKETT

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Belle Isle, Florida

We have audited the accompanying basic financial statements of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2001, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the *City of Belle Isle, Florida*, as of September 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted the provisions of Government Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as of October 1, 2000. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated November 19, 2001 on our consideration of the *City of Belle Isle, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MDPCPA.COM

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Belle Isle, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information listed in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McDirmit Davis Puckett & Company, LLC

McDIRMIT DAVIS PUCKETT, & COMPANY, LLC

November 19, 2001

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2001

	Governmental Activities
Assets:	
Cash	\$ 2,407,903
Investments	962,450
Due from other governments	91,143
Capital Assets:	
Non-depreciable	64,476
Depreciable, net	874,193
Total assets	<u>4,400,165</u>
Liabilities:	
Accounts payable	254,930
Accrued liabilities	14,145
Deposits	5,000
Total liabilities	<u>274,075</u>
Net Assets:	
Invested in capital assets, net of related debt	938,669
Restricted for partition buffer	50,000
Unrestricted	3,137,421
Total net assets	<u>\$ 4,126,090</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2001

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental activities:			
General government	\$ 535,956	\$ -	\$ (535,956)
Public safety	1,012,536	-	(1,012,536)
Physical environment	697,531	7,538	(689,993)
Total governmental activities	<u>\$ 2,246,023</u>	<u>\$ 7,538</u>	<u>(2,238,485)</u>
General revenues:			849,832
Property taxes			173,995
Franchise and utility taxes			1,248,728
Intergovernmental			22,711
Fines and forfeitures			
Investment income and miscellaneous			<u>234,666</u>
Total general revenues			<u>2,529,932</u>
Change in net assets			291,447
Net assets, beginning(restated)			<u>3,834,643</u>
Net assets, ending			<u>\$ 4,126,090</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUND

September 30, 2001

	General Fund
Assets:	
Cash	\$ 2,407,903
Investments	962,450
Due from other governments	91,143
Total assets	<u>\$ 3,461,496</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 254,930
Accrued liabilities	14,145
Deposits	5,000
Total liabilities	<u>274,075</u>
Fund balances:	
Reserved for:	
Partition buffer	50,000
Unreserved:	
Designated for subsequent year's expenditures	2,300,000
Undesignated	837,421
Total fund balances	<u>3,187,421</u>
Amounts reported for governmental activities	
in the statement of net assets are different because:	
Capital assets used in governmental activities	
are not financial resources and therefore	
are not reported in the funds	938,669
Net Assets of Governmental Activities	<u>\$ 4,126,090</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Year Ended September 30, 2001

	<u>General Fund</u>
Revenues:	
Taxes:	
Property	\$ 849,832
Franchise and utility	173,995
Licenses and permits	7,538
Intergovernmental revenues	1,248,728
Fines and forfeitures	22,711
Investment Income	218,675
Miscellaneous	16,030
Total revenues	<u>2,537,509</u>
Expenditures:	
Current:	
General government	725,708
Public safety	1,012,536
Physical environment	743,606
Total expenditures	<u>2,481,850</u>
Excess of Revenues Over Expenditures	55,659
Fund Balance - Beginning of Year	3,131,762
Fund Balance - End of Year	<u>\$ 3,187,421</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNEMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended September 30, 2001

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

Net change in fund balances – total governmental funds \$ 55,659

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.

Expenditures for capital assets	286,365	
Less current year depreciation	<u>(50,538)</u>	235,827

The net effect of disposition of capital assets is to decrease net assets (39)

Change in net assets of governmental activities \$ 291,447

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND

For The Year Ended September 30, 2001

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad Valorem	\$ 831,211	\$ 831,211	\$ 849,832	\$ 18,621
Franchise fees and utility taxes	139,025	139,025	173,995	34,970
Licenses and permits	4,500	4,500	7,538	3,038
Intergovernmental	1,190,405	1,190,405	1,248,728	58,323
Fines and forfeitures	17,000	17,000	22,711	5,711
Investment income	161,000	161,000	218,675	57,675
Miscellaneous	4,400	4,400	16,030	11,630
Total revenues	<u>2,347,541</u>	<u>2,347,541</u>	<u>2,537,509</u>	<u>189,968</u>
Expenditures:				
General government:				
Legislative	35,150	35,150	21,687	13,463
Executive	8,610	8,610	5,814	2,796
Finance and administrative	290,480	414,912	263,491	151,421
Other general government	2,934,291	2,934,291	434,716	2,499,575
	<u>3,268,531</u>	<u>3,392,963</u>	<u>725,708</u>	<u>2,667,255</u>
Public safety:				
Law enforcement	340,019	321,330	225,649	95,681
Fire control	782,585	782,585	786,887	(4,302)
	<u>1,122,604</u>	<u>1,103,915</u>	<u>1,012,536</u>	<u>91,379</u>
Physical environment:				
Roads and streets	654,007	660,026	418,361	241,665
Solid waste disposal	271,000	271,000	270,387	613
Other physical environment	51,399	51,399	54,858	(3,459)
	<u>976,406</u>	<u>982,425</u>	<u>743,606</u>	<u>238,819</u>
Total expenditures	<u>5,367,541</u>	<u>5,479,303</u>	<u>2,481,850</u>	<u>2,997,453</u>
Excess(Deficit) of Revenues Over Expenditures	(3,020,000)	(3,131,762)	55,659	3,187,421
Fund Balance - Beginning of Year	3,020,000	3,131,762	3,131,762	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,187,421</u>	<u>\$3,187,421</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2001

Note 1 – Summary of Significant Accounting Policies:

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement #34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is elected for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger governments with a September 30 fiscal year end). As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) The City is electing to implement GASB 34 for the fiscal year ended September 30, 2001.

Reporting Entity - The *City of Belle Isle, Florida* (the "City") was incorporated April 25, 1924 under the laws of the State of Florida. The City operates under a Mayor-Commissioner form of government and provides the following services as authorized by its charter: public safety (fire and supplemental law enforcement), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. There are no potential component units or related organizations of the City.

Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statements of changes on net assets) report information on all of the nonfiduciary activities of the City. Since the City has no business-type activities, only governmental activities are reported on the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City has no fiduciary funds, which would be excluded from the government-wide financial statements.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 1 – Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenues 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 with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Deposits and Investments – The government'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 for the City are reported at fair value. The State Board of Administration Local Government Investment Pool is administered by the State of Florida and operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables - Receivables consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 1 – Summary of Significant Accounting Policies (Continued):

Capital assets – Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Infrastructure assets acquired prior to October 1, 2000 have not been recorded since GASB 34 does not require a city the size of Belle Isle to retroactively record infrastructure. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	5-15
Infrastructure	25-40
Equipment & machinery	5-15

Compensated Absences - Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. Employees are paid 100% of their accumulated vacation pay when they terminate for any reason. Accumulated sick leave is paid only upon retirement or termination because of disability, and is based on 50% of accumulated sick leave. Therefore, no liability for sick leave hours has been accrued. Since management expects to liquidate claims for accumulated vacation pay with current resources, the liability has been recorded in the general fund.

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

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 3 – Cash and Investments (Continued):

The following levels of credit risk apply to the investments of the City:

Category 1 – Includes securities that are insured or registered, held by the City or its agent in the City's name.

Category 2 – Includes securities that are uninsured or unregistered, held by a counterparty's trust department or agent in the City's name.

Category 3 – Includes securities that are uninsured and unregistered, held by a counterparty or its trust department or agent, but not in the City's name.

Investments in the State Board of Administration Local Government Investment Pool and the Florida Municipal Investment Trust Fund are not required to be categorized since these investments are in pooled investment funds and therefore not evidenced by securities that exist in physical or book entry form.

Note 4 – Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. The County bills and collects property taxes. Collections of the property taxes by the county and remittance of them to the City are accounted for in the General Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2001, was \$2.8220 per \$1,000 which means the City has a tax margin of \$7.1780 per \$1,000 and could raise up to \$2,235,827 before discount, additional a year from the present assessed valuation of \$311,483,250 before the limit is reached.

Note 5 – Receivables:

Receivables consist of the following at September 30, 2001:

	<u>General Fund</u>
Due From Other Governments:	
Half-Cent Sales Tax	\$57,113
Local Option Gas Tax	21,898
Other	12,132
Total	<u>\$91,143</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 6 – Capital Assets:

Capital asset activity for the year ended September 30, 2001 was as follows:

	<u>Balance October 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Sept. 30, 2001</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 64,516	\$ _____	\$ (40)	\$ 64,476
Capital assets, being depreciated -				
Buildings	590,306	-	-	590,306
Improvements	26,838	1,499	(3,890)	24,447
Equipment & machinery	340,168	-	(3,679)	336,489
Infrastructure	_____	<u>284,867</u>	_____	<u>284,867</u>
Total capital assets being depreciated	<u>957,312</u>	<u>286,366</u>	<u>(7,569)</u>	<u>1,236,109</u>
Less accumulated depreciated for -				
Buildings	(79,377)	(14,832)	-	(94,209)
Improvements	(8,811)	(1,934)	3,890	(6,855)
Equipment & machinery	(230,759)	(32,275)	3,679	(259,355)
Infrastructure	_____	<u>(1,497)</u>	_____	<u>(1,497)</u>
Total accumulated depreciated	<u>(318,947)</u>	<u>(50,538)</u>	<u>7,569</u>	<u>(361,916)</u>
Total capital assets being depreciated, net	<u>638,365</u>	<u>235,828</u>	_____	<u>874,193</u>
Governmental activities capital assets, net	<u>\$ 702,881</u>	<u>\$235,828</u>	<u>\$ (40)</u>	<u>\$ 938,669</u>

The source of governmental funds capital assets is the General Fund.

Depreciation expenses was charged to functions/programs of the City as follows:

Governmental activities -	
General government	\$17,158
Physical environment	<u>33,380</u>
	<u>\$50,538</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 7 – Retirement Plans:

Employees Defined Contribution Plan - The City is the administrator of a single employer defined contribution money purchase pension plan. All full-time employees are eligible to participate in the plan after six months of service. As soon as an employee is eligible to participate in the plan, contributions made by the City are retroactive to date of hire. Under this plan, the City contributes 6% of the employees eligible wages. The contribution rate is established by the City Council. Employees do not participate in the plan funding. Employees are 100% vested upon completion of five years of service. No fixed benefits are paid or payable upon retirement.

During the year ended September 30, 2001, the City's total payroll was \$468,610 and the current year's covered payroll for retirement plan purposes was approximately \$256,000. The City contributed \$15,336 to the plan. Total contributed is approximately 6% of the current year's covered payroll. The City has no unfunded liability under this plan.

Deferred Compensation Plan - The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "457 Plan"). The 457 Plan, available to all full-time employees immediately upon employment, permits them to defer a portion of their current salary until future years.

The City will match 50% of the employee's contribution to the 457 Plan up to 2% of compensation beginning after an employee has completed their six-month probationary period. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

In accordance with changes in federal law brought about by the Small Business Job Protection Act of 1996, eligible deferred compensation plans established and maintained by governmental employers must be amended to provide that all assets of the plan be held in trust for the exclusive benefit of plan participants and their beneficiaries. The City has executed amended plans with its third party administrators which conform to the new provisions of the law. Accordingly, assets of these plans are no longer accounted for in the City's financial statements.

Note 8 - 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; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the City to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2001

Note 9 - Contingencies:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In addition, at September 30, 2000, the City has a dispute with a paving contractor because of deficiencies in the project. Accounts payable at September 30, 2001 includes \$72,172, which the engineers and City attorney believe is the appropriate amount owed in settlement of the contested matter. The disputed amount of \$61,736 has not been included in accounts payable. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

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APPENDIX H

FINANCIAL INFORMATION REGARDING CITY OF OLDSMAR

CITY OF OLDSMAR, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the fiscal years ended September 30

	<u>2001</u>	<u>2000</u>	<u>1999</u>
REVENUES:			
Ad valorem taxes	\$2,482,396	2,210,457	4,510,607
Sales taxes	801,467	1,057,018	-
Franchise fees	1,111,199	1,015,582	-
Utility taxes	1,418,434	1,148,145	-
Licenses, permits and fees	895,865	672,957	438,027
Intergovernmental revenues	1,861,588	2,382,308	1,253,686
Garbage collection revenue	1,425,753	1,162,875	-
Charges for services	-	-	1,278,335
Fines and forfeitures	82,193	82,132	61,961
Investment income	297,107	318,126	178,628
Impact fees	327,442	299,801	521,854
Other miscellaneous	<u>677,911</u>	<u>351,036</u>	<u>486,356</u>
TOTAL REVENUES	\$11,381,355	\$10,700,437	\$8,729,454
EXPENDITURES:			
General Government	2,343,747	1,933,916	1,788,604
Law Enforcement	633,956	609,193	-
Fire Protection	887,872	923,537	-
Protective Inspections	215,585	192,661	-
Physical Environment	1,369,036	1,192,460	1,067,144
Transportation	676,038	617,472	481,677
Library	449,939	405,835	-
Parks and Recreation	870,310	744,683	-
Cultural Affairs	81,913	78,063	1,096,086
Downtown Development	5,676	15,863	16,255
Capital Outlay	2,317,649	3,127,241	1,360,964
Public Safety	-	-	1,537,798
Debt service	276,008	615,221	571,898
Principal retirement	<u>53,768</u>	<u>82,170</u>	<u>119,541</u>
Interest and other fiscal charges			
TOTAL EXPENDITURES	\$10,181,407	\$10,538,315	\$ 8,039,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,199,948	162,122	689,487
OTHER FINANCING SOURCES (USES):			
Sale of general fixed assets	-	-	152,501
Transfers in	632,000	888,255	413,780
Transfers out	(632,000)	(986,630)	(413,780)
Proceeds from sale of fixed assets	<u>2,813</u>	<u>56,356</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	2,813	(42,019)	152,501
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	841,988
NET CHANGE IN FUND BALANCES	1,202,761	120,103	-
FUND BALANCES BEGINNING	4,577,478	4,457,375	3,615,387
FUND BALANCES ENDING	<u>\$5,780,239</u>	<u>\$4,577,478</u>	<u>\$4,457,375</u>

Certain of the above revenues are not legally available to make the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.

WELLS, HOUSER, SCHATZEL & THOMAS, P.A.
CPA AND CONSULTING FIRM

Leanne T. Cross, CPA
John B. Houser, CPA
D. Shaine Mobley, CPA

Peter C. Schatzel, CPA
Diana D. Thomas, EA
Peter B. Wells, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council Members
City of Oldsmar, Florida

We have audited the accompanying basic financial statements of the City of Oldsmar, Florida (the City) as of and for the year ended September 30, 2001, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City as of September 30, 2001, and the results of its activities, operations and the cash flows of its proprietary funds for the year ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2001 on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws and regulations, contracts and grants.

Management's Discussion and Analysis is a required part of the basic financial statements as required by Governmental Accounting Standards Board Statement No. 34. The information included in the MD&A has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The information presented in the Statistical Section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



December 11, 2001

WHS & T

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CITY OF OLDSMAR, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2001

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,132	\$ 10,209	\$ 11,341
Equity in pooled cash and cash equivalents	6,822,295	4,033,841	10,856,136
Receivables			
Accounts and other, net	140,570	433,227	573,797
Grant funds receivable	20,000	62,434	82,434
Due from other governments	68,809		68,809
Inventories	23,246		23,246
Prepaid items	48,128	21,363	69,491
Total Current Assets	7,124,180	4,561,074	11,685,254
Noncurrent Assets			
Restricted Assets			
Equity in pooled cash and cash equivalents		3,786,920	3,786,920
Capital Assets			
Nondepreciable	5,044,334	1,378,335	6,422,669
Depreciable, net of accumulated depreciation	16,142,469	14,379,929	30,522,398
Unamortized bond costs		147,435	147,435
Total Noncurrent Assets	21,186,803	19,692,619	40,879,422
TOTAL ASSETS	\$ 28,310,983	\$ 24,253,693	\$ 52,564,676
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 660,323	\$ 272,490	\$ 932,813
Accrued items	147,454	30,098	177,552
Retainage payable	18,133		18,133
Customer deposits	64,748	379,799	444,547
Due to other governments	203,075		203,075
Deferred revenue	109,650		109,650
Accrued interest payable		59,844	59,844
Current portion of long-term obligations	433,999	396,960	830,959
Total Current Liabilities	1,637,382	1,139,191	2,776,573
Long-Term Liabilities			
Noncurrent portion of long-term obligations	970,225	6,511,037	7,481,262
Total Liabilities	2,607,607	7,650,228	10,257,835
NET ASSETS			
Invested in capital assets, net of related debt	19,953,103	8,889,342	28,842,445
Restricted for			
Debt service	300,267	1,977,022	2,277,289
Capital projects	716,007	1,430,099	2,146,106
Other purposes	2,536,536	379,799	2,916,335
Unrestricted	2,197,463	3,927,203	6,124,666
Total Net Assets	25,703,376	16,603,465	42,306,841
TOTAL LIABILITIES AND NET ASSETS	\$ 28,310,983	\$ 24,253,693	\$ 52,564,676

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

CITY OF OLDSMAR, FLORIDA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2001

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities				
General Government	\$ 2,507,915	\$ 269,972	\$ -	\$ -
Law Enforcement	634,224		30,000	10,000
Fire	977,892	249,731	2,808	4,421
Protective Inspections	222,208	288,790		
Physical Environment	1,369,036	1,429,268	9,426	
Transportation	1,073,773			103,733
Library	492,804	2,419	162,844	158,770
Parks and Recreation	1,002,482	385,230	19,753	566,217
Cultural Affairs	86,360	144		
Downtown Development	5,676			
Interest on Long-Term Debt	90,872			
Total Governmental Activities	<u>8,463,242</u>	<u>2,625,554</u>	<u>224,831</u>	<u>843,141</u>
Business-type Activities				
Water and Sewer				
Water	2,060,875	1,955,594		
Sewer	2,099,490	2,375,970		
Reclaimed	109,428	162,062		220,000
Stormwater Utility	155,986	238,370		68,657
Total Business-type Activities	<u>4,425,779</u>	<u>4,731,996</u>	<u>-</u>	<u>288,657</u>
Total Primary Government	<u>\$ 12,889,021</u>	<u>\$ 7,357,550</u>	<u>\$ 224,831</u>	<u>\$ 1,131,798</u>

General Revenues

Taxes
 Property taxes
 Sales and use taxes
 Franchise fees
 Utility taxes
 State revenue sharing
 Gain (loss) on sale of capital assets
 Impact fees
 Investment income
 Miscellaneous
 Expense allocation business-type activities
 Total general revenues and transfers
 Change in Net Assets
 Net Assets Beginning
 Net Assets Ending

