

*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.*

**\$76,460,000**  
**FLORIDA MUNICIPAL LOAN COUNCIL**  
**Revenue Bonds,**  
**Series 2003A**

**Dated:** May 1, 2003**Due:** May 1, as shown on the inside cover

The Revenue Bonds, Series 2003A (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 November 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 five loans (the "Loans") to four State of Florida municipalities (City of Deerfield Beach, City of Hialeah, Town of Lake Park and Village of Palm Springs) (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. There will be two loans made to the City of Deerfield Beach.

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 May 1, 2003 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. Except with respect to the G.O. Loan (herein described) to the City of Deerfield Beach, 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 obligations of the City of Deerfield Beach to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to its G.O. Loan Agreement with the Issuer are general obligations of the City of Deerfield Beach, which are secured by the full faith, credit and ad valorem taxing power of the City of Deerfield Beach. 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 May 16, 2003.*

**Banc of America Securities LLC**

The date of this Official Statement is April 25, 2003

**AMOUNTS, MATURITIES, INTEREST RATES AND PRICES**

\$39,240,000 Serial Bonds

<u>Amount</u>	<u>Maturity ( May 1)</u>	<u>Interest Rate</u>	<u>Price</u>
\$1,030,000	2004	3.000%	101.762%
1,520,000	2005	2.000	100.941
1,725,000	2006	4.000	106.250
1,795,000	2007	3.250	103.689
1,850,000	2008	3.000	101.802
1,905,000	2009	3.000	100.379
1,965,000	2010	5.000	110.818
2,060,000	2011	5.000	110.266
2,165,000	2012	5.000	110.395
2,280,000	2013	5.250	112.279
2,390,000	2014	5.250	111.400
2,025,000	2015	5.250	110.529
2,125,000	2016	5.250	109.752
2,105,000	2017	5.250	109.066
2,215,000	2018	5.250	108.302
2,335,000	2019	5.250	107.543
2,450,000	2020	5.250	106.958
2,585,000	2021	5.000	103.894
2,715,000	2022	5.000	103.488

\$8,935,000 4.50% Term Bonds Due May 1, 2025 - Price 98.217%

\$10,255,000 5.00% Term Bonds Due May 1, 2028 - Price 102.122%

\$18,030,000 5.00% Term Bonds Due May 1, 2033 - Price 101.963%

(Accrued interest from May 1, 2003 to be added)

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## **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  
Larry Ady, Commissioner, City of Belle Isle

### **Attorney**

Kraig A. Conn, Esq.  
Tallahassee, Florida

### **Bond Counsel**

Bryant, Miller and Olive, P.A.  
Tampa, Florida

### **Financial Advisor**

First Southwest Company  
Orlando, Florida

### **Program Administrator**

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.

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## **OFFICIAL STATEMENT**

Relating To

\$76,460,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2003A

### **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 \$76,460,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A (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 March 27, 2003 and a Trust Indenture (the "Indenture"), dated as of May 1, 2003, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make five loans to four 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 the State of Florida municipalities of the City of Deerfield Beach, the City of Hialeah, the Town of Lake Park and the Village of Palm Springs (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of May 1, 2003, between the Issuer and each Borrower (collectively, the "Loan Agreements"). There will be two loans made to the City of Deerfield Beach, referred to as the "Deerfield G.O. Loan" and the "Deerfield Covenant Loan," respectively. 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 Hialeah and Town of Lake Park, and, with respect to one of the two Loan Agreements between itself and the Issuer (referred to herein as the "Deerfield Covenant Loan Agreement"), the City of Deerfield Beach, have each 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 Basic Payment obligations (the obligations to pay principal, premium, if any, and interest) of the City of Deerfield Beach under one of its two Loan Agreements (referred to as the "Deerfield G.O. Loan Agreement") constitutes a general obligation of the City, for which the full faith, credit and ad valorem taxing power of the City is pledged. With respect to the Deerfield G.O. Loan Agreement, the City covenants that in each year while such Loan is outstanding, it shall levy and collect a tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay the Basic Payments under the Deerfield G. O. Loan Agreement, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments under the Deerfield G.O. Loan Agreement, the City agrees to budget and appropriate Non-Ad Valorem Revenues sufficient to pay such Additional Payments. The full faith and credit and ad valorem taxing power of the City of Deerfield Beach is not pledged to the Additional Payments under the Deerfield G.O. Loan Agreement.