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,237,943)	\$ -	\$ (2,237,943)
(594,224)		(594,224)
(720,932)		(720,932)
66,582		66,582
69,658		69,658
(970,040)		(970,040)
(168,771)		(168,771)
(31,282)		(31,282)
(86,216)		(86,216)
(5,676)		(5,676)
(90,872)		(90,872)
<u>(4,769,716)</u>	-	<u>(4,769,716)</u>
	(105,281)	(105,281)
	276,480	276,480
	272,634	272,634
	151,041	151,041
	<u>594,874</u>	<u>594,874</u>
<u>(4,769,716)</u>	<u>594,874</u>	<u>(4,174,842)</u>
2,482,396		2,482,396
1,411,770		1,411,770
1,111,199		1,111,199
1,418,435		1,418,435
235,435		235,435
(636)	4,140	3,504
327,441	643,557	970,998
297,107	390,758	687,865
33,467		33,467
375,000		375,000
<u>7,691,614</u>	<u>1,038,455</u>	<u>8,730,069</u>
2,921,898	1,633,329	4,555,227
22,781,478	14,970,136	37,751,614
<u>\$ 25,703,376</u>	<u>\$ 16,603,465</u>	<u>\$ 42,306,841</u>

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

CITY OF OLDSMAR, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2001

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,132	\$ -	\$ 1,132
Equity in pooled cash and cash equivalents	3,458,993	3,363,302	6,822,295
Receivables			
Accounts and other	138,837	1,733	140,570
Grant funds receivable	5,000	15,000	20,000
Due from other governments	28,595	40,214	68,809
Due from other funds			-
Inventories	23,246		23,246
Prepaid items	48,128		48,128
TOTAL ASSETS	<u>\$ 3,703,931</u>	<u>\$ 3,420,249</u>	<u>\$ 7,124,180</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 405,437	\$ 254,886	\$ 660,323
Retainage payable		18,133	18,133
Accrued items	147,454		147,454
Compensated absences	140,558		140,558
Customer deposits	64,748		64,748
Due to other governments	203,075		203,075
Due to other funds			-
Deferred revenue	89,917	19,733	109,650
TOTAL LIABILITIES	<u>1,051,189</u>	<u>292,752</u>	<u>1,343,941</u>
FUND BALANCES			
Reserved for encumbrances	97,431	1,453,290	1,550,721
Reserved for debt service		170,513	170,513
Reserved for inventories	23,246		23,246
Reserved for prepaid items	48,128		48,128
Unreserved			
Designated franchise fees	132,467		132,467
Designated for insurance	165,335		165,335
Designated for debt service		129,754	129,754
Designated for transportation improvements	292,846		292,846
General Fund	1,893,289		1,893,289
Special Revenue Funds		744,987	744,987
Capital Projects Fund		628,953	628,953
TOTAL FUND BALANCES	<u>2,652,742</u>	<u>3,127,497</u>	<u>5,780,239</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,703,931</u>	<u>\$ 3,420,249</u>	<u>\$ 7,124,180</u>

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

CITY OF OLDSMAR, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS

September 30, 2001

Fund balances - total governmental funds \$ 5,780,239

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in government activities are not financial
resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 26,803,474	
Less accumulated depreciation	<u>(5,616,671)</u>	21,186,803

Long-term liabilities, including bonds payable are not due and
payable in the current period and therefore are not reported in the
governmental funds

Governmental bonds payable	(1,004,405)	
Governmental note payable	(229,295)	
Compensated absences	<u>(29,966)</u>	<u>(1,263,666)</u>

Net assets of governmental activities \$ 25,703,376

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

CITY OF OLDSMAR, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended September 30, 2001

	General	Other Governmental Funds	Total
REVENUES			
Ad valorem taxes	\$ 2,450,556	\$ 31,840	\$ 2,482,396
Sales taxes	231,724	569,743	801,467
Franchise fees	1,111,199		1,111,199
Utility taxes	1,257,086	161,348	1,418,434
Licenses, permits and fees	591,565	304,300	895,865
Intergovernmental revenues	1,528,250	333,338	1,861,588
Garbage collection revenue	1,425,753		1,425,753
Fines and forfeitures	82,193		82,193
Investment income	173,240	123,867	297,107
Impact fees	211,072	116,370	327,442
Other miscellaneous	452,911	225,000	677,911
TOTAL REVENUES	9,515,549	1,865,806	11,381,355
EXPENDITURES			
General Government	2,343,747		2,343,747
Law Enforcement	633,956		633,956
Fire Protection	887,872		887,872
Protective Inspections	215,585		215,585
Physical Environment	1,369,036		1,369,036
Transportation	676,038		676,038
Library	449,939		449,939
Parks and Recreation	870,310		870,310
Cultural Affairs	81,913		81,913
Downtown Development		5,676	5,676
Capital Outlay	978,041	1,339,608	2,317,649
Debt Service			
Principal retirement		276,008	276,008
Interest and other fiscal charges		53,678	53,678
TOTAL EXPENDITURES	8,506,437	1,674,970	10,181,407
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,009,112	190,836	1,199,948
OTHER FINANCING SOURCES (USES)			
Transfers in		632,000	632,000
Transfers (out)	(632,000)		(632,000)
Proceeds from sale of fixed assets	2,813		2,813
TOTAL OTHER FINANCING SOURCES (USES)	(629,187)	632,000	2,813
NET CHANGE IN FUND BALANCES	379,925	822,836	1,202,761
FUND BALANCES BEGINNING	2,272,817	2,304,661	4,577,478
FUND BALANCES ENDING	\$ 2,652,742	\$ 3,127,497	\$ 5,780,239

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

CITY OF OLDSMAR, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

For the year ended September 30, 2001

Net change in fund balances - total governmental funds \$ 1,202,761

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 over their estimated useful lives.

Expenditure for capital assets	\$ 2,317,649	
Less current year depreciation	<u>(834,026)</u>	1,483,623

Governmental funds report the proceeds from the sale of capital assets as an other revenue source. However, in the Statement of Activities a loss is recognized to the extent the unrecovered book value of the capital asset exceeds the amount of the sale proceeds.

Proceeds from sale of capital assets	(2,813)	
Loss on sale of capital assets	<u>(636)</u>	(3,449)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal payments on long-term debt		276,008
--------------------------------------	--	---------

Some items reported in the Statement of Activities do not require the use of or provide current financial resources and therefore are not reported as revenues or expenditures in governmental funds.

Fair market value of donated fire equipment	4,421	
Change in long-term compensated absences	(4,272)	
Interest accretion on capital appreciation bonds	<u>(37,194)</u>	<u>(37,045)</u>

Change in net assets of governmental activities		<u>\$ 2,921,898</u>
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF OLDSMAR, FLORIDA

STATEMENT OF NET ASSETS - BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

September 30, 2001

	Water and Sewer Fund	Stormwater Utility Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 10,209	\$ -	\$ 10,209
Equity in pooled cash and cash equivalents	3,484,269	549,572	4,033,841
Receivables			
Accounts and other, net	422,351	10,876	433,227
Grant funds receivable	28,974	33,460	62,434
Prepaid items	20,996	367	21,363
Total Current Assets	3,966,799	594,275	4,561,074
Noncurrent Assets			
Restricted Assets			
Equity in pooled cash and cash equivalents	3,786,920		3,786,920
Capital Assets			
Nondepreciable	1,190,815	187,520	1,378,335
Depreciable, net of accumulated depreciation	12,198,725	2,181,204	14,379,929
Unamortized bond costs	147,435		147,435
Total Noncurrent Assets	17,323,895	2,368,724	19,692,619
TOTAL ASSETS	\$ 21,290,694	\$ 2,962,999	\$ 24,253,693
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 215,166	\$ 57,324	\$ 272,490
Accrued items	30,098		30,098
Accrued interest payable	59,844		59,844
Customer deposits	379,799		379,799
Current portion of long-term obligations	396,960		396,960
Total Current Liabilities	1,081,867	57,324	1,139,191
Long-Term Liabilities			
Noncurrent portion of long-term obligations	6,511,037		6,511,037
Total Liabilities	7,592,904	57,324	7,650,228
NET ASSETS			
Invested in capital assets, net of related debt	6,520,618	2,368,724	8,889,342
Restricted for			
Debt Service	1,977,022		1,977,022
Capital Projects	1,430,099		1,430,099
Other purposes	379,799		379,799
Unrestricted	3,390,252	536,951	3,927,203
Total Net Assets	13,697,790	2,905,675	16,603,465
TOTAL NET ASSETS AND LIABILITIES	\$ 21,290,694	\$ 2,962,999	\$ 24,253,693

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

CITY OF OLDSMAR, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

For the year ended September 30, 2001

	Water and Sewer Fund	Stormwater Utility Fund	Total
OPERATING REVENUES			
User charges	\$ 4,207,802	\$ -	\$ 4,207,802
Fees	214,618	233,232	447,850
Other income	71,206	5,138	76,344
TOTAL OPERATING REVENUES	4,493,626	238,370	4,731,996
EXPENSES			
Salaries, wages and employee benefits	881,685		881,685
Contract services	169,849	53,888	223,737
Cost of water	932,831		932,831
Utilities	195,236		195,236
Operating supplies	196,264		196,264
Repairs and maintenance	140,797		140,797
Other expense	164,659	6,951	171,610
Depreciation	683,958	95,147	779,105
General government allocated expenses	375,000		375,000
TOTAL EXPENSES	3,740,279	155,986	3,896,265
OPERATING INCOME	753,347	82,384	835,731
NONOPERATING REVENUES (EXPENSES)			
Investment income	364,863	25,895	390,758
Interest expense and fiscal charges	(529,514)		(529,514)
Gain (loss) on sale of fixed assets	4,140		4,140
TOTAL NONOPERATING REVENUES (EXPENSES)	(160,511)	25,895	(134,616)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	592,836	108,279	701,115
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	643,557		643,557
Capital grant	220,000	68,657	288,657
Transfers in			-
CHANGE IN NET ASSETS	1,456,393	176,936	1,633,329
NET ASSETS BEGINNING	12,241,397	2,728,739	14,970,136
NET ASSETS ENDING	\$ 13,697,790	\$ 2,905,675	\$ 16,603,465

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

CITY OF OLDSMAR, FLORIDA

STATEMENT OF CASH FLOWS - BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

Year Ended September 30, 2001

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Water and Sewer Fund	Stormwater Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,388,519	\$ 206,778	\$ 4,595,297
Cash paid to suppliers for goods and services	(1,848,562)	(4,490)	(1,853,052)
Cash payments to and for the benefit of employees	(891,801)		(891,801)
Cash paid for general government allocated expenses	(375,000)		(375,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,273,156	202,288	1,475,444
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers			-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on revolving loan	(118,818)		(118,818)
Interest paid on revolving loan	(57,090)		(57,090)
Acquisition and construction of capital assets	(1,054,509)	(184,138)	(1,238,647)
Proceeds from sale of capital assets	4,140		4,140
Principal paid on revenue bonds	(510,000)		(510,000)
Interest paid on revenue bonds	(35,189)		(35,189)
Other interest costs paid on long-term debt	(1,235)		(1,235)
Capital contributed by developers, grantors and landowners	863,557	68,657	932,214
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(909,144)	(115,481)	(1,024,625)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	364,863	25,895	390,758
NET CASH PROVIDED BY INVESTING ACTIVITIES	364,863	25,895	390,758
NET INCREASE IN CASH AND CASH EQUIVALENTS	728,875	112,702	841,577
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,552,523	436,870	6,989,393
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,281,398	\$ 549,572	\$ 7,830,970
COMPOSED OF:			
Cash and cash equivalents	\$ 10,209	\$ -	\$ 10,209
Equity in pooled cash and cash equivalents	3,484,269	549,572	4,033,841
Restricted equity in pooled cash and cash equivalents	3,786,920		3,786,920
	\$ 7,281,398	\$ 549,572	\$ 7,830,970

(continued)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sewer Fund	Stormwater Utility Fund	Total
OPERATING INCOME	\$ 753,347	\$ 82,384	\$ 835,731
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	683,958	95,147	779,105
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(51,489)	(31,592)	(83,081)
(Increase) decrease in grants receivable	(28,974)		(28,974)
(Increase) decrease in prepaid expense	(13,898)	(367)	(14,265)
Increase (decrease) in accounts payable	(32,351)	56,716	24,365
Increase (decrease) in retainage payable	(2,677)		(2,677)
Increase (decrease) in accrued items	(10,116)		(10,116)
Increase (decrease) in customer deposits	(24,644)		(24,644)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,273,156</u>	<u>\$ 202,288</u>	<u>\$ 1,475,444</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Refunding and Improvement Revenue Bonds, Series 1990, include capital appreciation bonds. Interest accretion of \$381,741 is included in interest expense and fiscal charges of the Water and Sewer Fund for the year ended September 30, 2001.

An allowance for uncollectible accounts in the amount of \$16,320 has been provided for at September 30, 2001.

There were no noncash investing, capital or financing activities in the Stormwater Utility Fund.

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

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oldsmar, Florida was founded in 1916 by Ransom E. Olds, the inventor of the Oldsmobile. The City of Oldsmar, Florida, a municipal corporation, operates under Chapter 37-18947, Laws of Florida. The accounting and reporting policies of the City of Oldsmar, Florida, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant accounting and reporting policies.

Defining the Financial Reporting Entity: In accordance with Governmental Accounting Standards Board Statement No. 14, the financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations for which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization or the possibility that the organization will impose or provide a financial burden or benefit to the primary government. The City has no such applicable organizations that meet these requirements, therefore, the accompanying financial statements include only information relative to the primary government.

Basic Financial Statements – GASB No. 34: The City's basic financial statements include both the government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The Government-wide Statement of Net Assets present in columnar format the Governmental and Business-type activities of the City. The Governmental column reflects, on a full accrual basis, all long-term assets and receivables as well as long-term liabilities.

The Government-wide Statement of Activities presents the cost for each functional activity and applies program revenues and grants to arrive at net cost for the identified functions. Program revenues must be directly associated with the government function or business-type activity. Operating grants and contributions include operating-specific and discretionary (either operation or capital) grants and contributions while the capital grants and contributions column reflects capital-specific grants and contributions. The overall combined net cost of governmental functions are further supported by general revenues of the City.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis of accounting.

All Proprietary Funds are maintained on the accrual basis of accounting with revenues being recognized when earned and expenses recognized when incurred. Operating revenues and expenses of the proprietary funds are defined revenues or expenses related to the provision of the applicable service. Nonoperating revenues and expenses include items unrelated to the provision of services.

Under the modified accrual basis, revenues are recognized in the accounting period when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Revenues which are susceptible to accrual are as follows: garbage collection revenue, state revenue sharing, franchise fees, local infrastructure tax and intergovernmental grants.

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures are recognized at the time liabilities are incurred, if measurable. Interest and principal payments on general long-term debt are recognized when paid.

Measurement Focus: The Governmental Fund measurement focus (in the Fund Financial Statements) is on determination of financial position and changes in financial position rather than on net income. The Proprietary Fund measurement focus is on the determination of operating income, changes in net assets, financial position and cash flows similar to businesses in the private sector.

Fund Accounting: In order to ensure observance of limitations and restrictions on the use of the resources available, the financial records and accounts are maintained in accordance with the principles of fund accounting. The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

The Fund Financial Statements are presented to emphasize the major funds of the City. GASB No. 34 sets forth criteria for the determination of major funds. The General fund is always a major governmental activity. Based on the criteria of GASB No. 34 the City has no other major governmental funds. The combined total of nonmajor funds is reflected as other funds. For the business-type activities the Water and Sewer and Stormwater funds are considered major funds. There are no other business-type activity funds for consideration. Fund financial statements are prepared on the modified accrual basis for governmental activities and the accrual basis for business-type activities.

Governmental Fund Types

General Fund: This fund is used to account for all financial resources except those required to be accounted for in other funds and, therefore, includes most of the general governmental activities.

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

Debt Service Funds: These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund: This fund is used to account for certain revenue sources that are to be used exclusively for street improvements.

Proprietary Fund Types: Apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

Water and Sewer Fund: This fund is used to account for the water and sewer system which is operated in a manner similar to a private business -- where the intent of the governing body is that costs (expenses, including depreciation) of providing services to the public be recovered primarily through user charges.

Stormwater Utility Fund: This fund is used to account for the collection of stormwater utility fees. The fees will be used to address stormwater drainage issues, provide for preventative maintenance and major capital improvements to areas subject to flooding.

Non-current Governmental Assets and Liabilities: GASB No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables: Interfund receivables and payables reflected in the Fund Financial Statements have been eliminated in the government-wide Statement of Net Assets to minimize the "grossing up" effect on assets and liabilities. Amounts reported in the funds as payable to fiduciary funds are included in the Statement of Net Assets as Due to other governments.

Cash and Equivalents: The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Repurchase agreements and deposits with the State Board of Administration, which are investments, are considered to be cash equivalents.

Pooled Cash and Equivalents and Investments: The City utilizes consolidated accounts, wherein certain cash & equivalents and investments (excluding those held in a fiduciary capacity) of all funds are commingled.

Inventories: Inventories of expendable supplies held for consumption are priced at cost using the weighted average method, which approximates First-In-First-Out. The cost of these supplies is recorded as an expenditure at the time the inventory is consumed.

Accounts Receivable: The City has recorded an allowance for potentially uncollectible water and sewer service billings. Accounts receivable in the Proprietary Fund are shown net of the allowance. The allowance at September 30, 2001 was \$16,320.

General Government Allocated Expenses: The City charges business-type activities an administrative service fee that is reflected as a general revenue in the Governmental activities column in the Statement of Activities. The fee is included as a direct expense in the business-type activities. The amounts charged are based upon estimated percentages determined by management.

Encumbrances: Governmental funds employ the use of encumbrance accounting wherein purchase commitments are recorded as they are made in order to reserve that portion of the applicable appropriations. Encumbrances remaining outstanding at year-end do not constitute expenditures or liabilities. Fund balances are reserved so that appropriations may be made in the following fiscal year to cover such commitments.

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

- a) In July, the City Manager submits to the City Council a proposed budget for the ensuing fiscal year. It contains proposed expenditures and the means to finance them, including a proposed property tax millage rate.
- b) Public Hearings are conducted to obtain taxpayer comments on the proposed budget and property tax millage rate.
- c) The budget and property tax millage rate is approved by the City Council in September.