The Loan Agreement between the Village of Palm Springs and the Issuer is referred to herein as the "Palm Springs Loan Agreement." The Loan Repayment obligations of the Village of Palm Springs will be payable from and secured solely by a pledge of and lien upon the Net Revenues of the water and sewer utility system of the Village (hereinafter described). Further information concerning the Palm Springs Loan Agreement and the Net Revenues of the water and sewer utility system of the Village is contained herein under the caption "Security and Sources of Payment - Village of Palm Springs 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. Except with respect to the G.O. Loan to the City of Deerfield Beach, 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 obligations of the City of Deerfield Beach to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to its G.O. Loan Agreement with the Issuer are general obligations of the City of Deerfield Beach, which are secured by the full faith, credit and ad valorem taxing power of the City of Deerfield Beach. 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 May 1, 2003, 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 November 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 May 1, 2013 are not subject to optional redemption prior to maturity. The Bonds maturing after May 1, 2013 are subject to redemption at the option of the Issuer on or after May 1, 2013 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on May 1, 2025 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 May 1, 2023 and on each May 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2023	\$2,845,000
2024	2,975,000
2025*	3,115,000

\*Maturity, not a redemption

The Bonds maturing on May 1, 2028 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 May 1, 2026 and on each May 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2026	\$3,255,000
2027	3,415,000
2028*	3,585,000

\*Maturity, not a redemption

The Bonds maturing on May 1, 2033 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on May 1, 2029 and on each May 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2029	\$3,260,000
2030	3,430,000
2031	3,600,000
2032	3,775,000
2033*	3,965,000

\*Maturity, not a redemption

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](http://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.

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.

**NONE OF THE ISSUER, THE BORROWERS OR 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 ninth 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
Larry Ady	Commissioner, City of Belle Isle

## **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 eight 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 four 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 Deerfield Beach** - The City of Deerfield Beach is located in Broward County, Florida and was incorporated in 1925. The City of Deerfield Beach has an estimated population of approximately 65,000 people.

**City of Hialeah** - The City of Hialeah is located in Miami-Dade County, Florida and was incorporated in 1925. The City of Hialeah has an estimated population of approximately 215,000 people.

**Town of Lake Park** - The Town of Lake Park is located in Palm Beach County, Florida and was incorporated in 1923. The Town of Lake Park has an estimated population of approximately 7,000 people.

**Village of Palm Springs** - The Village of Palm Springs is located in Palm Beach County, Florida and was incorporated in 1957. The Village of Palm Springs has an estimated population of approximately 12,000 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, except in the case of the Deerfield G.O. Loan, 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 accounts in 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 Deerfield Beach** - Pursuant to the Deerfield Covenant Loan Agreement, the City of Deerfield Beach is borrowing the proceeds of \$6,825,000 principal amount of the Bonds (which inclusive of original issue premium is \$7,150,705.85) for the purpose of financing a streetscape project. The Deerfield Covenant Loan is expected to be repaid over a period of 25 years.

**City of Deerfield Beach** - Pursuant to the Deerfield G.O. Loan Agreement, the City of Deerfield Beach is borrowing the proceeds of \$5,140,000 principal amount of the Bonds (which inclusive of original issue premium is \$5,516,458.85) for the purpose of refunding two series of previously issued general obligation bonds. The Deerfield G.O. Loan is expected to be repaid over a period of 13 years.

**City of Hialeah** - The City of Hialeah is borrowing the proceeds of \$48,135,000 principal amount of the Bonds (which inclusive of original issue premium is \$49,996,747.35) for the purpose of financing street improvements and a new courthouse/parking garage. The loan to City of Hialeah is expected to be repaid over a period of 30 years.

**Town of Lake Park** - The Town of Lake Park is borrowing the proceeds of \$4,810,000 principal amount of the Bonds (which inclusive of original issue premium is \$4,997,652.70) for the purpose of financing improvements to the municipal marina. The loan to Town of Lake Park is expected to be repaid over a period of 30 years.

**Village of Palm Springs** - The Village of Palm Springs is borrowing the proceeds of \$11,550,000 principal amount of the Bonds (which inclusive of original issue premium is \$11,996,359.25) for the purpose of financing water and wastewater system improvements. The loan to Village of Palm Springs is expected to be repaid over a period of 30 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:

<b>SOURCES OF FUNDS:</b>	
Par Amount .....	\$76,460,000.00
Original Issue Premium .....	3,197,924.00
Accrued Interest .....	<u>151,382.29</u>
<b>TOTAL SOURCES:</b> .....	<b>\$79,809,306.29</b>
 <b>USES OF FUNDS:</b>	
Deposit to Project Loan Fund .....	\$78,028,931.64
Costs of Issuance(1) .....	1,407,018.40
Deposit to Revenue Fund(2) .....	<u>373,356.25</u>
<b>TOTAL USES:</b> .....	<b>\$79,809,306.29</b>

- (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 City of Deerfield Beach to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to its G.O. Loan Agreement with the Issuer are general obligations of the City of Deerfield Beach, which are secured by the full faith, credit and ad valorem taxing power of the City of Deerfield Beach. 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 Hialeah and Town of Lake Park, and, with respect to one of the two Loan Agreements between itself and the Issuer (referred to herein as the "Deerfield Covenant Loan Agreement"), the City of Deerfield Beach, have each 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 Basic Payment obligations (the obligations to pay principal, premium, if any, and interest) of the City of Deerfield Beach under one of its two Loan Agreements (referred to as the "Deerfield G.O. Loan Agreement") constitutes a general obligation of the City, for which the full faith, credit and ad valorem taxing power of the City is pledged. With respect to the Deerfield G.O. Loan Agreement, the City covenants that in each year while such Loan is outstanding, it shall levy and collect a tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay the Basic Payments under the Deerfield G. O. Loan Agreement, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments under the Deerfield G.O. Loan Agreement, the City agrees to budget and appropriate Non-Ad Valorem Revenues sufficient to pay such Additional Payments. The full faith and credit and ad valorem taxing power of the City of Deerfield Beach is not pledged to the Additional Payments under the Deerfield G.O. Loan Agreement.

The Loan Agreement between the Village of Palm Springs and the Issuer is referred to herein as the "Palm Springs Loan Agreement." The Loan Repayment obligations of the Village of Palm Springs will be payable from and secured solely by a pledge of and lien upon the Net Revenues of the water and sewer utility system of the Village (hereinafter described). Further information concerning the Palm Springs Loan Agreement and the Net Revenues of the water and sewer utility system of the Village is contained herein under the caption "Security and Sources of Payment - Village of Palm Springs 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 \$48,430,000, (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 and (iv) Revenue Bonds, Series 2002C, issued November 22, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$27,165,000. 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, other than with respect to the Deerfield G.O. Loan. Under the provisions of the Internal Revenue Code applicable to the Bonds, it is generally not feasible to establish a debt service reserve fund with respect to general obligation bonds or the portion of bonds ultimately payable from a general obligation pledge. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Revenue Fund resultant from the failure of any Borrower, other than the City of Deerfield Beach with respect to the Deerfield G.O. Loan Agreement, to timely pay debt service on its Loan.

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 \$7,220,750 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 \$3,566,000 to \$10,786,750, 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 Deerfield Beach with respect to its Covenant Loan Agreement, and the City of Hialeah and the Town of Lake Park, pursuant to their respective Loan Agreement, have each covenanted 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 caption "Village of Palm Springs Loan."

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

The information under this caption applies only to the City of Deerfield Beach (with respect to the Deerfield Covenant Loan), the City of Hialeah and the Town of Lake Park (the "Covenant Borrowers"), and it applies to the Additional Payment obligations of the City of Deerfield Beach under the Deerfield G.O. Loan.

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.