Annual budgets were adopted for the following funds: General Fund, Public Safety Impact Fund, Parkland Dedication Fund, Community Redevelopment Agency Fund, Debt Service Funds, Capital Projects Fund, Water & Sewer Fund, and Stormwater Utility Fund. The budget serves as legal authorization for all expenditures. Budgeted expenditures may not legally exceed appropriations on a departmental level.

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d) The City Manager is authorized to transfer budgeted amounts between line items of individual departments. Transfers across departmental lines and changes in overall fund appropriations require City Council approval.
- e) The budget is reviewed on a periodic basis, and revisions to the original budget may be approved by City Council when deemed necessary. Budget revisions were approved for fiscal year 2001 in the General and Parkland Dedication funds. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget.
- f) All appropriations lapse at fiscal year end except for issued but unreceived purchase orders, which become automatic re-appropriations in the new year unless canceled.
- g) Budgets for Governmental Fund Types are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the proprietary fund types is adopted on a financial flow basis (depreciation is excluded) and as a result is not consistent with GAAP.

Compensated Absences: Employees accrue sick leave at the rate of 8 hours per month for regular employees and 11.2 hours per month for Fire Department personnel. Vacation accruals vary from 2.4 to 5.4 weeks depending on years of employment. Sick leave maximum accrual is 96 hours per calendar year. Sick leave may be accumulated to a maximum of 552 hours for regular employees and 772 for Fire Department shift personnel. Any accrued sick leave not used by an employee as of the last pay period of each calendar year shall be carried over to the next calendar year. Upon death of an employee, or retirement from City service, the City will pay a portion of accumulated sick leave to the employee depending on the number of years of service. No accrual has been made for accumulated sick leave as a reasonable estimate of the amount payable cannot be made. A provision for accumulated vacation pay, related payroll taxes and retirement benefit costs as of September 30, 2001 has been made in the financial statements. The amount is included as a component of accrued expenses in the Governmental and Business-type Funds. The portion of the liability expected to be liquidated within the next year has been classified as a current liability. Amounts not expected to be liquidated during the year are reported as a component of long-term obligations.

Postretirement Health and Life Insurance Benefits: The City does not provide any postretirement health and life insurance benefits.

Property Taxes: Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for the fiscal year ended September 30, 2001 was 4.65 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year and the Pinellas County Property Appraiser incorporates the millages into the total tax levy, which includes the tax requirements of the municipalities, independent districts and the County School Board.

All property is reassessed 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.

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. 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 and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Capital Assets: Capital assets are recorded at historical cost if purchased or at fair market value if donated. The City has elected to capitalize infrastructure improvements such as streets, bridges and drainage systems. The City's capitalization levels are \$750 on tangible personal property and \$5,000 for land, buildings and improvements. Interest costs incurred during construction of infrastructure improvements is capitalized as part of the assets historical cost. There were no capitalized interest costs incurred during the year. Costs incurred that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on depreciable assets is provided on the straight line method over the following estimated useful lives: Buildings - 20 to 50 years, Improvements - 7 to 50 years and Equipment - 3 to 10 years. Depreciation charged to expense for the year amounted to \$834,026 in the Governmental type funds and \$779,105 in the Business type funds.

Reserves: Governmental Fund reserves are used to indicate that a portion of fund balance is not appropriable for expenditure or is legally segregated for a specific future use. Usage of reserves has been limited to the following items:

Reserved for inventories: indicates that the portion of fund balance represented by inventories is not available for appropriation or expenditure.

Reserved for prepaid items: indicates that the portion of fund balance represented by prepaid items is not available for appropriation or expenditure.

Reserved for encumbrances: indicates that a portion of fund balance has been segregated for expenditure upon vendor performance.

Reserved for debt service: indicates that a portion of fund balance has been segregated for payment of general long-term debt principal and interest.

Designations: Governmental Fund designations are used to indicate tentative managerial plans or intent for financial resource utilization in a future period. Usage of designations has been limited to the following items:

Designated for debt service: indicates the portion of fund balance that is available for future debt service requirements.

Designated franchise fees: indicates the portion of fund balance that is available for telecommunication purchases and for costs associated with the regulation of cable television.

Designated for insurance: indicates an amount has been set aside for anticipated additional insurance costs.

Designated for transportation improvements: represents the unexpended portion of transportation impact fees that are to be expended for transportation improvements.

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are 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 statements.

NOTE B - CASH & EQUIVALENTS, INVESTMENTS AND EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains equity cash and equivalent and investment accounts for use by all funds. The account balance of each fund is shown on the combined balance sheet as Equity in Pooled Cash & Equivalents. In addition, cash and investment accounts are separately maintained by the City's enterprise and agency funds.

Cash & Equivalents and Equity in Pooled Cash: Florida Statutes require that all depositories holding public funds collateralize deposits in excess of FDIC insurance with the State Treasurer. Amounts in Category 1 represent the balance of deposits that are insured or collateralized with securities held by the City's agent in the City's name. Category 2 represents the balance of deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. The amount in Category 3 represents uninsured and uncollateralized deposits held by the City's agent, but not in the City's name. A summary of the carrying amounts of total deposits, bank balance and category of risk at September 30, 2000 is as follows:

	Category	Bank Balance	Carrying Amounts
CASH & CASH EQUIVALENTS			
Petty cash	uncategorized	\$ -	\$ 1,532
Cash and equivalents	1	9,809	9,809
		<u>\$ 9,809</u>	<u>\$ 11,341</u>

Investments: Florida Statutes authorize the City to invest in the State Board of Administration's investment pool, mutual fund securities limited to U.S. Government obligations, obligations of the U.S. Treasury and U.S. agencies, interest-bearing time deposits and savings accounts in banks and savings and loans provided such deposits are at authorized public depositories that provide full collateralization, and money market funds of investment companies.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department in the City's name. Category C includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department but not in the City's name.

The repurchase agreement consists of a sale of U.S. Government Agency Securities to the City by the dealer bank with a simultaneous commitment by the City to resell the securities back to the bank at a specified rate of interest. The dealer bank has committed that the market value of the securities sold to the City will equal or exceed the amount of funds invested. The City's officials have determined that the repurchase agreement is an investment authorized by Florida Statutes as the City is acquiring U.S. Government Agency Securities.

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - CASH & EQUIVALENTS, INVESTMENTS AND EQUITY IN POOLED CASH AND INVESTMENTS
(continued)

The State Board of Administration is a three member board made up of the State elected officials of Governor, Treasurer and Comptroller. They are empowered by Florida law to invest funds at the request of local governments. In accordance with GASB-31, the investment pool is considered a "2A-7 like" pool, and therefore the pool account balance (amortized cost) can be used as fair value for financial reporting. These funds may be withdrawn by the City upon demand.

The carrying amount and market value of the City's investments are as follows:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
State Board of Administration	Uncategorized	\$ 13,485,674	\$ 13,485,674
Repurchase Agreement	C	1,157,382	1,277,679
		<u>\$ 14,643,056</u>	<u>\$ 14,763,353</u>

These investments are presented as pooled cash and cash equivalents in the financial statements, as the maturity value is three months or less when purchased. The investments are composed of unrestricted and restricted amounts as follows:

Unrestricted	\$ 10,856,136
Restricted	<u>3,786,920</u>
	<u>\$ 14,643,056</u>

NOTE C - DUE FROM OTHER GOVERNMENTS

The amount of \$68,809 due from other governments as of September 30, 2001, consists of the following: September 2001 amounts collected on behalf of the City by the State of Florida and not yet received as follows: infrastructure sales surtaxes of \$50,267; Pinellas County, Florida emergency services allocation for September 2001 in the amount of \$18,354 and various fire hydrant fees for September 2001 in the amount of \$188. These amounts are unsecured and represent a concentration of credit risk in the event that any of the entities were unable to remit the amounts due the City.

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September 30, 2001

NOTE D - CHANGE IN CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2001, was as follows:

	Beginning Balance 10/01/00	Additions	Transfers In (Out)	Deletions	Ending Balance 9/30/01
Governmental activities					
Non-Depreciable Assets					
Land	\$ 4,531,970	\$	\$	\$	\$ 4,531,970
Construction in progress	1,085,342	1,890,996	(2,463,973)		512,365
Depreciable Assets					
Buildings	4,467,793		573,743		5,041,536
Improvements	11,694,769		1,875,953		13,570,722
Equipment	2,880,913	431,073	14,277	(179,381)	3,146,882
Totals at historical cost	<u>24,660,787</u>	<u>2,322,069</u>		<u>(179,381)</u>	<u>26,803,475</u>
Less accumulated depreciation for					
Buildings	(747,582)	(123,709)			(871,291)
Improvements	(2,383,250)	(444,276)	178		(2,827,348)
Equipment	(1,827,747)	(266,040)	(178)	175,933	(1,918,032)
Total accumulated depreciation	<u>(4,958,579)</u>	<u>(834,025)</u>		<u>175,933</u>	<u>(5,616,671)</u>
Governmental activities capital assets, net	<u>\$ 19,702,208</u>	<u>\$1,488,044</u>	<u>\$</u>	<u>(3,448)</u>	<u>\$ 21,186,804</u>
Business-type activities					
Non-Depreciable Assets					
Land	\$ 759,336	\$	\$	\$	\$ 759,336
Construction in progress	437,378	1,202,107	(1,020,486)		618,999
Depreciable Assets					
Buildings	1,528,606				1,528,606
Improvements	19,465,820		1,184,821		20,650,641
Equipment	932,282	36,541	(164,335)	(20,907)	783,581
Totals at historical cost	<u>23,123,422</u>	<u>1,238,648</u>		<u>(20,907)</u>	<u>24,341,163</u>
Less accumulated depreciation for					
Buildings	(1,213,845)	(49,767)			(1,263,612)
Improvements	(6,056,628)	(669,160)	(19,130)		(6,744,918)
Equipment	(554,227)	(60,178)	19,130	20,907	(574,368)
Total accumulated depreciation	<u>(7,824,700)</u>	<u>(779,105)</u>		<u>20,907</u>	<u>(8,582,898)</u>
Business-type activities capital assets, net	<u>\$ 15,298,722</u>	<u>\$ 459,543</u>	<u>\$</u>	<u>\$</u>	<u>\$ 15,758,265</u>

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE D - CHANGE IN CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

General Government	\$	165,783
Law Enforcement		266
Fire Protection		88,948
Protective Inspections		5,740
Transportation		395,152
Library		42,526
Parks and Recreation		131,164
Cultural Affairs		4,447
		<hr/>
Total depreciation expense	\$	<u>834,026</u>

NOTE E - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2001:

	<u>Balance October 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2001</u>	<u>Amount due within one year</u>
<u>Governmental Activities</u>					
1989 Capital Improvement Revenue Bonds	\$ 823,770	\$	\$ 130,000	\$ 693,770	
Increase in book value of capital appreciation bonds due to interest accretion	<u>273,441</u>	<u>37,194</u>		<u>310,635</u>	
Subtotal	1,097,211	37,194	130,000	1,004,405	\$ 140,000
1998 Utility Tax Revenue Note	375,303		146,008	229,295	153,441
Accrued compensated absences	<u>149,771</u>	<u>20,753</u>		<u>170,524</u>	<u>140,558</u>
Governmental Activities Totals	<u>\$ 1,622,285</u>	<u>\$ 57,947</u>	<u>\$ 276,008</u>	<u>\$ 1,404,224</u>	<u>\$ 433,999</u>

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE E - LONG-TERM DEBT (continued)

	Balance October 1, 2000	Increases	Decreases	Balance September 30, 2001	Amounts due within one year
<u>Business-type Activities</u>					
1990 Water and Sewer System Refunding and Improvement Revenue Bonds	\$ 3,021,143	\$	\$ 510,000	\$ 2,511,143	
Increase in book value of capital appreciation bonds due to interest accretion	2,668,203	381,741		3,049,944	
Subtotal	5,689,346	381,741	510,000	5,561,087	\$ 239,538
State revolving loan	1,426,654		118,819	1,307,835	123,573
Accrued compensated absences	47,451		8,376	39,075	33,849
Business-type Activities Totals	<u>\$ 7,163,451</u>	<u>\$ 381,741</u>	<u>\$ 637,195</u>	<u>\$ 6,907,997</u>	<u>\$ 396,960</u>
Totals all Activities	<u>\$ 8,785,736</u>	<u>\$ 439,688</u>	<u>\$ 913,203</u>	<u>\$ 8,312,221</u>	<u>\$ 830,959</u>

Governmental Activities Long-Term Debt: The Governmental Activities long-term debt is comprised of the following as of September 30, 2001:

<u>Capital Improvement Revenue Bonds - Series 1989</u> , in the amount of \$1,848,770 were issued to finance the cost of land and construction of a city hall in the City. The Series consists of 5.80% - 6.75% current interest bonds with serial maturities due in annual principal installments ranging from \$85,000 to \$155,000 from October 1, 1990 to October 1, 2004; 7% term capital appreciation bonds in the maturity amount (original principal amount plus interest earned to date of maturity or mandatory redemption) of \$841,801 subject to annual mandatory redemptions beginning October 1, 2005, and maturing on October 1, 2009. Interest is payable semiannually on current interest bonds and at maturity (or prior mandatory redemption date) on capital appreciation bonds; in the case of capital appreciation bonds, unearned accreted interest included in the maturity amount outstanding at September 30, 2001, of \$282,396; secured by local government half-cent sales tax	\$ 1,004,405
<u>Revenue Note - Series 1998</u> , in the amount of \$711,500 were issued for the acquisition and installation of certain computer facilities. Principal payments of \$13,446, including interest at the rate of 4.9% per annum, are due monthly. Total amount to be repaid by the City will be \$806,741. The note is secured by a lien of pledged telephone utility tax revenues.	229,295
<u>Accrued compensated absences</u> , unused accrued vacation pay for governmental funds.	170,524
	<u>\$ 1,404,224</u>

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE E - LONG-TERM DEBT (continued)

The annual requirements to amortize the Governmental Activities long-term debt as of September 30, 2001, are as follows:

1989 Capital Improvement Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
2002	\$ 130,000	\$ 38,338	\$ 168,338
2003	140,000	29,822	169,822
2004	150,000	20,513	170,513
2005	155,000	10,463	165,463
2006	56,422	110,649	167,071
	<u>631,422</u>	<u>209,785</u>	<u>841,207</u>
2007-2010	192,348	482,381	674,729
Totals	<u>\$ 823,770</u>	<u>\$ 692,166</u>	<u>\$ 1,515,936</u>

Half-cent sales taxes of \$610,304 were received during the year ended September 30, 2001 of which \$168,338 provided the funding necessary to meet the Sinking Fund requirements.

Funding of Funds and Accounts: The resolution authorizing issuance of the capital improvement revenue bonds delineates the disposition of moneys from the revenue fund held by the City for the proper funding of the various funds and accounts. The amounts required to be funded and actual funding for each fund and account for the year are as follows:

	Interest and Principal Account	Reserve Account	Revenue Fund	Total
Beginning balance - October 1, 2000	\$	\$ 247,785	\$ 38,375	\$ 286,160
Deposits	168,338		168,338	366,676
Disbursements	<u>(168,338)</u>		<u>(168,338)</u>	<u>(366,676)</u>
Ending balance - September 30, 2001	<u>\$</u>	<u>\$ 247,785</u>	<u>\$ 38,375</u>	<u>\$ 286,160</u>

The balances in these accounts satisfy the Sinking Fund requirements as stipulated by the bond issue as of September 30, 2001.

Pursuant to NCGA Statement 1, the City provides debt service fund resources at September 30 for payment of principal and interest due October 1. The expenditure and reduction of the related liability are recognized in the debt service fund and the debt principal amount is removed from the General Long-Term Debt Account Group. At September 30, 2001, the City reflected the \$130,000 principal due in 2002 of the 1989 Capital Improvement Revenue Bonds as being retired.

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE E - LONG-TERM DEBT (continued)

1998 Revenue Notes

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 153,441	\$ 7,907	\$ 161,348
2003	75,854	1,057	76,911
Totals	<u>\$ 229,295</u>	<u>\$ 8,964</u>	<u>\$ 238,259</u>

Business-type Activities Debt: Business-type activities debt is comprised of the following as of September 30, 2001,

Refunding and Improvement Revenue Bonds - Series 1990, 6.40% -6.90% current interest bonds with serial maturities due in annual principal installments ranging from \$480,000 to \$510,000 from July 1, 2000 to July 1, 2001; capital appreciation bonds with approximate yield to maturity ranging from 7.05% - 7.25% and having serial maturities due in annual installments of maturity amounts (original principal amount plus interest earned to date of maturity) ranging from \$200,000 to \$350,000 from January 1, 2002 to July 1, 2010; 7.40% term capital appreciation bonds in the maturity amount (original principal amount plus interest earned to date of maturity or prior mandatory redemption) of \$5,478,137 maturing on July 1, 2020; interest is payable semiannually on current interest bonds and at maturity (or prior mandatory redemption date) on capital appreciation bonds; in the case of the capital appreciation bonds, unearned accreted interest included in the maturity amount outstanding at September 30, 2000 of \$4,867,050, secured by net revenues of the water and sewer system

\$ 5,561,087

State Revolving Loan: The City entered into a State Revolving Loan Fund agreement with the State of Florida, Department of Environmental Regulation. Loan proceeds were used to upgrade the wastewater treatment plant. Total amount to be repaid by the City will be \$2,392,916 which includes capitalized interest of \$22,916. Annual loan repayments of \$175,909, including interest at the rates of 3.92% and 4.08% per annum, are due September 1 of each year. The loan is secured by a lien on pledged revenues derived from the water and sewer system after payment of operation and maintenance expenses and the satisfaction of all yearly payment obligations on account of the series 1990 bond issue

1,307,835

Accrued compensated absences: unused accrued vacation pay for business-type activities.

39,075

\$ 6,907,997

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE E - LONG-TERM DEBT (continued)

The annual requirements to amortize the business-type activities debt as of September 30, 2001 are as follows:

Refunding and Improvement Revenue Bonds - Series 1990

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 239,538	\$ 310,462	\$ 550,000
2003	222,104	327,896	550,000
2004	205,738	344,262	550,000
2005	191,783	358,217	550,000
2006	<u>178,773</u>	<u>371,227</u>	<u>550,000</u>
	1,037,936	1,712,064	2,750,000
2007-2020	<u>1,473,207</u>	<u>6,204,929</u>	<u>7,678,136</u>
Totals	<u>\$ 2,511,143</u>	<u>\$ 7,916,993</u>	<u>\$ 10,428,136</u>

State Revolving Loan

The annual requirements, including interest, to service the State Revolving Loan are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 123,573	\$ 52,336	\$ 175,909
2003	128,518	47,391	175,909
2004	133,661	42,248	175,909
2005	139,009	36,900	175,909
2006	<u>144,572</u>	<u>31,337</u>	<u>175,909</u>
	669,333	210,212	879,545
2007-2010	<u>638,502</u>	<u>65,133</u>	<u>703,635</u>
Totals	<u>\$ 1,307,835</u>	<u>\$ 275,345</u>	<u>\$ 1,583,180</u>

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE E - LONG-TERM DEBT (continued)

A summary of debt service requirements (all outstanding indebtedness as of September 30, 2001, including interest payments and accreted interest on capital appreciation bonds of \$5,149,446) are as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bonds and Notes Debt Service</u>	<u>State Revolving Loan</u>	<u>Total</u>
2002	879,686	175,909	1,055,595
2003	796,733	175,909	972,642
2004	720,513	175,909	896,422
2005	715,463	175,909	891,372
2006	717,071	175,909	892,980
	<u>3,829,466</u>	<u>879,545</u>	<u>4,709,011</u>
2007-2020	<u>8,352,865</u>	<u>703,635</u>	<u>9,056,500</u>
Totals	<u>\$ 12,182,331</u>	<u>\$ 1,583,180</u>	<u>\$ 13,765,511</u>

NOTE F - DEFEASANCE OF SEWER AND WATER REVENUE CERTIFICATES, SERIES 1974

On August 15, 1985, the City legally defeased all outstanding Sewer and Water Revenue Certificates, Series 1974, by depositing \$2,169,200 with a financial institution pursuant to an escrow agreement. The interest and principal payments from these escrowed investments will be sufficient to meet all outstanding debt service requirements of the outstanding bonds at the stated maturities. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2001, the remaining principal amount outstanding was \$1,470,000.

NOTE G - RESTRICTED ASSETS, BUSINESS-TYPE ACTIVITIES

Restricted assets in the Water and Sewer Fund consist of the following:

- (a) Water and Sewer Improvement Charges (Impact Fees):
The use of which is restricted by ordinances authorizing the collections of such charges for the construction of additions and improvements to the water and sewer systems.
- (b) Assets of the Water and Sewer Fund restricted under provisions of the ordinances and resolutions authorizing the issuance of Refunding and Improvement Revenue Bonds, Series 1990.
- (c) Assets of the Water and Sewer Fund representing customer deposits.
- (d) Assets restricted under the provisions of ordinances and resolutions authorizing the City to enter into a state revolving loan agreement.
- (e) Assets restricted under the provisions of ordinances and resolutions authorizing the City to enter into a State Grant agreement.

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE G - RESTRICTED ASSETS, ENTERPRISE FUND (continued)

A condensed summary of amounts follows:

	Equity in Pooled Cash and Equivalents, Net
(a) Water and sewer impact fees	\$ 1,430,099
(b) Water and sewer operating	
Principal and interest	137,500
Reserve account	550,525
Renewal & replacement	250,000
Construction account	345,538
(c) Customer deposits	379,799
(d) State revolving loan	222,956
(e) Wastewater capital improvement account	470,503
	<u>\$ 3,786,920</u>

NOTE H - DEFERRED REVENUE

Deferred revenue at September 30, 2001, was as follows:

Occupational licenses	\$ 89,917
Impact fees	18,000
Special assessment	<u>1,733</u>
	<u>\$ 109,650</u>

NOTE I RETIREMENT PLAN

Florida Retirement System:

Plan Description. The City contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Department of Administration, Division of Retirement. FRS provides retirement and disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 121 of Florida Statutes assigns the authority to establish and amend benefit provisions to the State of Florida Department of Administration. The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to The Department of Management Services, Division of Retirement, Research, Education & Policy Section, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (904) 488-5706.

Funding Policy. The City is required by State statute to contribute, on a monthly basis, at an actuarially determined rate. The current rate is 9.15% and 20.29% of eligible payroll for regular and Special Risk (firefighters) service classes, respectively. The City's contributions to FRS for the years ended September 30, 2001, 2000 and 1999 were \$195,130, \$228,155 and \$340,418, respectively, equal to the required contributions for each year.

CITY OF OLDSMAR, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE I - RETIREMENT PLAN (continued)

Senior Management Service Class Retirement Plan - effective March 1, 1994 the City Manager elected to withdraw from the Florida Retirement System (FRS) and participate in a Lifetime Monthly Annuity Program instead.

A lifetime monthly annuity program is designed to accumulate a retirement fund that will be used to provide lifetime monthly benefits to the participant when he retires. The annuity program must be a defined contribution plan which provides full and immediate vesting of all contributions made by the participant's employer.

A member who elects to withdraw from the FRS and participate in the annuity program will retain all of the service credit earned under the FRS. The member will not earn additional FRS retirement service credit while participating in the annuity program, nor be eligible for disability benefits under the FRS.

The City made required contributions on a monthly basis for the years ended September 30, 2001, 2000 and 1999 totaling \$10,448, \$9,952 and \$10,337, respectively, equal to the required contributions for each year.

Florida Municipal Pension Trust Fund:

Plan Description. The City, in accordance with Florida Statute 121, elected to opt out of the Florida Retirement System for newly hired employees effective January 1, 1996. The City contributes to the Florida Municipal Pension Trust Fund (FMPTF), an agent multiple-employer defined contribution pension plan (general employees) and defined benefit pension plan (firefighters) that covers all full time employees. General employees are covered after a ninety (90) day waiting period and firefighters are covered immediately. The plan is administered by the Florida League of Cities, Inc. FMPTF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida statute 175 assigns the authority to establish and amend the benefit provisions of the plans that participate in FMPTF to the respective employer entities; for the City of Oldsmar this is the City Council. The Florida League of Cities, Inc. issues a publicly available financial report that includes financial statements and required supplementary information for the FMPTF. That report may be obtained by writing to Florida League of Cities, Inc., 201 West Park Avenue, P.O. Box 1757, Tallahassee, Florida 33302-1757 or by calling (904) 222-9684.

Funding Policy. General employees may voluntarily contribute up to 10% of their eligible salary. Firefighters are required to contribute 1% of their salary. The City established by ordinance a contribution rate on a monthly basis of 8% of eligible wages for the defined contribution plan. The contribution rate for the defined benefit plan is determined using the aggregate actuarial cost method and was 0% for fiscal years 2001, 2000 and 1999, respectively. The contribution rate of 0% is due to receipt of excise taxes by the plan on behalf of the City. In accordance with Florida Statute 175, excise taxes on fire insurance policies reduce the required contribution by the City.

For fiscal years ended September 30, 2001, 2000 and 1999 the City contributed \$98,424, \$80,254 and \$50,516, respectively. Contributions were equal to required contributions for all three years.

NOTE J - DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As of January 1, 1997, as a result of the Small Business Job Protection Act of 1996, the assets of the deferred compensation plan are no longer the property of the City and are not subject to the claims of the City's creditors. The City has appointed the Plan's Administrator, Nationwide Retirement Solutions, as trustee of the Plan effective January 1, 1997. As a result, the City no longer reflects the plan assets or liabilities in an Agency Fund as the City has no rights to these assets nor does the City act in a fiduciary capacity.

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE K - LEASE COMMITMENTS

Operating Leases

The City leases equipment through various operating leases. The total rental expenditures incurred and charged to operating expense amounted to \$29,075. Information relative to the minimum future rentals is as follows:

<u>Year Ending September 30,</u>	<u>Total</u>
2002	\$ 25,111
2003	25,111
2004	10,686
2005	2,872
2006 and thereafter	-
	<u>\$ 63,780</u>

NOTE L - COMMITMENTS AND CONTINGENCIES

Commitment: At September 30, 2001, construction contract commitments in the Governmental Fund Types total \$1,533,837. The uncompleted commitments are included as fund balances reserved for encumbrances. Construction commitments in the Proprietary Fund Type for 2001 totaled \$1,501,906.

Contingency: The City has been named a third party defendant in a legal action brought by a construction contractor against the Florida Department of Transportation (FDOT). The suit seeks unspecified damages from the City as a third party. The FDOT has indicated that it will seek recovery from the City for all damages (if any) it is required to pay to the contractor. The contractor has indicated that it seeks damages of between \$3,800,000 and \$6,000,000 from FDOT. The case is scheduled for trial in June 2002. The parties are conducting discovery and the City is vigorously defending the third party claim. The City has been named in various other legal actions. In the opinion of management, based on the advice of legal counsel, any ultimate liability to the City resulting from the satisfaction of the other legal actions will have no material effect on the financial condition of the City.

Contingency: The City was awarded a Community Development Block Grant that was used to renovate the community center. The City must track and report the percentage of low income persons utilizing the center. If this percentage falls below 51% a prorata portion of the grant is transformed into a loan and is due and payable to Pinellas County. For the seventh of eight years ended September 30, 2001, the City is in compliance with this provision.

NOTE M - RATE AND DEBT COVENANTS

Pursuant to a State Revolving Loan Agreement, the City shall maintain water and sewer system rates which will be sufficient to provide pledged revenues equal to or exceeding 1.30 times the annual loan payment after the satisfaction of all yearly payment obligations of superior and parity liens. For the year ended September 30, 2001, this covenant was met.

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE M - RATE AND DEBT COVENANTS (continued)

The State Revolving Loan agreement provides that the City shall establish an account with the State Board of Administration in which to maintain an "annual loan deposit" and the "loan repayment reserve". The account is being maintained and is accounted for in the Water and Sewer Enterprise Fund as a restricted asset. The required balances and the amount of restricted assets as of September 30, 2001 is as follows:

Loan repayment reserve	\$ 222,956
Annual loan deposit	<u>470,503</u>
Total restricted assets	<u>\$ 693,459</u>

The rate covenant of the superior lien obligation stipulates that revenues of the water and sewer system must be adequate to provide 100% of the costs of operation and maintenance of the system and 120% of the bond service requirement. This covenant was met as well.

NOTE N - RISK FINANCING

The City is subject to losses in the normal course of operations resulting from general liability; property and casualty; workers' compensation; employee health and accident, environmental and antitrust matters. The City has purchased commercial insurance to protect against employee dishonesty and employee health losses. The City participates in the Florida Municipal Liability Self Insurers Program for purposes of protecting against workers' compensation losses; real and personal property losses; automobile damage; and general liability, including malpractice and errors and omissions. The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter.

The Florida Municipal Insurance Trust is a risk pool that assumes the risk of loss for all participating members. The members are subject to additional premium assessments in the event that the risk pool required additional funding to satisfy all claims. The City has not been assessed any additional insurance premiums during the year ended September 30, 2001, 2000 or 1999 nor is the City aware of any contingent assessments. For the same previous three fiscal years the City has not decreased its insurance coverage nor have any settlements been in excess of such coverage.

NOTE O - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and refuse service to businesses and residents of the City. As of September 30, 2001, the refuse account receivable was \$132,070, while the water and sewer account receivable totaled \$433,227. Customer deposits in the amount of \$444,547 are held as security for payments of the outstanding accounts receivable. It is City policy to maintain a customer deposit for all accounts.

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APPENDIX I

FINANCIAL INFORMATION REGARDING THE CITY OF SUNNY ISLES BEACH

CITY OF SUNNY ISLES BEACH, FLORIDA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types

Years Ended September 30

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Real and personal property taxes	\$ 4,088,966	\$ 3,275,279	\$ 2,847,469
Utility taxes	1,936,939	1,933,856	1,739,549
Franchise fees	1,055,682	1,080,520	297,163
Impact fees	741,918	217,332	153,708
Intergovernmental	1,704,231	3,256,726	3,550,439
Licenses and permits	1,428,993	883,268	882,113
Charges for services	230,051	153,551	113,737
Fines and forfeitures	720,394	553,390	305,547
Interest	379,853	433,150	74,153
Miscellaneous	<u>363,271</u>	<u>34,416</u>	<u>66,203</u>
Total revenues	12,650,298	11,821,488	10,030,081
Expenditures:			
Current:			
General government	1,967,823	1,726,813	1,264,093
Public safety	5,473,704	5,028,361	3,238,384
Community services	1,354,690	745,751	494,841
Operating	253,748	-	-
Capital outlay	791,318	3,244,934	4,533,992
Debt service:		-	607,676
Principal	640,072	613,266	-
Interest	<u>489,540</u>	<u>409,328</u>	-
Total expenditures	10,970,895	11,768,453	10,138,986
Excess (deficiency) of revenues over expenditures	1,679,403	53,035	(108,905)
Other financing sources:			
Operating transfers in	888,024	203,000	1,393,728
Operating transfers out	(888,024)	(203,000)	(1,393,728)
Debt proceeds	<u>-</u>	<u>5,000,000</u>	<u>2,400,000</u>
Total other financing sources (uses)	<u>-</u>	<u>5,000,000</u>	<u>2,400,000</u>
Excess of revenues and other financing sources over expenditures	1,679,403	5,053,035	2,291,095
Fund balances, beginning	<u>8,193,399</u>	<u>3,140,363</u>	<u>849,268</u>
Fund balances, ending	<u>\$ 9,872,802</u>	<u>\$ 8,193,398</u>	<u>\$ 3,140,363</u>

Certain of the above revenues are not legally available to make the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Commission and City Manager
City of Sunny Isles Beach, Florida

We have audited the general purpose financial statements of the City of Sunny Isles Beach, Florida (the City) as of September 30, 2001 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at September 30, 2001 and the results of its operations and cash flows of its proprietary fund type for the year ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Rachlin Cohen + Holtz LLP

Miami, Florida
January 25, 2002

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Member of the American Institute of Certified Public Accountants and member of the Florida Institute of Certified Public Accountants

GENERAL PURPOSE FINANCIAL STATEMENTS
(Combined Statements - Overview)

CITY OF SUNNY ISLES BEACH, FLORIDA

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2001

	Governmental		Proprietary	Fiduciary	Account		Totals (Memorandum Only)
	Fund Types		Fund Type	Fund Type	Groups		
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	
<u>ASSETS AND OTHER DEBITS</u>							
Assets:							
Cash and cash equivalents	\$ 2,497,467	\$ 557,425	\$ 6,544,268	\$ 885,576	\$ -	\$ -	\$ 10,484,736
Taxes and fees receivable	421,888	-	-	40,645	-	-	462,533
Due from other funds	1,604,904	-	-	88,290	-	-	1,693,194
Prepaid expenses	72,125	-	-	-	-	-	72,125
Property and equipment	-	-	-	219,044	-	-	219,044
General fixed assets	-	-	-	-	-	13,258,661	13,258,661
Other debits:							
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	11,183,248
Total assets and other debits	<u>\$ 4,596,384</u>	<u>\$ 557,425</u>	<u>\$ 6,544,268</u>	<u>\$ 1,233,555</u>	<u>\$ -</u>	<u>\$ 13,258,661</u>	<u>\$ 37,373,541</u>
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 276,905	\$ -	\$ 1,102	\$ 56,862	\$ -	\$ -	\$ 334,869
Due to other funds	88,291	-	1,418,977	185,926	-	-	1,693,194
Deferred revenue	40,000	-	-	-	-	-	40,000
Compensated absences payable	-	-	-	-	-	529,355	529,355
Revenue bonds payable	-	-	-	-	-	10,653,893	10,653,893
Total liabilities	<u>405,196</u>	<u>-</u>	<u>1,420,079</u>	<u>242,788</u>	<u>-</u>	<u>-</u>	<u>13,251,311</u>
Equity and other credits:							
Investment in general fixed assets	-	-	-	-	-	13,258,661	13,258,661
Retained earnings	-	-	-	990,767	-	-	990,767
Fund balance:							
Reserved	544,730	231,065	756,201	-	-	-	1,531,996
Unreserved:							
Designated for capital projects	-	-	4,367,988	-	-	-	4,367,988
Undesignated	<u>3,646,458</u>	<u>326,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,972,818</u>
Total equity and other credits	<u>4,191,188</u>	<u>557,425</u>	<u>5,124,189</u>	<u>990,767</u>	<u>-</u>	<u>13,258,661</u>	<u>24,122,230</u>
Total liabilities, equity and other credits	<u>\$ 4,596,384</u>	<u>\$ 557,425</u>	<u>\$ 6,544,268</u>	<u>\$ 1,233,555</u>	<u>\$ -</u>	<u>\$ 13,258,661</u>	<u>\$ 37,373,541</u>

See notes to general purpose financial statements.