### **The Deerfield Beach General Obligation Loan**

The Basic Payment obligations of the City of Deerfield Beach under its G.O. Loan Agreement are general obligations of the City, for which the full faith, credit and taxing power of the City is irrevocably pledged. The City of Deerfield Beach covenants that in each year while its G.O. Loan is outstanding, it shall levy and collect an ad valorem tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay its Basic Payments, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied.

General Information Regarding Ad Valorem Taxes. In Florida, counties, municipalities, school districts and various other special taxing districts are authorized to levy ad valorem taxes subject to certain limitations. Ad valorem taxes are generally levied upon real and personal property located within the jurisdiction of the taxing authority. The rate of ad valorem taxation is generally uniform for all properties subject to taxation by a particular taxing entity, and is generally expressed in terms of a "millage" rate. The "millage" rate refers to the amount of ad valorem taxes expressed in terms of dollars of taxes per thousand dollars of assessed valuation of property subject to taxation (i.e., one "mill" is one dollar of taxes per thousand dollars of assessed value).

Exclusive of levies approved by the voters, municipalities may not levy ad valorem taxes at a rate in excess of ten mills. However, municipalities are authorized to levy ad valorem taxes without limitation as to rate or amount to pay debt service on bonds or other indebtedness, the issuance of which was approved by a majority of the votes cast in a bond referendum election.

Within each county there is a property appraiser, one function of which is to determine the assessed valuation of all property within the county subject to ad valorem taxes. Property valuations are established

each year as of January 1. Each taxpayer whose property is subject to taxation is given notice of the assessed valuation of such property, and the property owner has the right to file an appeal. Upon completion of the hearing of all appeals, an assessment roll is completed.

Each person who has the legal or equitable title to real estate in the State of Florida and maintains thereon the permanent residence of the owner, or another legally or naturally dependent upon the owner, is entitled to an exemption (the "Homestead Exemption") from ad valorem taxation in an amount up to the assessed valuation of \$25,000 on such property. Other exemptions from the ad valorem tax include property owned by certain permanently and totally disabled persons; renewable energy sources improvements; inventory; property used by hospitals, nursing homes, homes for special services and property used by homes for the aged; educational property; property owned and used by labor organizations; community centers; governmental property; historic property; space laboratories; property owned by not-for-profit sewer and water companies; and the first \$500 of property of every widow, blind person or disabled person. Chapter 196, Florida Statutes, contains a further description of exemptions from ad valorem taxes.

Each taxing authority imposing ad valorem taxes annually determines its millage rate, which is then multiplied by the assessed value of taxable property to determine the amount of taxes due. In general, each taxing entity provides the property appraiser with information concerning the rate of taxation being imposed by such taxing entity. The property appraiser then prepares a tax roll listing, for all property to be subject to taxation, the amount of taxes due to the various taxing entities. The property appraiser then provides this tax roll to the county tax collector who is charged with responsibility for collection of the taxes due.

Upon receipt of the certified tax roll, the tax collector is required to mail to each taxpayer appearing on the tax roll a tax notice stating, among other things, the amount of current taxes due from the taxpayer. In general, each taxpayer is required to pay all taxes shown in the tax notice without preference in payment of any particular increment of the tax bill. Upon receipt of the taxes, the tax collector is required to forward to each taxing authority its portion of such taxes.

The statutes relating to the enforcement of ad valorem taxes provide that such taxes become due and payable on November 1 of the year in which assessed or as soon thereafter as the certified tax roll is received by the tax collector. Depending upon the date of payment, taxpayers may receive a discount of up to 4% of the taxes levied by paying taxes prior to delinquency.

Florida law provides a method for prepayment of estimated taxes by installment. If this method is used, all taxes are payable at varying times prior to delinquency (as discussed in the following paragraph) and the taxpayer receives discounts ranging from 6% to zero. Prepayments of taxes are required to be invested by the tax collector, and such prepaid taxes and interest earnings thereon are allocated among the various taxing authorities and paid to them at the same time as taxes which were not prepaid.

All taxes become delinquent on April 1 following the tax year in which they are assessed or immediately after sixty (60) days have expired from the mailing of the original tax notice, whichever is later. The tax collector is required to collect taxes prior to the date of delinquency and to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of tax notices to taxpayers results in a delay throughout the process.