CITY OF SUNNY ISLES BEACH, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Revenues:				
Real and personal property taxes	\$ 4,088,966	\$ -	\$ -	\$ 4,088,966
Utility taxes	1,936,939	-	-	1,936,939
Franchise fees	1,055,682	-	-	1,055,682
Impact fees	165,717	-	576,201	741,918
Intergovernmental	1,597,898	-	106,333	1,704,231
Licenses and permits	1,428,993	-	-	1,428,993
Charges for services	230,051	-	-	230,051
Fines and forfeitures	235,582	484,812	-	720,394
Interest	345,585	21,290	12,978	379,853
Miscellaneous fees	183,271	-	180,000	363,271
Total revenues	11,268,684	506,102	875,512	12,650,298
Expenditures:				
Current:				
General government	1,967,823	-	-	1,967,823
Public safety	5,473,704	-	-	5,473,704
Community services	1,354,690	-	-	1,354,690
Operating	-	253,748	-	253,748
Capital outlay	452,376	-	338,942	791,318
Debt service:				
Principal	-	-	640,072	640,072
Interest	-	-	489,540	489,540
Total expenditures	9,248,593	253,748	1,468,554	10,970,895
Excess (deficiency) of revenues over expenditures	2,020,091	252,354	(593,042)	1,679,403
Other financing sources:				
Operating transfers in	-	305,071	582,953	888,024
Operating transfers out	(888,024)	-	-	(888,024)
Total other financing sources (uses)	(888,024)	305,071	582,953	-
Excess (deficiency) of revenues and other financing sources over expenditures	1,132,067	557,425	(10,089)	1,679,403
Fund balances, beginning	3,059,121	-	5,134,278	8,193,399
Fund balances, ending	\$ 4,191,188	\$ 557,425	\$ 5,124,189	\$ 9,872,802

See notes to general purpose financial statements

CITY OF SUNNY ISLES BEACH, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>General Fund</u>			<u>Capital Projects</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:						
Real and personal property taxes	\$ 4,019,576	\$ 4,088,966	\$ 69,390	\$ -	\$ -	\$ -
Utility taxes	1,930,000	1,936,939	6,939	-	-	-
Franchise fees	1,086,000	1,055,682	(30,318)	-	-	-
Impact fees	26,000	165,717	139,717	200,000	576,201	376,201
Intergovernmental	1,834,466	1,597,898	(236,568)	300,000	106,333	(193,667)
Licenses and permits	1,098,000	1,428,993	330,993	-	-	-
Charges for services	142,500	230,051	87,551	-	-	-
Fines and forfeitures	196,000	235,582	39,582	-	-	-
Interest	200,000	345,585	145,585	-	12,978	12,978
Miscellaneous	719,881	183,271	(536,610)	-	180,000	180,000
Total revenues	<u>11,252,423</u>	<u>11,268,684</u>	<u>16,261</u>	<u>500,000</u>	<u>875,512</u>	<u>375,512</u>
Expenditures:						
Current:						
General government	3,217,497	1,967,823	1,249,674	-	-	-
Public safety	6,093,232	5,473,704	619,528	-	-	-
Community services	1,311,694	1,354,690	(42,996)	-	-	-
Debt service	-	-	-	1,400,000	1,129,612	270,388
Capital outlay	630,000	452,376	177,624	12,600,000	338,942	12,261,058
Total expenditures	<u>11,252,423</u>	<u>9,248,593</u>	<u>2,003,830</u>	<u>14,000,000</u>	<u>1,468,554</u>	<u>12,531,446</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>2,020,091</u>	<u>2,020,091</u>	<u>(13,500,000)</u>	<u>(593,042)</u>	<u>12,906,958</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	3,500,000	582,953	(2,917,047)
Operating transfers out	-	(888,024)	(888,024)	-	-	-
Debt proceeds	-	-	-	10,000,000	-	(10,000,000)
Total other financing sources (uses)	<u>-</u>	<u>(888,024)</u>	<u>(888,024)</u>	<u>13,500,000</u>	<u>582,953</u>	<u>(12,917,047)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,132,067</u>	<u>\$ 1,132,067</u>	<u>\$ -</u>	<u>\$ (10,089)</u>	<u>\$ (10,089)</u>

See notes to general purpose financial statements.

CITY OF SUNNY ISLES BEACH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - STORMWATER UTILITY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2001

Operating revenues:	
Charges for services	<u>\$ 566,407</u>
Operating expenses:	
Personal services	50,010
Operating expenses	<u>62,174</u>
Total operating expenses	<u>112,184</u>
Operating income	<u>454,223</u>
Non-operating revenues (expenses):	
Other income	729
Interest expense	<u>(8,486)</u>
	<u>(7,757)</u>
Net income	446,466
Retained earnings, beginning	<u>544,301</u>
Retained earnings, ending	<u>\$ 990,767</u>

See notes to general purpose financial statements.

CITY OF SUNNY ISLES BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE - STORMWATER UTILITY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2001

Operating income	\$ 454,223
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	10,704
Other income	729
Changes in operating assets and liabilities:	
Increase in:	
Accounts receivable	(1,222)
Due from other funds	(38,290)
Increase in:	
Accounts payable	56,531
Due to other funds	<u>137,970</u>
Net cash provided by operating activities	<u>620,645</u>
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	<u>(130,061)</u>
Cash flow from financing activities:	
Payment on line of credit	(1,000,000)
Interest paid	<u>(8,426)</u>
Net cash used in financing activities	<u>(1,008,426)</u>
Net decrease in cash and cash equivalents	(517,842)
Cash and cash equivalents, beginning	<u>1,403,478</u>
Cash and cash equivalents, ending	<u>\$ 885,636</u>
Supplemental disclosure for cash flow information:	
Cash paid during the year for interest	<u>\$ 8,486</u>

See notes to general purpose financial statements.

**NOTES TO GENERAL PURPOSE
FINANCIAL STATEMENTS**

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sunny Isles Beach, Florida (the City) was incorporated on June 16, 1997. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, public works and stormwater management. The general purpose 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 standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

2. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the City's 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

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental Fund Types (Continued)

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 revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Taxes, intergovernmental revenues, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

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 another fund.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary fund.

Proprietary Fund Type

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. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or are contradicted by Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds include the following fund type:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's stormwater utility fund is the only enterprise fund.

Fiduciary Fund Type

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent on behalf for others.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The City has established the Confiscated Money Agency Fund to account for funds held in an agency capacity for seized money from police investigations.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Account Groups

The *general fixed assets account group* is used to account for fixed assets of the general government. The *general long-term debt account group* is used to account for long-term liabilities of the general government.

3. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at fiscal year end are reported as "Due to/from other funds".

4. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Public domain (infrastructure) general fixed assets consisting of streets, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Property, plant and equipment for proprietary funds are recorded at historical cost. Maintenance and repairs are expensed as incurred, while renewals and improvements are capitalized. Depreciation has been provided using the straight-line method in amounts sufficient to allocate the costs of depreciable assets to operations over their estimated lives. The service lives by type of assets are as follows:

Utility and improvements other than buildings	30 – 50 years
Machinery and equipment	5 – 10 years

5. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. For certain employees, the City also grants compensation time. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. The City's sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. The City's vacation policy is that earned vacation is cumulative although limited to certain maximums based on length of service.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

For governmental fund types, issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source. Issuance costs, even if withheld from the net proceeds received, are reported as debt service expenditures.

7. Investments

Investments are reported at fair value.

8. Reserves and Designations

Fund balances are reserved to indicate that a portion of fund balance is not available for appropriation or are legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Designated fund balance indicates that a portion of fund equity has been segregated based on tentative plans of the City. Such plans or intent are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

9. Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the general fund and the capital projects fund on a basis consistent with accounting principles generally accepted in the United States. The City follows these procedures in establishing the budgetary data reflected in the general purpose financial statements.

- (a) The City Manager submits to the City Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The City Commission, by ordinance, may make supplemental appropriations for the year. There were no supplemental appropriations during the period.
- (e) Formal budgetary integration is employed as a management control device during the period for the general and the capital projects funds.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Budgets and Budgetary Accounting (Continued)

- (f) The City Manager is authorized to transfer part or all of an unencumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- (h) Budgeted amounts are as originally adopted or as amended. Budget amendments were not material in relation to the original appropriations.

10. Encumbrances

Encumbrances are recorded at the time a purchase order or other commitment is entered into. Encumbrances outstanding at year end, if any, represent the estimated amount of expenditures to result if unperformed purchase orders and other commitments at year end are completed. Appropriations lapse at year end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities of the current period.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

12. Property Taxes

Property taxes for the current year were assessed and collected by Miami-Dade County and subsequently remitted to the City.

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the City for the year ended September 30, 2001 was 2.5 mills.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Property Taxes (Continued)

The tax levy of the City is established by the City Council prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts.

All property is reassessed according to its fair market value as of 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.

All real and tangible personal property taxes are due and payable on November 1, each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. There were no material delinquent property taxes at September 30, 2001.

13. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement No. 3.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At September 30, 2001, the City's deposits included cash on hand (in interest bearing accounts).

Investments

The City is authorized to invest in those instruments authorized by the Florida statutes. Investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. At year end, the City's investment was as follows:

	<u>Category 1</u>
Repurchase agreements	<u>\$6,376,359</u>

A reconciliation of cash and cash equivalents as shown on the combined balance sheet follows:

Cash and cash equivalents	<u>\$10,484,736</u>
Carrying amount of investments	\$ 6,376,359
Cash on hand	<u>4,108,377</u>
Total	<u>\$10,484,736</u>

NOTE 3. FIXED ASSETS

Changes in general fixed assets during the year are as follows:

	Balance September 30, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2001</u>
Land	\$ 9,201,924	\$ -	\$ -	\$ 9,201,924
Equipment	1,881,475	354,780	-	2,236,255
Improvements	1,307,402	346,477	-	1,653,879
Furniture and fixtures	<u>110,576</u>	<u>56,027</u>	-	<u>166,603</u>
Total	<u>\$12,501,377</u>	<u>\$757,284</u>	<u>\$ -</u>	<u>\$13,258,661</u>

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 3. FIXED ASSETS (Continued)

Depreciation is not required and has not been provided on general fixed assets.

A summary of proprietary fixed assets as of September 30, 2001 is as follows.

Equipment	\$ 21,200
Utility and improvements	<u>215,428</u>
Total proprietary fixed assets	236,628
Less accumulated depreciation	<u>17,854</u>
Proprietary fixed assets, net	<u><u>\$491,110</u></u>

Depreciation for proprietary fixed assets was \$10,703.

NOTE 4. LONG-TERM DEBT

Changes in general long-term debt during the year are summarized as follows:

	Balance September 30, <u>2000</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2001</u>
Compensated absences	\$ 351,840	\$177,515	\$ -	\$ 529,355
Revenue bonds payable	<u>11,288,307</u>	<u>-</u>	<u>634,414</u>	<u>10,653,893</u>
Total	<u><u>\$11,640,147</u></u>	<u><u>\$177,515</u></u>	<u><u>\$634,414</u></u>	<u><u>\$11,183,248</u></u>

Revenue Bonds

The source of payment for these bonds is the income derived from the acquired, constructed assets or specific revenue sources. The outstanding revenue bonds are the following:

1. **Utilities Tax Revenue Bond, Series 1998** - On June 26, 1998, the City issued \$4,900,000 for the purpose of acquiring land to build two City parks. Principal and interest payments are payable in equal installments of approximately \$152,000 commencing October 1, 1998 and maturing on July 1, 2008. Installments are paid quarterly on October 1, January 1, April 1 and July 1 with interest accruing at the rate of 4.36%. The balance outstanding at September 30, 2001 was \$3,651,276. The principal and interest is secured solely by and payable from the pledged revenues of utility taxes imposed by the City on the purchase of electricity.

The City may prepay this bond in whole or in part, at any time, without penalty or premium, by paying to the registered holder all or part of the principal amount of this bond, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 4. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

1. Utilities Tax Revenue Bond, Series 1998 (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2002	\$ 455,447	\$153,973	\$ 609,420
2003	475,916	133,504	609,420
2004	497,003	112,417	609,420
2005	519,643	89,777	609,420
2006	542,998	66,422	609,420
Thereafter	<u>1,160,269</u>	<u>58,569</u>	<u>1,218,838</u>
Total	<u>\$3,651,276</u>	<u>\$614,662</u>	<u>\$4,265,938</u>

- 2. Utilities Tax Revenue Bond, Series 1999** - On June 22, 1999, the City issued \$1,000,000 for the purpose of acquiring land to build two City parks. Principal and interest payments are payable in equal installments of approximately \$31,000 commencing October 1, 1999 and maturing on July 1, 2009. Installments are paid quarterly on October 1, January 1, April 1 and July 1 with interest accruing at the rate of 4.36%. The balance outstanding at September 30, 2001 was \$834,756. The principal and interest is secured solely by and payable from the pledged revenues of utility taxes imposed by the City on the purchase of electricity.

The City may prepay this bond in whole or in part, at any time, without penalty or premium, by paying to the registered holder all or part of the principal amount of this bond, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2002	\$ 89,222	\$ 34,958	\$124,180
2003	93,176	31,004	124,180
2004	97,233	26,947	124,180
2005	101,615	22,565	124,180
2006	106,118	18,062	124,180
Thereafter	<u>347,392</u>	<u>25,150</u>	<u>372,542</u>
Total	<u>\$834,756</u>	<u>\$158,686</u>	<u>\$993,442</u>

- 3. Utilities Tax Revenue Bond, Series 1999** - On July 22, 1999, the City issued \$1,400,000 for the purpose of acquiring land to build two City parks. Principal and interest payments are payable in equal installments of approximately \$44,000 commencing October 1, 1999 and maturing on July 1, 2009. Installments are paid quarterly on October 1, January 1, April 1 and July 1 with interest accruing at the rate of 4.5%. The balance outstanding at September 30, 2001 was \$1,167,861. The principal and interest is secured solely by and payable from the pledged revenues of utility taxes imposed by the City on the purchase of electricity.

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 4. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

3. Utilities Tax Revenue Bond, Series 1999 (Continued)

The City may prepay this bond in whole or in part, at any time, without penalty or premium, by paying to the registered holder all or part of the principal amount of this bond, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2002	\$ 124,183	\$ 50,493	\$ 174,676
2003	129,866	44,810	174,676
2004	135,704	38,972	174,676
2005	142,020	32,656	174,676
2006	148,520	26,156	174,676
Thereafter	<u>487,568</u>	<u>36,454</u>	<u>524,022</u>
Total	<u>\$1,167,861</u>	<u>\$229,541</u>	<u>\$1,397,402</u>

4. Utility Tax Revenue Bond Anticipation Note – On December 30, 1999, the City issued \$5,000,000 for the purpose of building the City’s proposed government center. The revenue bond is estimated to be \$23,000,000. The City, however, is expected to restructure the anticipation note and its related debt. The City is not paying principal payments, based on the agreement, which states payments are due quarterly at an interest rate at LIBOR rates. The interest payable is secured solely by and payable from the pledge revenues of utility taxes imposed by the City.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The City entered into an operating lease for the City Hall on May 1, 1998, which was amended on October 1, 1998 to include the Police Station at a base annual rental of \$126,000 for approximately 21,000 square feet. The term of the lease is 60 months with an option to renew for two successive one-year option periods. A termination clause was added to the lease agreement in fiscal year 1999, without any penalties to the City, at the time of relocation to new facilities. The City is required to inform the landlord of its intent to relocate four months in advance. For the fiscal year ended September 30, 2001, lease expense was \$150,000.

The future minimum lease payments are as follows:

Fiscal year ending September 30:	
2002	\$138,000
2003	138,000
2004	<u>34,500</u>
Total minimum lease payments	<u>\$310,500</u>

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 5. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The City is involved in several lawsuits incidental to its operations, the outcome of which, in the opinion of management and legal counsel, should not have a material adverse effect on the financial position of the City.

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 and natural disasters for which the City carries commercial insurance.

Construction Commitment

The City has various pending and future capital improvement projects. Among these projects are park development projects with continuing improvements of an estimated cost of \$300,000 and stormwater improvements with an estimated cost of \$3,000,000. Various other landscaping and engineering projects are ongoing with costs totaling approximately \$900,000.

NOTE 6. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The City of Sunny Isles Beach is a single employer that contributes to two defined contribution plans based on employee classification created in accordance with Internal Revenue Code Section 401(a). The plans currently cover all full-time employees of the City. Under these plans, the City contributes 11% and employees contribute between 0% and 4% depending on the employee classification. The Plan can only be amended by approval of the City Commission. Employer and employee contributions for period ended September 30, 2001 were approximately \$502,000 and \$123,000, respectively.

NOTE 7. RESERVED/DESIGNATED FUND BALANCES

As of September 30, 2001, fund balances in the general fund and capital projects fund have been reserved or designated for the following purposes:

Reserved Fund Balances

General fund:

Landscaping	\$ 150,000
Encumbrances	15,227
Confiscated funds	141,661
Planning and engineering	165,717
Prepaid expenses	<u>72,125</u>
	<u>544,730</u>

CITY OF SUNNY ISLES BEACH, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 7. RESERVED/DESIGNATED FUND BALANCES (Continued)

Reserved Fund Balances (Continued)

Special revenue fund:

Forfeitures	<u>231,065</u>
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Capital project funds:

Parks and recreation impact fees	576,201
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Pedestrian safety	20,000
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Median landscape	<u>160,000</u>
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	<u>756,201</u>
--	----------------

	<u><u>\$1,531,996</u></u>
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Capital improvements	<u><u>\$4,367,988</u></u>
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The City had various outstanding letters of credit from developers for police and parks and recreation impact fees amounting to \$21,312 and \$144,641, respectively, as of September 30, 2001.

NOTE 8. CONFISCATED MONEY AGENCY FUND

The City established the Confiscated Money Agency Fund to account for funds held in an agency capacity for seized money from police investigation. The City holds onto this money until the related case is presented before a judge. Once the judge has determined the results of the investigation, the money is then disbursed amongst the different law enforcement agencies involved with the case.

Changes in the agency fund are as follows:

	Balance September 30, <u>2000</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2001</u>
Confiscated money	<u>\$201,996</u>	\$ <u>-</u>	<u>\$201,966</u>	\$ <u>-</u>

NOTE 9. SUBSEQUENT EVENTS

In January 2001, the City entered into a capitalized lease agreement to purchase twenty vehicles for the police department. This lease is over a three year period and the vehicles will become the City's property. The first lease payment was made in January 2001 for \$150,721.

In addition, on November 15, 2001, the City redeemed all of its debt in exchange for a new bond issue in the amount of \$10,320,000 for the purpose of acquiring land for and constructing the City's proposed government center. The City will begin payments on this debt on May 1, 2002 and will continue semi-annually for a period of twenty-five years.

APPENDIX J

FINANCIAL INFORMATION REGARDING THE VILLAGE OF WELLINGTON

VILLAGE OF WELLINGTON, FLORIDA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
Year ended September 30

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Ad valorem taxes	\$ 5,306,945	\$ 4,294,452	\$ 3,889,254
Special assessments	2,812,654	2,770,015	3,242,319
Impact fees	1,487,457	1,596,595	590,425
Utility taxes	3,018,585	2,788,154	2,594,733
Franchise fees	1,949,897	1,599,993	1,507,723
Licenses and permits	3,432,559	2,277,207	1,413,152
Intergovernmental	4,918,909	5,325,286	4,203,193
Charges for services	1,991,245	1,508,357	1,011,983
Fines and forfeitures	163,570	82,029	92,549
Investment income	2,556,454	1,362,918	653,947
Contributions	-	286,588	-
Miscellaneous	<u>302,746</u>	<u>582,294</u>	<u>157,052</u>
Total revenues	27,941,021	24,473,888	19,356,330
Expenditures:			
Current:			
General government	4,789,991	4,263,207	3,978,837
Public safety	3,218,353	2,710,171	2,393,498
Physical environment	5,749,514	4,566,034	2,874,162
Transportation	997,733	1,008,103	1,470,287
Culture/recreation	3,434,115	2,841,203	2,117,421
Capital outlay	5,205,852	6,269,755	9,007,689
Debt service:			
Principal	525,000	1,751,110	5,032,292
Interest and other fiscal charges	734,826	797,518	319,256
Bond issuance costs	<u>-</u>	<u>-</u>	<u>433,951</u>
Total expenditures:	24,655,384	24,207,101	27,627,393
Excess (deficiency) of revenues over (under) expenditures	3,285,637	266,787	(8,271,063)
Other financing sources (uses):			
Proceeds from borrowings		-	15,520,748
Assessment rebates		(212,457)	-
Operating transfers in	13,270,065	7,968,611	11,165,989
Operating transfers out	(11,762,796)	(6,832,165)	(10,106,989)
Total other financing sources (uses)	1,507,269	923,989	16,579,748
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,792,906	1,190,776	8,308,685
Fund balances, beginning of year, as previously reported	-	20,050,780	-
GASB Statement No. 33 adjustment	-	151,077	-
Fund balances, beginning of year	21,691,076	20,201,857	12,040,538
Residual equity transfers	-	298,443	(298,443)
Fund balances, end of year	\$ 26,483,982	\$21,691,076	20,050,780

Certain of the above revenues are not legally available to make the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Village Council
Village of Wellington, Florida

We have audited the accompanying general purpose financial statements of the Village of Wellington, Florida, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Wellington, Florida's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Wellington, Florida, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

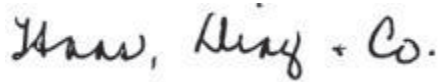
As described in Note 18 to the financial statements, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, as of October 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2002, on our consideration of the Village of Wellington, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Wellington, Florida. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the general purpose financial

statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General of the State of Florida and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The information shown in the statistical section, listed in the table of contents, has not been subjected to auditing procedures sufficient to enable us to express an opinion as to the fairness of all information included therein and, accordingly, we do not express an opinion thereon.

A handwritten signature in cursive script that reads "Haas, Diaz & Co.".

Haas, Diaz & Co.
Certified Public Accountants

February 28, 2002

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VILLAGE OF WELLINGTON, FLORIDA*Combined Balance Sheet - All Fund Types and Account Groups**September 30, 2001**(With Comparative Totals for September 30, 2000)*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits:			
Assets:			
Cash and cash equivalents	\$ 1,877,641	\$ 3,355,621	\$ 129,811
Investments	7,623,008	13,661,598	528,581
Receivables (net of allowance for uncollectibles):			
Accounts	55,126	109,942	-
Interest	139,373	154,044	7,146
Utility taxes	295,194	-	-
Franchise fees	346,239	-	-
Due from other funds	-	-	-
Due from other governments	420,962	580,918	-
Inventories	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Property, plant and equipment - net	-	-	-
Unamortized bond issue costs	-	-	-
Other assets	272,844	-	-
Other Debits:			
Amount available in debt service funds	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 11,030,387	\$ 17,862,123	\$ 665,538

Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long- Term Debt	2001	2000
\$ 8,629,506	\$ -	\$ -	\$ 13,992,579	\$ 9,201,722
35,136,850	-	-	56,950,037	50,421,182
1,374,010	-	-	1,539,078	1,094,955
519,133	-	-	819,696	1,107,813
-	-	-	295,194	271,998
-	-	-	346,239	142,236
-	-	-	-	43,813
-	-	-	1,001,880	757,171
463,329	-	-	463,329	398,738
3,225,918	-	-	3,225,918	2,981,833
3,132,251	-	-	3,132,251	3,065,866
58,498,620	58,919,657	-	117,418,277	111,505,694
242,418	-	-	242,418	285,542
84,860	-	-	357,704	137,167
-	-	665,538	665,538	354,892
-	-	14,295,271	14,295,271	15,045,339
\$ 111,306,895	\$ 58,919,657	\$ 14,960,809	\$ 214,745,409	\$ 196,815,961

Continued on the following page...

VILLAGE OF WELLINGTON, FLORIDA

Combined Balance Sheet - All Fund Types and Account Groups (Continued)

September 30, 2001

(With Comparative Totals for September 30, 2000)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities and Equity:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 760,528	\$ 1,034,547	\$ -
Customer deposits	-	-	-
Contracts and retainage payable	-	882,715	-
Other deposits	-	22,913	-
Due to other funds	-	-	-
Compensated absences payable	-	-	-
Payable from restricted assets:			
Accrued interest	-	-	-
Revenue and refunding bonds	-	-	-
Rebates payable	-	-	-
Revenue bonds payable	-	-	-
Revenue and refunding bonds payable	-	-	-
Deferred revenue	-	373,363	-
Total liabilities	760,528	2,313,538	-
Equity and Other Credits:			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings			
Reserved:			
Reserved for debt service	-	-	-
Reserved for renewal and replacement	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved:			
Reserved for other assets	272,844	-	-
Reserved for encumbrances	681,508	2,802,640	-
Reserved for capital improvements	1,674,539	7,757,724	-
Reserved for law enforcement	153,533	-	-
Reserved for other projects	-	-	-
Reserved for debt service	-	-	665,538
Unreserved:			
Designated for capital improvements	-	741,042	-
Designated for subsequent year's expenditures	889,717	315,040	-
Undesignated	6,597,718	3,932,139	-
Total equity and other credits	10,269,859	15,548,585	665,538
Total liabilities, equity and other credits	\$ 11,030,387	\$ 17,862,123	\$ 665,538

See accompanying notes to financial statements.

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long- Term Debt	2001	2000
Enterprise				
\$ 524,795	\$ -	\$ -	\$ 2,319,870	\$ 2,384,033
841,646	-	-	841,646	788,807
252,976	-	-	1,135,691	503,101
-	-	-	22,913	31,222
-	-	-	-	43,813
50,738	-	260,809	311,547	221,791
616,688	-	-	616,688	654,194
1,840,000	-	-	1,840,000	1,765,000
-	-	-	-	212,458
-	-	14,700,000	14,700,000	15,225,000
22,392,669	-	-	22,392,669	23,980,541
-	-	-	373,363	579,123
26,519,512	-	14,960,809	44,554,387	46,389,083
-	58,919,657	-	58,919,657	53,368,919
64,037,999	-	-	64,037,999	64,876,311
3,076,669	-	-	3,076,669	3,076,669
591,747	-	-	591,747	551,836
17,080,968	-	-	17,080,968	6,862,067
-	-	-	272,844	83,150
-	-	-	3,484,148	1,534,285
-	-	-	9,432,263	7,446,817
-	-	-	153,533	143,178
-	-	-	-	909,170
-	-	-	665,538	354,892
-	-	-	741,042	-
-	-	-	1,204,757	518,501
-	-	-	10,529,857	10,701,083
84,787,383	58,919,657	-	170,191,022	150,426,878
\$ 111,306,895	\$ 58,919,657	\$ 14,960,809	\$ 214,745,409	\$ 196,815,961

VILLAGE OF WELLINGTON, FLORIDA*Combined Statement of Revenues, Expenditures and Changes in Fund Balances**All Governmental Fund Types**Year Ended September 30, 2001**(With Comparative Totals for the Year Ended September 30, 2000)*

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2001	2000
Revenues:					
Ad valorem taxes	\$ 5,306,945	\$ -	\$ -	\$ 5,306,945	\$ 4,294,452
Special assessments	-	2,812,654	-	2,812,654	2,770,015
Impact fees	-	1,487,457	-	1,487,457	1,596,595
Utility taxes	3,018,585	-	-	3,018,585	2,788,154
Franchise fees	1,949,897	-	-	1,949,897	1,599,993
Licenses and permits	173,602	3,258,957	-	3,432,559	2,277,207
Intergovernmental	2,797,979	2,120,930	-	4,918,909	5,325,286
Charges for services	178,687	1,812,558	-	1,991,245	1,508,357
Fines and forfeitures	131,871	31,699	-	163,570	82,029
Investment income	1,675,081	841,942	39,431	2,556,454	1,362,918
Contributions	-	-	-	-	286,588
Miscellaneous	136,092	165,613	1,041	302,746	582,294
Total revenues	15,368,739	12,531,810	40,472	27,941,021	24,473,888
Expenditures:					
Current:					
General government	4,789,991	-	-	4,789,991	4,263,207
Public safety	3,218,353	-	-	3,218,353	2,710,171
Physical environment	2,418,919	3,330,595	-	5,749,514	4,566,034
Transportation	188,125	809,608	-	997,733	1,008,103
Culture/recreation	-	3,434,115	-	3,434,115	2,841,203
Capital outlay	1,072,781	4,133,071	-	5,205,852	6,269,755
Debt service:					
Principal	-	-	525,000	525,000	1,751,110
Interest and other fiscal charges	-	-	734,826	734,826	797,518
Assessment rebates	-	-	-	-	212,457
Total expenditures	11,688,169	11,707,389	1,259,826	24,655,384	24,419,558
Excess (deficiency) of revenues over (under) expenditures	3,680,570	824,421	(1,219,354)	3,285,637	54,330
Other financing sources (uses):					
Operating transfers in	6,233,724	5,506,341	1,530,000	13,270,065	7,968,611
Operating transfers out	(7,603,302)	(4,159,494)	-	(11,762,796)	(6,832,165)
Total other financing sources (uses)	(1,369,578)	1,346,847	1,530,000	1,507,269	1,136,446

Continued on the following page...

VILLAGE OF WELLINGTON, FLORIDA*Combined Statement of Revenues, Expenditures and Changes in Fund Balances**All Governmental Fund Types (Continued)**Year Ended September 30, 2001**(With Comparative Totals for the Year Ended September 30, 2000)*

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2001	2000
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 2,310,992	\$ 2,171,268	\$ 310,646	\$ 4,792,906	\$ 1,190,776
Fund balances, beginning of year, as restated	10,342,809	10,993,375	354,892	21,691,076	20,201,857
Residual equity transfers	(2,383,942)	2,383,942	-	-	298,443
Fund balances, end of year	\$ 10,269,859	\$ 15,548,585	\$ 665,538	\$ 26,483,982	\$ 21,691,076

See accompanying notes to financial statements.

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VILLAGE OF WELLINGTON, FLORIDA

*Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget
and Actual - General, Special Revenue, and Debt Service Funds
Year Ended September 30, 2001*

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	\$ 5,002,684	\$ 5,306,945	\$ 304,261
Special assessments	-	-	-
Impact fees	-	-	-
Utility taxes	2,729,000	3,018,585	289,585
Franchise fees	1,499,000	1,949,897	450,897
Licenses and permits	73,800	173,602	99,802
Intergovernmental	3,642,842	2,797,979	(844,863)
Charges for services	120,000	178,687	58,687
Fines and forfeitures	66,000	131,871	65,871
Investment income	770,000	1,675,081	905,081
Miscellaneous	254,446	136,092	(118,354)
Total revenues	14,157,772	15,368,739	1,210,967
Expenditures:			
Current:			
General government	5,590,404	4,789,991	800,413
Public safety	3,293,646	3,218,353	75,293
Physical environment	2,876,908	2,418,919	457,989
Transportation	240,000	188,125	51,875
Culture/recreation	-	-	-
Capital outlay	4,377,872	1,072,781	3,305,091
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	16,378,830	11,688,169	4,690,661
Excess (deficiency) of revenues over (under) expenditures	(2,221,058)	3,680,570	5,901,628
Other financing sources (uses):			
Proceeds from borrowings	1,218,500	-	(1,218,500)
Operating transfers in	6,233,724	6,233,724	-
Operating transfers out	(7,603,302)	(7,603,302)	-
Total other financing sources (uses)	(151,078)	(1,369,578)	(1,218,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,372,136)	2,310,992	4,683,128
Fund balances, beginning of year, as restated	2,372,136	10,342,809	7,970,673
Residual equity transfers	-	(2,383,942)	(2,383,942)
Fund balances, end of year	\$ -	\$ 10,269,859	\$ 10,269,859

Continued on the following page...

VILLAGE OF WELLINGTON, FLORIDA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue, and Debt Service Funds (Continued)
Year Ended September 30, 2001

	Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Special assessments	2,628,473	2,812,654	184,181
Impact fees	1,602,000	1,487,457	(114,543)
Utility taxes	-	-	-
Franchise fees	-	-	-
Licenses and permits	4,177,000	3,258,957	(918,043)
Intergovernmental	2,243,158	2,120,930	(122,228)
Charges for services	1,403,500	1,812,558	409,058
Fines and forfeitures	-	31,699	31,699
Investment income	230,000	841,942	611,942
Miscellaneous	18,988	165,613	146,625
Total revenues	12,303,119	12,531,810	228,691
Expenditures:			
Current:			
General government	91,699	-	91,699
Public safety	-	-	-
Physical environment	4,153,045	3,330,595	822,450
Transportation	1,050,628	809,608	241,020
Culture/recreation	3,952,989	3,434,115	518,874
Capital outlay	14,624,268	4,133,071	10,491,197
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	23,872,629	11,707,389	12,165,240
Excess (deficiency) of revenues over (under) expenditures	(11,569,510)	824,421	12,393,931
Other financing sources (uses):			
Proceeds from borrowings	3,685,500	-	(3,685,500)
Operating transfers in	5,506,341	5,506,341	-
Operating transfers out	(4,159,494)	(4,159,494)	-
Total other financing sources (uses)	5,032,347	1,346,847	(3,685,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,537,163)	2,171,268	8,708,431
Fund balances, beginning of year, as restated	6,537,163	10,993,375	4,456,212
Residual equity transfers	-	2,383,942	2,383,942
Fund balances, end of year	\$ -	\$ 15,548,585	\$ 15,548,585

See accompanying notes to financial statements.

Debt Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 5,002,684	\$ 5,306,945	\$ 304,261
-	-	-	2,628,473	2,812,654	184,181
-	-	-	1,602,000	1,487,457	(114,543)
-	-	-	2,729,000	3,018,585	289,585
-	-	-	1,499,000	1,949,897	450,897
-	-	-	4,250,800	3,432,559	(818,241)
-	-	-	5,886,000	4,918,909	(967,091)
-	-	-	1,523,500	1,991,245	467,745
-	-	-	66,000	163,570	97,570
-	39,431	39,431	1,000,000	2,556,454	1,556,454
-	1,041	1,041	273,434	302,746	29,312
-	40,472	40,472	26,460,891	27,941,021	1,480,130
-	-	-	5,682,103	4,789,991	892,112
-	-	-	3,293,646	3,218,353	75,293
-	-	-	7,029,953	5,749,514	1,280,439
-	-	-	1,290,628	997,733	292,895
-	-	-	3,952,989	3,434,115	518,874
-	-	-	19,002,140	5,205,852	13,796,288
785,000	525,000	260,000	785,000	525,000	260,000
745,000	734,826	10,174	745,000	734,826	10,174
1,530,000	1,259,826	270,174	41,781,459	24,655,384	17,126,075
(1,530,000)	(1,219,354)	310,646	(15,320,568)	3,285,637	18,606,205
-	-	-	4,904,000	-	(4,904,000)
1,530,000	1,530,000	-	13,270,065	13,270,065	-
-	-	-	(11,762,796)	(11,762,796)	-
1,530,000	1,530,000	-	6,411,269	1,507,269	(4,904,000)
-	310,646	310,646	(8,909,299)	4,792,906	13,702,205
-	354,892	354,892	8,909,299	21,691,076	12,781,777
-	-	-	-	-	-
\$ -	\$ 665,538	\$ 665,538	\$ -	\$ 26,483,982	\$ 26,483,982

VILLAGE OF WELLINGTON, FLORIDA*Combined Statement of Revenues, Expenses, and Changes in Retained Earnings**Proprietary Fund Types**Year Ended September 30, 2001*

Operating revenues:	
Water	\$ 6,089,956
Wastewater	4,280,374
Standby	639,502
Special assessments	1,257,893
Franchise fees	75,800
Intergovernmental	4,610
Other	640,470
Total operating revenues	12,988,605
Operating expenses:	
Water services	1,671,259
Wastewater services	1,668,181
Laboratory	43,806
Water distribution	188,446
Customer service	493,304
General and administrative	394,408
Solid waste	1,213,988
Depreciation	3,314,827
Total operating expenses	8,988,219
Operating income	4,000,386
Nonoperating revenues (expenses):	
Capital contributions	5,898,797
Investment income	2,572,306
Interest expense	(1,478,892)
Amortization of bond discount and issue costs	(43,124)
Loss on sale of assets	(21,704)
Total nonoperating revenues (expenses)	6,927,383
Net income before operating transfers	10,927,769
Transfer (to) from other funds:	
Operating transfers in	155,000
Operating transfers out	(1,662,269)
Net income	9,420,500
Add current year depreciation on contributed fixed assets	838,312
Retained earnings - beginning of year	10,490,572
Retained earnings - end of year⁽¹⁾	\$ 20,749,384
⁽¹⁾ Retained earnings:	
Reserved:	
Debt service	\$ 3,076,669
Renewal and replacement	591,747
Unreserved	17,080,968
	\$ 20,749,384

See accompanying notes to financial statements.

VILLAGE OF WELLINGTON, FLORIDA*Combined Statement of Cash Flows**Proprietary Fund Types**Year Ended September 30, 2001***Cash flows from operating activities:**

Operating income	\$ 4,000,386
<hr/>	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,314,827
Change in assets and liabilities:	
Increase in accounts receivable	(388,163)
Increase in inventories	(64,591)
Increase in other assets	(30,843)
Increase in accounts payable and other liabilities	189,324
Increase in customer deposits	52,839
Decrease in due to other funds	(43,813)
Increase in compensated absences	4,178
Total adjustments	3,033,758
Net cash provided by operating activities	7,034,144

Cash flows from noncapital and related financing activities:

Transfer from other funds	155,000
Transfer to other funds	(1,662,269)
Net cash used in noncapital and related financing activities	(1,507,269)

Cash flows from capital and related financing activities:

Repayment of revenue and refunding bonds payable	(1,765,000)
Collection of capacity and meter charges from customers	4,148,110
Acquisition of property, plant and equipment	(1,777,392)
Proceeds from sale of property, plant, equipment	3,006
Interest paid	(1,270,881)
Net cash used in capital and related financing activities	(662,157)

Cash flows from investing activities:

Interest received	2,751,777
Sale of investments	41,997,247
Purchase of investments	(46,363,234)
Net cash used in investing activities	(1,614,210)

Net increase in cash and cash equivalents	3,250,508
Cash and cash equivalents, beginning of year	8,604,916
Cash and cash equivalents, end of year ⁽¹⁾	\$ 11,855,424

Continued on the following page...

VILLAGE OF WELLINGTON, FLORIDA

Combined Statement of Cash Flows

Proprietary Fund Types (Continued)

Year Ended September 30, 2001

Noncash investing, capital, and financing activities:

Developer contributed distribution lines	\$ 1,750,687
Capitalized interest	6,611

⁽¹⁾Cash and cash equivalents:

Current assets	\$ 8,629,506
Restricted assets	3,225,918

\$ 11,855,424

See accompanying notes to financial statements.