The collection of delinquent taxes upon real property is based upon the sale by the tax collector of "tax certificates" and remittance of the proceeds of such sale to the various governmental entities levying taxes for the payment of the taxes due. The demand for tax certificates is dependent upon various factors, including the interest which can be earned by ownership of such certificates and the value of the land which is the subject of such certificates and which, as described herein, may be subject to sale at the demand of the

certificate holder. Therefore, the underlying market value of the land subject to the taxes may affect the demand for such certificates and therefore the successful collection of the taxes.

A landowner cannot be sued personally for failure to pay taxes, but taxes are a lien on the property against which they are assessed from January 1 of the year of assessment until paid or barred by operation of law (statute of limitations). The lien of the taxes is of equal dignity with the liens for state and county taxes and other taxes which are of equal dignity upon land, and thus is a first lien, superior to all other liens including mortgages.

In the event of a delinquency in the payment of taxes on real property, the tax collector is required to offer tax certificates on such property for sale to the person or entity who pays the delinquent taxes and interest and certain costs and charges relating thereto, and who accepts the lowest interest rate per annum to be borne by the certificates (which shall in no event be more than eighteen percent (18%) per annum). Delinquent taxes may be paid by a taxpayer prior to the date of sale of a tax certificate by the payment of such taxes, together with interest and all costs and charges relating thereto. Tax certificates are sold by public bid, and in case there are no bidders, the certificate is issued to the county in which the assessed lands are located, and the county, in such event, does not pay any consideration for such tax certificate. Proceeds from the sale of tax certificates are required to be used to pay taxes, interest, costs and charges on the land described in the certificate.

In the event a tax certificate is sold on property with delinquent taxes, proceeds from the sale of the tax certificate will be sufficient to pay the delinquent taxes as to that parcel.

While, as described above, upon the sale of a tax certificate delinquent taxes are paid, the willingness of persons to purchase tax certificates may be affected by the rights inherent of ownership of a tax certificate. For that reason, the following discussion of the rights associated with ownership of a tax certificate is provided.

County-held tax certificates may be purchased, and any tax certificate may be redeemed, in whole or in part, by any person or entity at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof, together with all interest, costs, and charges due. The proceeds of such a redemption are paid to the tax collector who transmits to the holder of the certificate such proceeds less a service charge, and the certificate is cancelled.

After an initial period ending two (2) years from April 1 of the year of issuance of a certificate, the holder of a certificate may apply for a tax deed to the subject land. Any holder, other than the county, of a tax certificate which has not been redeemed has seven (7) years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate. The applicant is required to pay to the tax collector all amounts required to redeem or purchase all outstanding tax certificates not held by the applicant covering the land, any omitted taxes or delinquent taxes, current taxes, and interest, if due, covering the land. If the county holds a tax certificate and has not succeeded in selling it, the county must apply for a tax deed two (2) years after April 1 of the year of issuance. The county pays costs and fees to the tax collector but not any amount to redeem any other outstanding certificates covering the land. Thereafter, the property is advertised for public sale. Any outstanding certificates will be satisfied from the proceeds received at such public sale.

In any such public sale, the private holder of the tax certificate who is seeking a tax deed is deemed to submit a minimum bid established by statute. The opening bid on a privately held certificate on non-homestead property includes, in addition to the amount of money paid to the tax collector by the certificate-holder at the time of application, the amount required to redeem the applicant's tax certificate and



all other costs and fees paid by the applicant. The opening bid on county-held certificates on non-homestead property is the sum of the value of all outstanding certificates against the land, plus omitted years' taxes, delinquent taxes, interest, and all costs and fees paid by the county. The opening bid on property assessed on the latest tax roll as homestead property includes, in addition to the amount of money required for an opening bid on non-homestead property, an amount equal to one-half of the latest assessed value of the homestead. If there are no higher bidders, the holder receives title to the land and the amounts paid for the certificate and in applying for a tax deed are credited towards the purchase price. If there are higher bidders, the holder may enter the bidding. The highest bidder is awarded title to the land. The portion of proceeds of such sale needed to redeem the tax certificate (and all other amounts paid by such holder in applying for a tax deed), plus interest, are forwarded to the holder thereof or credited to such holder if such holder is the successful bidder. Excess proceeds are distributed first to satisfy governmental liens against the land and then to the former title holder of the property (less service charges), lienholders of record, mortgagees of record, vendees of recorded contracts of deeds, and other lienholders and any other person to whom the land was assessed on the tax roll for the year in which the land was assessed, all as their interests may appear.

If there are no bidders at the public sale, the county may, at any time within ninety (90) days from the date of offering for public sale, purchase the land for a statutorily prescribed minimum bid. After ninety (90) days have passed, any person or governmental unit may purchase the land by paying the amount of the minimum bid. Three (3) years from the date of offering for public sale, unsold lands escheat to the county, and all tax certificates and liens, including the lien of taxes, if applicable, against the property are cancelled.

The issuance of a tax deed, in general, has the effect of canceling liens against or upon the property that is the subject of the tax deed, except for certain liens in favor of municipal or county government, and except for certain restrictions and covenants limiting the use of property, the type, character and location of buildings, covenants against nuisances and the like. Issuance of a tax deed, therefore, has the effect of canceling mortgages upon the affected property. For this reason (to prevent cancellation of the mortgage), under certain circumstances mortgagees may pay delinquent taxes on property upon which they hold a mortgage, but there is no requirement that mortgagees do so.

Once the issuance of general obligation indebtedness of a municipality has been authorized by the voters in a bond referendum, and such debt is issued, such a debt may be refinanced, subject to certain restrictions under Florida law, without further approval by the voters.

The City of Deerfield Beach will use proceeds of its G.O. Loan to refund its General Obligation Bonds, Series 1993 and Series 1995 which provided funds to pay the cost of parks and recreation facilities and other capital improvements. The issuance of both the 1993 and 1995 general obligation bonds was approved by the voters of the City of Deerfield Beach in bond referenda held in 1993 and 1994 for such purpose. Information relevant to the City of Deerfield Beach G.O. Loan is contained herein in Appendix G.

### **Village of Palm Springs Loan**

The Loan Repayment obligations of the Village of Palm Springs in connection with the Palm Springs Loan Agreement are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of the Village of Palm Springs with respect to the Palm Springs Loan Agreement are payable from and are secured by a pledge of and lien upon the "Net Revenues" of the Village's water and sewer utility system (the "Palm Springs System"). Except as described under this caption, the Palm Springs Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

As used under this caption:

"Palm Springs System" means the complete water and sewer system now owned, operated and maintained by the Village of Palm Springs, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

"Cost of Operation and Maintenance" of the Palm Springs System means the current expenses, paid or accrued, of operation, maintenance and repair of the Palm Springs System as calculated in accordance with generally accepted accounting principles, but shall not include expenses not annually recurring, such as any reserve for renewals and replacements, extraordinary repairs or conditions, any allowance for depreciation, any debt service requirement, or any payments in lieu of taxes.

"Gross Revenues" means all income or earnings, including any income from the investment of funds as provided in the Original Resolution, received by or attributable or accruing to the Palm Springs from the operation of the Palm Springs System.

"Net Revenues" means the Gross Revenues after deduction of the Cost of Operation and Maintenance.

"Original Resolution" means Resolution No. 84-04 adopted by the Village Council of the Village of Palm Springs on March 13, 1984, as amended and supplemented by Resolution Nos. 84-05, 84-08, R88-07, R88-08, R92-27, R93-02 and R93-03.

"Parity Obligation" means the Village's \$7,244,700 Promissory Note dated December 14, 2001.

"Parity Subordinate Debt" means any additional indebtedness of the Village payable on a parity with the Parity Obligation and the Palm Springs Loan (i.e., subordinate to the Senior Bonds).

"Pledged Revenues" means the Net Revenues of the System.

"Senior Bonds" means the Village's outstanding Water and Sewer Refunding Revenue Bonds, Series 1984 and Water and Sewer Refunding Revenue Bonds, Series 1988 and any Additional Parity Obligations issued pursuant to the Original Resolution and secured by a lien upon the Net Revenues on a parity with the Senior Bonds (i.e., senior to the Loan, the Parity Obligation and any Parity Subordinate Debt).