VILLAGE OF WELLINGTON, FLORIDA

Notes to Financial Statements

September 30, 2001

(1) THE REPORTING ENTITY

The Village of Wellington (the "Village") was incorporated December 31, 1995, pursuant to Chapter 95-496, Laws of Florida, and commenced operations on March 28, 1996. The Village operates under the Council-Manager form of government and provides a wide range of community services including general government; planning, zoning and building; public safety (police protection); public works (construction and maintenance of roads, rights of way, and other infrastructure; streetlighting; and stormwater drainage); culture and recreation (parks maintenance, recreational activities, cultural events, and related facilities); and water and sewer utilities. The Village Council (the "Council") is responsible for legislative and fiscal control of the Village.

As required by generally accepted accounting principles, these general purpose financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Village's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be fi-

nancially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), management has included Acme Improvement District (the "District") in the Village's reporting entity. Prior to incorporation, the District was an independent special taxing district created in 1953, which served as the local government providing the majority of community services and facilities for the area including water and sewer, stormwater drainage, transportation, street lighting, and parks and recreation. As a result of incorporation, the Village now provides those municipal services and the District has become a dependent district of the Village. Because of the breadth of the services it already provided to residents, the District formed the backbone of the Village. The District is governed by a five-member board of supervisors that is the same as the governing body of the Village. Although the District is legally separate from the Village, it is reported as if it were part of the primary government as a blended component unit because its operations are, in substance, part of the Village's operations; its governing board is the Village Council; and it is fiscally dependent upon the Village.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts which comprise its assets and other debits, liabilities, fund equities and other credits, revenues, and expenditures or expenses. Government resources are allocated to and for individual funds based upon the purposes for

which they are to be spent and the means by which spending activities are controlled. The operations of the District are reported in the governmental funds (special revenue and debt service) of the Village as a blended component unit. The various funds and account groups are reported by generic classification within the financial statements as follows:

Governmental Fund Types

General Fund – used to account for all financial resources applicable to the general operations of the

Village government except those required to be accounted for in another fund.

Special Revenue Funds – account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds used by the Village are as follows:

Recreation Programs – accounts for financial resources and expenditures applicable to specific recreational programs. The purpose of the fund is to implement a wide variety of recreational programs for all ages, as well as various special events, and to provide net operating results. Any shortfalls (program revenues less than program expenditures) are funded by the general fund through operating transfers.

Surface Water Management – accounts for all financial resources and expenditures applicable to the operations of the Acme Improvement District, a dependent district of the Village, related solely to water management facilities in accordance with the Plan of Reclamation and existing operations, construction of capital facilities, and maintenance of the same. Funding basis is non-ad valorem special assessments against all taxable units within the District.

Road Impact Fees – accounts for impact fee revenues and expenditures for road construction projects.

Recreation Impact Fees – accounts for impact fee revenues and expenditures for recreation construction projects.

Gas Tax – Road Maintenance – accounts for gas tax revenues and expenditures related to road maintenance projects.

Gas Tax – Capital – accounts for gas tax revenues and expenditures related to road construction projects.

Planning, Zoning and Building – accounts for revenues and expenditures applicable to the planning, zoning and building division of the Village. The purpose of the fund is to segregate various permitting and inspection services pertaining to planning, zoning and building and to

ensure that the fee structure for such activities is accurate. Any shortfalls (revenues less than expenditures) are funded by the general fund through operating transfers.

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

Proprietary Fund Type

Enterprise Funds – used to account for operations that provide services on a user charge basis to the public and for activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary fund activities and basis of accounting are similar to those often found in the private sector. The Village’s proprietary activities are accounted for in:

Utility System Enterprise Fund – accounts for revenues and expenses related to water and wastewater services.

Solid Waste Collection and Recycling Enterprise Fund – accounts for user fees charged as special assessments on taxpayer’s bills and expenses related to solid waste collection and recycling within the Village.

Account Groups

Account groups are not funds, since they do not reflect available financial resources and related liabilities. Instead, they are used to establish accounting control and accountability for the Village’s general fixed assets and general long-term debt. The following is a description of the account groups of the Village.

General Fixed Assets Account Group – used to maintain control and cost information for all fixed assets other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group – used to record outstanding long-term debt other than debt recorded in the proprietary funds.

Totals (Memorandum Only)

Amounts in the “Totals (Memorandum Only)” col-

umns in the combined financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting and Measurement Focus

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for on the modified accrual basis of accounting. Their revenues are recognized in the period in which they become susceptible to accrual, i.e., when they become measurable and available to pay liabilities of the current period. Ad valorem taxes, special assessments, and charges for services are susceptible to accrual when collected in the current year or within 90 days subsequent to year end, provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenues, which include state revenue sharing allotments, local government one-half cent sales tax, and county shared revenue, among other sources, are recorded in accordance with their legal or contractual requirements if collected in the current period or within 90 days after year end. Interest is recorded when earned. Other miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are estimated and recorded at year end. Fees collected in advance of the period to which they apply are recorded as deferred revenue.

Pension expenditures/expense for the defined contribution plan and the cost-sharing, multiple employer defined benefit pension plan are recognized based on the required contribution under the terms of the plan and the basis of accounting (modified accrual for governmental fund types and accrual for proprietary fund types).

Measurement Focus

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary fund activities are accounted for on the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the balance sheet. The proprietary fund operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The Village has elected to not apply FASB Statements and Interpretations issued after November 30, 1989, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Budgetary Accounting

State of Florida Statutes require that all municipal governments establish budgetary systems and approve annual operating budgets.

The Council annually adopts an operating budget and appropriates funds for the general, special revenue, and debt service funds. The procedures for establishing the budgetary data are as follows:

- ❖ Prior to September 1, the Village Manager submits a proposed operating budget to the Council for the next fiscal year commencing the follow-

ing October 1. The operating budget includes proposed expenditures and the means of financing them.

- ❖ Public hearings are conducted to obtain taxpayer comments.
- ❖ The Village advises the County Property Appraiser of the proposed millage rate, special assessment levies, and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate and special assessment levies are legally enacted by resolution.

Changes or amendments to the total budget of the Village or a department must be approved by the Council. Changes within a department which do not affect total departmental expenditures may be approved at the administrative level. Accordingly, the legal level of control is at the departmental level.

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Village also adopts a nonappropriated operating budget for the enterprise fund substantially on a basis consistent with generally accepted accounting principles. All appropriations lapse at fiscal year end; however, encumbrances and amounts specifically designated to be carried forward to the subsequent year are re-appropriated in the following year.

During the year ended September 30, 2001, several supplementary appropriations were necessary. The supplementary appropriations increased the general fund budget by \$2,927,778 and the special revenue funds' budgets by \$6,475,529. The supplementary appropriations consisted mainly of amounts re-appropriated from the previous budget year.

Encumbrance Accounting

Encumbrance accounting is employed in governmental funds. Encumbrances (commitments related to unperformed executory contracts for goods or services) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Cash and Investments

Cash and investments of each fund, except certain investments in the debt service and enterprise funds, are accounted for in pooled cash and investment accounts with each fund maintaining its proportionate equity in the pooled accounts. The use of a pooled cash and investment account enables the Village to invest idle cash for short periods of time, thereby maximizing earnings potential. Income earned from this pooling of investments is allocated to the respective funds based upon average monthly proportionate balances.

Cash and Cash Equivalents

The Village considers cash on hand, cash with fiscal agents, demand deposits, and all other short-term investments that are highly liquid as cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

Investments

The Village accounts for its investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB No. 31"). In accordance with this statement, all investments are accounted for at fair value. Market values are provided by the custodian of each portfolio, utilizing an independent pricing service.

Inventories

Inventories are valued at cost in the governmental funds and the lower of cost (first-in, first-out) or market in the utility system fund. The Village uses the consumption method wherein all inventories are maintained by perpetual records, expensed when used and adjusted by an annual physical count.

Other Assets

Other assets consist primarily of prepayments which are recorded as assets when the initial payment is made. Each asset is then expensed in the period benefited.

Fixed Assets

Land, buildings and equipment acquired or constructed for general governmental purposes are recorded as expenditures (i.e., capital outlay) in the fund making the acquisition and capitalized at cost

in the general fixed assets account group. The Village has adopted the accounting policy of capitalizing "infrastructure" general fixed assets. The expenditures for infrastructure for the fiscal year ended September 30, 2001, were \$1,200,912. No depreciation is taken on general fixed assets.

Fixed assets of the enterprise fund are stated at cost in that fund. Additionally, net interest cost is capitalized on projects during the construction period in accordance with Statements of Financial Accounting Standards No. 34 and 62. The total amount of interest capitalized for the year ended September 30, 2001, was \$6,611.

Depreciation of enterprise fund fixed assets is computed on a straight-line basis over the estimated useful lives as follows:

Distribution lines	40 years
Buildings	30 years
Water and wastewater plants	30 years
Telemetry	20 years
Wells	20 years
Major equipment	15 years
Land improvements	10 years
Meters	10 years
Furniture, fixtures, equipment and vehicles	5 years

In both the general fixed assets account group and the enterprise fund, contributed assets are valued at their estimated fair value on the donation date. All property and equipment is valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board, and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. The Village Charter permits it to levy property taxes at a rate of up to 5 mills.

The millage rate assessed by the Village for the 2000/2001 year was 2.5 (\$2.50 for each \$1,000 of

assessed valuation). This levy was based upon an assessed valuation at January 1, 2000, of approximately \$2.2 billion.

Taxes may be paid at a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2001, unpaid delinquent taxes are not material and have not been recorded by the Village.

Service Delivery Units

The District's enabling legislation provides that the owners of a majority of the acreage within a particular portion of the District may petition the Board to designate that portion of the District as a unit wherein a water management system will be constructed and maintained. After formation of the unit and approval by the Circuit Court of and for Palm Beach County, bonds can be issued for the purpose of constructing the water management plan. Bonds issued for that purpose will then be secured by assessments on the lands located within that unit, and will not be secured by assessments owing on any other District lands.

The enabling legislation of the District also gives the Board the power to amend a previously approved water management plan. In 1994, the District submitted a Water Management Plan to the Palm Beach County Circuit Court that established non-ad valorem assessment methodology for capital improvements and related maintenance and operation of the District's infrastructure and facilities.

In September 2000, the District submitted another revised Water Management Plan to South Florida Water Management District. This Water Control Plan updates and supplements the 1994 plan. It also responds to specific guidelines for information required by Chapter 298.225, Florida Statutes.

Compensated Absences

The Village's employees are granted compensated absence pay for annual leave in varying amounts based on length of service. Annual leave is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the liability and it is probable

that the Village will compensate the employees in some manner, e.g., in cash or in paid time-off, now or upon termination or retirement. A long-term liability of \$260,809 is recorded in the general long-term debt account group for the general and special revenue fund employees. A liability of \$50,738 is recorded in the enterprise fund for enterprise fund employees.

Bond Discounts/Issuance Costs/Deferred Losses on Advance Refundings

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts, issuance costs and deferred losses on advance refundings for proprietary fund types are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred losses on advance refundings are presented as a reduction of the face amount of the bonds payable, whereas issuance costs are recorded as deferred charges in accordance with Governmental Accounting Standards Board Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Funds*.

Reserved and Designated Fund Equity

Reserves are used to indicate that a portion of the fund balance/retained earnings is not available for expenditure or is legally segregated for a specific future use. Designations of fund balances represent tentative plans for financial resource utilization in a future period. The following is a description of the reserves and designations used by the Village.

Reserved for other assets – indicates that a portion of fund balance is segregated since these items do not represent “available spendable resources.”

Reserved for encumbrances – represents outstanding purchase orders and open contracts at year end which will be re-appropriated in the new year.

Reserved for capital improvements – represents spendable resources restricted for construction projects.

Reserved for law enforcement – represents spendable resources restricted for public safety projects.

Reserved for other projects – represents spendable

resources restricted for parks and road projects.

Reserved for debt service – represents spendable resources restricted to the payment of future debt service of general long-term debt.

Reserved for renewal and replacement – represents a required level of resources for expected future expenditures as set forth by bond resolution.

Designated for capital improvements – represents a designation of resources to provide for the completion of capital improvement projects.

Designated for subsequent year’s expenditures – represents appropriation of resources for future operations.

Interfund Transactions

During the course of normal operations, it is necessary for the Village to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- ❖ Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses initially made from it that are properly applicable to another fund.
- ❖ Transfers of residual equity balances from one fund to another fund.
- ❖ Operating transfers in and out, as appropriate, for all other interfund transactions, which are shown as other financing sources or uses.
- ❖ All other outstanding balances between funds are reported as “due to/from other funds.”

Concentration of Credit Risk

The Village performs ongoing credit evaluations of its customers and does not require collateral. The Village maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

Reclassification

Certain amounts in the prior year have been reclassified to conform with the current year’s presentation.

(3) DEPOSITS AND INVESTMENTS

Deposits

Deposits include checking accounts and petty cash. At year end, the bank balance of the Village's deposits was \$2,837,004. Of the bank balance, \$100,000 was covered by federal depository insurance, \$280,317 was covered by collateral held by a financial institution approved by the State Treasurer, and \$2,456,687 was uninsured and uncollateralized. The uninsured and uncollateralized deposits represent funds wired to the paying agent for the Series 1993 Revenue and Refunding Bonds for the payment of principal and interest due October 1, 2001.

All of the Village's deposits, except for deposits with the paying agent for the Series 1993 Bonds, are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Investments

The investment of surplus public funds is governed by an ordinance of the Village Council. The ordinance limits investments to the following securities:

1. The Local Government Surplus Funds Trust Fund;
2. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities;
3. Repurchase agreements with primary securities dealers and financial institutions that are state qualified public depositories;
4. Florida Municipal Investment Trust;

5. Interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida, in savings and loan associations which are under state supervision, or in federal savings and loan associations located in Florida and organized under federal law and federal supervision, provided that any such deposits are secured by collateral as may be prescribed by law;
6. Obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, or Federal Home Loan Bank or its district banks, including Federal Home Loan Mortgage Corporation participation certificates, or obligations guaranteed by the Government National Mortgage Association; or
7. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 801-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations, and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The Florida Municipal Investment Trust is an inter-local governmental entity created under Chapter 163.01, Florida Statutes. The operation and administration of the Trust is the responsibility of a Board of Trustees who are selected from the ranks of elected officials of governmental entities participating in the Trust.

The Village's investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agents in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village's name.

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2001. The investment risk

categories are indicated in the last column. Deposit risks are not included in the table.

	Unrestricted	Restricted	Reported Amount	Fair Value	Category
Cash and cash equivalents:					
Deposits	\$ 6,550	\$ 2,456,688	\$ 2,463,238	\$ 2,463,238	-
Government money markets	4,828,459	769,230	5,597,689	5,597,689	-
Overnight repurchase agreements	9,157,570	-	9,157,570	9,157,570	3
Total cash and cash equivalents	13,992,579	3,225,918	17,218,497	17,218,497	
Investments:					
U.S. Treasury securities	49,712,259	3,132,251	52,844,510	52,844,510	3
Florida Municipal Trust	7,237,778	-	7,237,778	7,237,778	-
Total investments	56,950,037	3,132,251	60,082,288	60,082,288	
Total cash and cash equivalents and investments	\$70,942,616	\$6,358,169	\$77,300,785	\$ 77,300,785	

(4) ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2001, consist of the following:

	General	Special Revenue	Enterprise	Total
Accounts	\$ 65,126	\$ 109,942	\$ 1,444,044	\$ 1,619,112
Utility taxes	295,194	-	-	295,194
Franchise fees	346,239	-	-	346,239
	706,559	109,942	1,444,044	2,260,545
Less: allowance for uncollectible accounts	(10,000)	-	(70,034)	(80,034)
	\$696,559	\$109,942	\$1,374,010	\$2,180,511

(5) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at September 30, 2001, consist of the following:

	General	Special Revenue	Total
State of Florida – State Shared Revenues	\$ 407,380	\$ -	\$ 407,380
State of Florida – Grants	-	266,665	266,665
State of Florida – Local Option Gas Tax	-	115,630	115,630
Palm Beach County – County Shared Revenues	13,582	16,123	29,705
Palm Beach County School District – Interlocal Agreements	-	182,500	182,500
	\$ 420,962	\$ 580,918	\$1,001,880

(6) LAND, BUILDINGS AND EQUIPMENT

General Fixed Assts

During the year ended September 30, 2001, the changes in general fixed assets were as follows:

	Balance October 1, 2000	Reclassi- fications	Additions	Deletions	Balance September 30, 2001
Land	\$ 17,498,120	\$ -	\$ 711,120	\$ -	\$ 18,209,240
Buildings	3,055,637	-	837,503	12,786	3,880,354
Improvements other than buildings	24,102,454	(1,398,126)	1,273,877	26,361	23,951,844
Machinery and equipment	8,712,708	-	1,199,862	169,283	9,743,287
Construction in progress	-	1,398,126	1,736,806	-	3,134,932
	\$53,368,919	\$ -	\$5,759,168	\$208,430	\$ 58,919,657

General fixed asset additions for the year ended September 30, 2001, include donated land of \$557,000 received in the current year.

Utility System Enterprise Fund

A summary of the utility system enterprise fund land, building and equipment at September 30, 2001, is as follows:

Land	\$ 539,205
Land improvements	241,885
Buildings	511,591
Furniture, fixtures, equipment and vehicles	1,764,222
Meters	4,225,903
Water and wastewater plants	22,401,901
Major equipment	8,807,502
Wells	6,861,918
Telemetry	479,756
Distribution lines	47,984,781
Construction in progress	1,461,177
	95,279,841
Less accumulated depreciation	(36,781,221)
	\$ 58,498,620

(7) LONG-TERM DEBT

Public Service Tax Revenue Bonds

In August 1999, the Village issued \$15,670,000 of Public Service Tax Revenue Bonds, Series 1999. The bonds were sold at an original issue discount of \$149,252. Interest, at rates ranging from 3.60% to 5.25%, is payable semi-annually on March 1 and September 1. Principal is payable in annual installments of \$445,000 to \$1,195,000 beginning September 1, 2000, with the final payment due September 1, 2019. The bonds do not constitute a general obligation of the Village, or the State of Flor-

ida, or any political subdivision, but are payable solely from public service taxes levied on the purchase of electricity, gas, water service, and telecommunication service. The bonds were issued to provide funds for construction of infrastructure and recreational projects under the Village's Capital Improvement Plan. Additionally, proceeds were used to repay an outstanding promissory note. At September 30, 2001, the outstanding balance was \$14,700,000.