"Certificate Year" means the period of twelve full calendar months either (i) consisting of a fiscal year of the Village or (ii) in the case of Parity Subordinate Debt or Additional Parity Obligations that are the subject of a judicial validation proceeding, immediately preceding the entry of a final judgment of validation of such debt.

The Village of Palm Springs intends to use proceeds of its Loan to finance construction of a variety of improvements to and expansions of the System.

The Palm Springs Loan will be secured by a pledge of the Net Revenues of the Palm Springs System, subordinate to the Senior Bonds, and on a parity with the Parity Obligation.

The Series 1984 Bonds which remain unpaid consist of a capital appreciation bond ("CAB") which matures on October 1, 2007 in the accreted value of \$1,265,000. As a CAB, there is no interest payable on

the Series 1984 Bonds until maturity and the interest is included in the accreted value. Pursuant to an agreement entered into in 1978, the Village has already purchased a portfolio of U.S. Treasury Bonds the principal amount of which, together with the interest payment due on April 1, 2007, is sufficient to pay the maturing principal of the Series 1984 Bonds. For this reason, the Village does not have to use any Net Revenues to pay debt service on the Series 1984 Bonds. Additionally, the portfolio of U.S. Treasury obligations generates interest earnings of \$22,122.50 semi-annually, which interest earnings are considered to be Net Revenues of the System.

The Series 1988 Bonds remain outstanding in the principal amount of \$6,970,000, although the substantial majority of this represents capital appreciation bonds which pay no current interest. The Series 1988 Bonds finally mature in 2013 and bear annual debt service decreasing from \$685,000 in 2003 to 485,000 in 2013.

The Parity Obligation is secured by the Net Revenues on a basis subordinate to the Senior Bonds, but which will be on a parity with the lien securing the Palm Springs Loan. Debt Service on the Parity Obligation is \$70,164.33, monthly, each month until October 1, 2012, when the Parity Obligation matures.

The Palm Springs System consists of a potable water production, treatment and transmission system and a wastewater collection system. The Palm Springs System does not include any wastewater treatment facilities. The Village of Palm Springs commenced operation of the Palm Springs System in 1966. The Palm Springs System service area encompasses approximately 6 square miles, which includes the entire incorporated limits of the Village and certain areas outside of the Village boundaries. The Palm Springs System serves approximately 11,500 water and 9,000 wastewater customers, of which approximately 78% are residential users. Wastewater collected in the Palm Springs System is disposed of through the East Central Regional Wastewater Treatment Plant, which is a treatment facility that is owned by a consortium of Palm Beach County and various municipalities pursuant to interlocal agreements.

The Village of Palm Springs believes that the Palm Springs System assets are in good condition. Rates charged by the Village are established by the Village Council and are not regulated by any public service commission or similar body. The Village believes that the rates it charges for the use of the products and services of the Palm Springs System are reasonable, based upon similarly situated systems in the geographic area of the Village. The Village does not believe that there are any material environmental or permitting issues associated with the Palm Springs System. Also, the Village does not believe that there is any appreciable concentration of rate-payers among any concentrated group.

Until such time as the principal of, premium, if any, and interest on the Palm Springs Loan shall have been paid, Palm Springs agrees that it will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the use of the product, services and facilities of the Palm Springs System and revise the same from time to time, whenever necessary, as will always provide Gross Revenues in each fiscal year of Palm Springs sufficient to pay 100% of all costs of operation and maintenance of the Palm Springs System in such fiscal year and all reserve and other payments required by the Original Resolution and 125% of the sum of the debt service requirement on the Senior Bonds, any Additional Parity Obligations, the Parity Obligations and any Subordinate Parity Debt in such fiscal year. Palm Springs covenants that it will not issue any Additional Parity Obligations unless the average of the Net Revenues for the two preceding Certificate Years will equal at least 1.25 times the maximum annual debt service requirement on all Senior Bonds, Additional Parity Obligations then outstanding and the Additional Parity Obligations then proposed to be issued, the Parity Obligation, the Loan and any Parity Subordinate Debt.