Provisions of Public Service Tax Revenue Bond Resolutions

The debt agreement contains significant limitations and restrictions on annual debt service requirements, minimum amounts to be maintained, conditions upon the issuance of additional bonds, and

certain other covenants. At September 30, 2001, the Village was in compliance with such covenants.

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2002	\$ 545,000	\$ 713,826	\$ 1,258,826
2003	570,000	692,026	1,262,026
2004	590,000	668,656	1,258,656
2005	615,000	644,318	1,259,318
2006	640,000	618,182	1,258,182
Thereafter	11,740,000	4,635,648	16,375,648
	\$14,700,000	\$7,972,656	\$ 22,672,656

Changes in General Long-Term Liabilities

The following is a summary of changes in the general long-term debt account group for the year ended September 30, 2001:

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Public service tax revenue bonds	\$ 15,225,000	\$ -	\$ 525,000	\$ 14,700,000
Compensated absences payable	175,231	85,578	-	260,809
Total	\$15,400,231	\$85,578	\$ 525,000	\$ 14,960,809

Utility System Revenue Bonds

The Utility System Revenue Bonds, Series 1993, are payable from and collateralized by revenue derived from the operation of the water and sewer system and, accordingly, are recorded in the enterprise fund. Principal payments on the Series 1993 Revenue Bonds are due in annual installments of \$1,475,000 to \$2,925,000 from October 1, 1995, through October 1, 2011. Interest ranges from 3.15% to 5.10% and is due semi-annually on April 1 and October 1.

annual debt service requirement, and the reserve requirements. Limitations on amounts accumulated in the reserve funds are as follows:

Debt Service Reserve Account – \$3,076,669, which is the maximum annual debt service to be paid on the outstanding bonds.

Reserve for Renewal and Replacement – \$591,747, which is 5% of revenues, as defined by the bond resolution, from the previous fiscal year or other amount as determined by the Consulting Engineer.

Provisions of Utility System Revenue Bond Resolutions

The District covenants to fix, establish and maintain rates, fees and other charges so that the revenue collected and other available funds in each fiscal year will not be less than the amount expected to be required for the payment of operating expenses (excluding depreciation and amortization), 110% of the

At September 30, 2001, the Village was in compliance with such bond covenants.

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

Year Ending September 30,	Amount
2002	\$ 3,033,356
2003	3,030,616
2004	3,027,282
2005	3,027,843
2006	3,022,435
Thereafter	18,058,583
Total debt service requirements	33,200,115
Less:	
Amount representing interest	(7,550,115)
Deferred loss on advance refunding of debt	(1,362,547)
Unamortized bond discount	(54,784)
Current portion of principal maturities	(1,840,000)
Total bonds payable	\$ 22,392,669

Defeased Debt

In prior years, various limited obligation bonds and revenue bonds were defeased by creating irrevocable trust funds. New debt was issued and portions of the proceeds were used to purchase U.S. Government securities that were placed in the trust

(8) CONTRIBUTED CAPITAL

The Village's contributed capital in the enterprise fund for the year ended September 30, 2001, is presented as follows:

	Utility System Fund		
	Contributions From Developers	Contributions From Customers	Total
Balance, October 1, 2000	\$ 21,469,890	\$ 43,406,421	\$ 64,876,311
Depreciation on contributed assets	(838,312)	-	(838,312)
Balance, September 30, 2001	\$ 20,631,578	\$ 43,406,421	\$ 64,037,999

Developer contributions consist primarily of contributions of subdivision water distribution and wastewater collection systems, whereas customer contributions consist primarily of meter installation fees. Additionally, both developer and customer contributions include capacity charges, which are collected for future acquisition or expansion of the water and wastewater systems.

Effective October 1, 2000, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. As required by

funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until called. Consequently, the debt is considered defeased and the trust funds' assets and related liabilities are not included in the financial statements. At September 30, 2001, the amount of defeased debt outstanding, but removed from the financial statements, is as follows:

Description	Balance Outstanding
Acme Improvement District 1973 Water & Sewer Bonds	\$ 320,000

Line of Credit

In August 2000, the Village entered into a bank Variable Rate Revolving or Draw Note which was renewed on August 28, 2001. This note allows the Village to draw up to \$5,000,000 to be used for emergencies. Interest on the note is payable monthly at the London Interbank offered rate plus .75%. Principal is due at maturity on September 10, 2002. No amounts were drawn on the note in the fiscal year ended September 30, 2001.

GASB Statement No. 33, contributions from developers and customers during the fiscal year ended September 30, 2001, have been recorded as revenue instead of being reported as contributed capital. Contributions to capital reported as revenue during the year ended September 30, 2001, consisted of the following:

Contributions from developers	\$ 1,750,687
Contributions from customers	4,148,110
Total contributions to capital	\$ 5,898,797

**(9) UTILITY SYSTEM ENTERPRISE FUND
RESTRICTED ASSETS, LIABILITIES
AND RESERVES**

Restricted assets and liabilities of the utility system enterprise fund at September 30 2001, represent bond proceeds restricted for debt service and renewal and replacements under the terms of the outstanding revenue bonds. Assets restricted for these purposes represent cash and investments totaling \$6,125,104. Liabilities payable from restricted assets represent the current portion of long-term debt

of \$2,456,688, which includes \$1,840,000 for current maturities of principal and \$616,688 for accrued interest.

For certain assets restricted under bonds and other contractual arrangements, a reserve is established by charging either retained earnings or contributed capital, as appropriate, less any related liabilities. When the restricted assets are expended, the reserves are restored. The following is a summary of restricted assets, related liabilities, and reserves at September 30, 2001:

	Restricted Assets	Liabilities Payable from Restricted Assets	Reserved Retained Earnings
Debt service	\$ 5,533,357	\$ 2,456,688	\$ 3,076,669
Renewal and replacement	591,747	-	591,747
	\$6,125,104	\$ 2,456,688	\$3,668,416

Assets restricted for debt service include \$3,076,669 in the Debt Service Reserve Account and \$2,456,688 in cash with a fiscal agent, which

are restricted for the current and future payment of revenue bond indebtedness and interest.

**(10) SEGMENT INFORMATION FOR
ENTERPRISE FUNDS**

The Village maintains two enterprise funds, one of which provides water and wastewater utility ser-

vices and the other of which provides solid waste collection and recycling services. Segment information for the year ended September 30, 2001, is as follows:

	Utility System	Solid Waste Collection and Recycling	Total
Operating revenue	\$ 11,478,880	\$ 1,509,725	\$ 12,988,605
Depreciation	3,313,046	1,781	3,314,827
Operating income	3,706,430	293,956	4,000,386
Operating transfers in	155,000	-	155,000
Operating transfers out	(1,503,083)	(159,186)	(1,662,269)
Net income	9,224,172	196,328	9,420,500
Property, plant and equipment additions	3,547,566	17,812	3,565,378
Net working capital	43,926,225	526,448	44,452,673
Total assets	110,608,383	698,512	111,306,895
Revenue bonds payable	24,232,669	-	24,232,669
Contributed capital	64,037,999	-	64,037,999
Retained earnings	20,206,905	542,479	20,749,384
Total equity	84,244,904	542,479	84,787,383

(11) INTERFUND TRANSFERS

Transfers of resources from a fund receiving revenue to the fund through which the resources will be expended are recorded as operating transfers and are reported as other financing sources (uses) in the governmental funds and transfers (to) from other

funds in the enterprise fund. Non-recurring or non-routine transfers of equity between funds are reported as residual equity transfers. The following is a summary of operating and residual equity transfers by fund type for the year ended September 30, 2001.

	Transfers In	Transfers Out
Operating Transfers:		
General Fund	\$ 6,233,724	\$ 7,603,302
Special Revenue Funds:		
Recreation programs	3,888,600	1,034,476
Surface water management	225,462	711,901
Recreation impact fees	-	768,000
Gas tax – road maintenance	679,658	516,887
Gas tax – capital	368,600	-
Planning, zoning and building	344,021	1,128,230
Total special revenue funds	5,506,341	4,159,494
Debt Service Fund	1,530,000	-
Enterprise Fund – Utility System	155,000	1,503,083
Enterprise Fund – Solid Waste Collection and Recycling	-	159,186
Total operating transfers	13,425,065	13,425,065
Residual Equity Transfers:		
General Fund	-	2,383,942
Special Revenue Funds:		
Planning, Zoning and Building	2,383,942	-
Total residual equity transfers	2,383,942	2,383,942
Total transfers	\$15,809,007	\$15,809,007

(12) RETIREMENT PLAN

The Village contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan. FRS was created by the Florida Legislature, and is administered by the State of Florida, Department of Administration, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

FRS issues a publicly available financial report that includes statements of financial condition, invest-

ment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plans. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C., Tallahassee, Florida 32399-1560.

Plan members are not required to contribute to the Plan. As of September 30, 2001, the Village’s required annual contribution is 9.15% of the covered salary for regular members. The Village’s contributions to FRS for the years ending September 30, 2001, 2000, and 1999 were \$46,882, \$68,014, and \$116,067, respectively, equal to the required contributions for each year.

(13) DEFINED CONTRIBUTION PLAN

The Acme Money Purchase Pension Trust is a defined contribution pension plan established and administered by the Village to provide benefits at retirement to the employees of the Village.

All full-time employees, who are at least 20.5 years of age, are eligible to participate in the plan. The Village contributes an amount equal to 7.5% of the employee's base salary each month to the plan. Employees are not required to contribute to the plan. The Village's contribution for each employee (and interest allocated to the employee's account) is fully vested after six years of continuous service.

(14) RISK MANAGEMENT

The Village 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 Village carries commercial insurance. Specifically, the Village purchases commercial insurance for property, medical benefits, worker's compensation, general liability, automobile liability, errors and omissions, and directors and officers

(15) CONTINGENCIES

There are various claims and legal actions pending against the Village for which no provision has been made in the financial statements. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Village's Attorneys that resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Litigation

During the year, the Village filed suit against a landowner with respect to a land use regulation. Subsequently, the defendant filed a counter-claim alleging an unlawful and unconstitutional restriction on his property rights, claiming a loss in excess of \$4 million. The Village attorney has opined that the likelihood of financial liability to the Village is remote. Additionally, the Village has insurance coverage up to \$1 million in this matter.

Surface Water Action Team (SWAT)

The Village of Wellington is responsible for the management, operations, and maintenance of the

Village contributions for, and interest forfeited by, employees who leave employment before six years of service are used to reduce the Village's current period contribution amount. Plan revisions and contribution requirements are established, and may be amended, by the Village Council.

The Village's total payroll for the year ended September 30, 2001, was \$7,679,971. The Village's contribution was calculated using the base salary amount of \$6,161,660. The Village made one hundred percent of its required contributions of \$458,272, \$354,092, and \$300,082, for fiscal years 2001, 2000, and 1999, respectively.

liability. The Village is also covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last three years.

surface water management system serving the Village. Wellington is divided into two interconnected drainage basins, one of which discharges into the Loxahatchee National Wildlife Refuge, part of the Everglades Protection Area as defined in the Everglades Forever Act (EFA). In order to meet the goals of the EFA, the total phosphorus from this drainage basin must be reduced to meet water quality standards established by the State.

The Village appointed a team of legal and engineering consultants to address these issues. There are numerous options being investigated to achieve the goals established in the EFA. Whatever measures are decided upon, they must be implemented by the year 2006.

The total costs of these improvements are unknown at this time. When studies are complete and decisions have been made as to how to proceed with the project, Council will decide on budgeting issues. Borrowing, with repayment from special assessments, may be necessary to fund the additional required costs of resolution. The Village anticipates

issuing a drainage special assessment bond in the future to fund the cost of various water management projects, including pump station improvements and Basin B.

Utilities Services Agreement

The Village entered into an agreement with a developer to provide water and wastewater services in return for the donation to the Village of water and wastewater distribution lines constructed by the developer. In addition, the agreement stipulated that the Village would refund the developer for costs associated with the construction of these lines. Reimbursable costs include 50% of the construction costs of the water line less a hydraulic charge of

2.14% and construction costs of the wastewater line less a hydraulic charge of 3.11%.

Pursuant to the agreement, the Village will reimburse the construction costs from connection charges collected from future developers as these fees become due to the Village. This does not represent a liability to the Village at September 30, 2001 as these connection charges have not occurred. The amount of future reimbursement is currently estimated to be between \$485,000 and \$708,000.

(16) COMMITMENTS

Construction Commitment

Construction contracts of the proprietary fund type consist of the following:

	Total Project Authorization	Expended at September 30, 2001	Payable at September 30, 2001	Balance to Complete
Expansion of R.O. Plant	\$ 995,000	\$ 980,639	\$ 248,171	\$ 14,361

Construction contracts of the governmental fund types consist of the following:

	Total Project Authorization	Expended at September 30, 2001	Payable at September 30, 2001	Balance to Complete
Village Park Phase II	\$ 1,174,942	\$ 898,867	\$ 201,215	\$ 276,075
Urban agriculture stormwater	697,500	266,809	160,985	430,691
Lake Worth Road expansion	575,056	259,848	259,848	315,208
Wellington Community Center	227,495	169,011	169,011	58,484
Culverts	140,140	125,976	67,492	14,164
New Horizons Park	139,357	139,357	13,139	-
Other	11,025	11,025	11,025	-
	\$ 2,965,515	\$1,870,893	\$ 882,715	\$1,094,622

Facilities Management and Information Technology

The Village entered into a contract with HTE, Inc. to provide facilities management, information technology, and related services. The initial term of the agreement is for a period of sixty months commencing April 25, 2000. Upon expiration of the initial term, the agreement may be extended by mutual written agreement for 24 months or longer at mutually agreed upon staffing levels and fees.

The Facilities Management Agreement provides for

on site management services. According to the agreement, the Village will pay HTE, Inc. \$54,750 per month for sixty months. The total amount of the contract is \$3,285,000. For the year ended September 30, 2001, amounts remitted pursuant to this agreement were \$657,000.

Agreement for Police Services

The Village entered into an agreement with the Palm Beach County Sheriff's Office for the provision of professional police services. Pursuant to the agreement, the Sheriff will assign personnel to pro-

vide law enforcement coverage within the Village. Amounts paid pursuant to this agreement were \$3,075,546 for the year ended September 30, 2001.

The agreement expired on September 30, 2001, and the Village is currently in the process of renegotiation. In the interim, payments are made to the Sheriff monthly in the amount of \$279,926.

Solid Waste Collection and Recycling

On January 27, 1998, the Village entered into a five-year agreement with Browning Ferris Industries, Inc. for waste and recycling collection services. The term of the contract is October 1, 1998, to September 30, 2003. The Village has the right to extend the contract for an additional five-year term. The annual cost of the contract is \$1,076,790, which includes both residential and commercial services. The contract gives the contractor the right to petition the Village for rate adjustments on the basis of extraordinary and unusual changes in the cost of operations.

Lease Commitments

The Village leases property for office space under agreements that are considered for accounting purposes to be operating leases.

Planning, Zoning and Building – Office space for the planning, zoning and building division is leased under an agreement that commenced December 1, 1998, and expires November 30, 2003. Monthly lease payments are \$5,569 per month. Lease payments totaled \$66,825 for the year ended September 30, 2001. Future annual lease payments are \$67,500 for the year ending September 30, 2002.

Palm Beach County Sheriff’s Substation – The Village leases space for a Palm Beach County Sheriff’s Office substation under an agreement that expires April 30, 2002. Monthly lease payments are \$2,655 per month. Lease payments totaled \$31,862 for the year ended September 30, 2001. Future annual lease payments are \$33,582 for the year ending September 30, 2002.

Administration and Public Works Trailers – The Village leases office space under two agreements, one expiring January 31, 2003, and one on a month to month basis. Monthly lease payments are \$2,874 per month for both. Lease payments totaled \$34,500 for the year ended September 30, 2001. Future annual lease payments are \$34,488 for the year ending September 30, 2002.

(17) MISCELLANEOUS INCOME

The components of miscellaneous income in the governmental funds at September 30, 2001, follow:

	General	Special Revenue	Debt Service	Total
Contributions	\$ 9,750	\$ 109,900	\$ -	\$ 119,650
Fuel usage revenues	88,774	-	-	88,774
Miscellaneous	13,754	34,108	1,041	48,903
Refunds – collectors fees	-	15,313	-	15,313
Insurance refunds	9,722	2,488	-	12,210
Rowing center fees	7,500	-	-	7,500
Administrative fees – impact, radon	6,592	-	-	6,592
Concessions	-	3,804	-	3,804
	\$136,092	\$165,613	\$ 1,041	\$302,746

(18) CHANGE IN ACCOUNTING PRINCIPLES

The accounting methods and procedures adopted by the Village conform to generally accepted accounting principles as applied to governmental entities. Effective October 1, 2000, the Village adopted Governmental Accounting Standards Board

(GASB) Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. This statement establishes accounting and financial reporting standards to guide state and local governments’ decisions about in which fiscal year they should report the results of nonexchange transactions involving cash and other financial and capital resources. In a

nonexchange transaction, a government gives or receives value without directly receiving or giving equal value in return. Nonexchange transactions include most taxes, franchise fees, fines, certain grants, and contributions.

The Village also receives developer contributed infrastructure in voluntary nonexchange transactions, as well as contributions from customers to help defray the capital cost of the sewer system. These contributions are recognized as revenue at the time an enforceable legal claim is established. As required by GASB Statement No. 33, accounting changes related to governmental revenues made to comply with the statement have been treated as an adjustment of prior periods. The effect of im-

plementation on the Village's financial statements was to increase fund balances of the general fund at October 1, 2000, by \$172,470.

Fund balance, as previously reported	\$ 10,170,339
GASB Statement No. 33 adjustment	172,470
Fund balance, as restated	\$ 10,342,809

The effect of implementation on the enterprise fund was to increase non-operating revenues by \$5,898,797 for the year ended September 30, 2001, for developer and customer capital contributions.

(19) SUBSEQUENT EVENTS

Sale of Land

On December 12, 2001, the Village sold a parcel of land of approximately 6 acres to Wellington Learning Centre for \$812,014.

Loan Agreement

On November 15, 2001, the Village entered into a loan agreement with the Florida Municipal Loan Council for \$5,605,000. The loan will provide

funds for capital improvements including road construction, improvements to the stormwater system, and acquisition and construction of public buildings. Interest, at rates ranging from 3.25% to 5.25%, is payable semi-annually on May 1 and November 1. Principal is payable in annual installments of \$185,000 to \$425,000 beginning November 1, 2002, with the final payment due November 1, 2021.

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