Palm Springs shall be permitted to issue Parity Subordinate Debt if, and only if the average of the Net Revenues for the two preceding Certificate Years will equal at least 1.25 times the maximum annual debt

service requirement on all Senior Bonds, all Additional Parity Obligations then outstanding, the Parity Obligations, any Parity Subordinate Debt then outstanding and such additional Parity Subordinate Debt then proposed to be issued.

The following table sets for the amount of Net Revenues collected by Palm Springs during the fiscal years ended September 30, 1998 through 2002, and pro-forma debt service coverage for the Palm Springs 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>
Net Revenues <sup>(1)</sup>	\$5,010,121	\$4,145,918	\$4,178,625	\$5,086,293	\$4,944,036
Combined Future Maximum Annual Senior Debt Service and Parity Subordinate Debt Service <sup>(2)</sup>	\$1,526,972	\$1,526,972	\$1,526,972	\$1,526,972	\$1,526,972
Palm Springs Loan Debt Service <sup>(3)</sup>	<u>\$ 747,825</u>	<u>\$ 747,825</u>	<u>\$ 747,825</u>	<u>\$ 747,825</u>	<u>\$ 747,825</u>
Maximum Total Annual Debt Service <sup>(3)</sup>	\$2,274,797	\$2,274,797	\$2,274,797	\$2,274,797	\$2,274,797
Pro-Forma Debt Service Coverage	2.20x	1.82x	1.83x	2.24x	2.17x

(1) Source: Village of Palm Springs Finance Department.

(2) Approximate maximum annual debt service on the Series 1988 Bonds and Parity Obligation.

(3) Maximum annual debt service for the Basic Payments portion of Palm Springs Loan.

### **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 U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association 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 insurance provided by the Insurer's 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 September 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 September 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 September 30, 2002, the Insurer had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.1 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.

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## DEBT SERVICE REQUIREMENTS

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

Year Ending May 1 (inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2004	\$1,030,000.00	\$3,633,175.00	\$4,663,175.00
2005	1,520,000.00	3,602,275.00	5,122,275.00
2006	1,725,000.00	3,571,875.00	5,296,875.00
2007	1,795,000.00	3,502,875.00	5,297,875.00
2008	1,850,000.00	3,444,537.50	5,294,537.50
2009	1,905,000.00	3,389,037.50	5,294,037.50
2010	1,965,000.00	3,331,887.50	5,296,887.50
2011	2,060,000.00	3,233,637.50	5,293,637.50
2012	2,165,000.00	3,130,637.50	5,295,637.50
2013	2,280,000.00	3,022,387.50	5,302,387.50
2014	2,390,000.00	2,902,687.50	5,292,687.50
2015	2,025,000.00	2,777,212.50	4,802,212.50
2016	2,125,000.00	2,670,900.00	4,795,900.00
2017	2,105,000.00	2,559,337.50	4,664,337.50
2018	2,215,000.00	2,448,825.00	4,663,825.00
2019	2,335,000.00	2,332,537.50	4,667,537.50
2020	2,450,000.00	2,209,950.00	4,659,950.00
2021	2,585,000.00	2,081,325.00	4,666,325.00
2022	2,715,000.00	1,952,075.00	4,667,075.00
2023	2,845,000.00	1,816,325.00	4,661,325.00
2024	2,975,000.00	1,688,300.00	4,663,300.00
2025	3,115,000.00	1,554,425.00	4,669,425.00
2026	3,255,000.00	1,414,250.00	4,669,250.00
2027	3,415,000.00	1,251,500.00	4,666,500.00
2028	3,585,000.00	1,080,750.00	4,665,750.00
2029	3,260,000.00	901,500.00	4,161,500.00
2030	3,430,000.00	738,500.00	4,168,500.00
2031	3,600,000.00	567,000.00	4,167,000.00
2032	3,775,000.00	387,000.00	4,162,000.00
2033	<u>3,965,000.00</u>	<u>198,250.00</u>	<u>4,163,250.00</u>
Total	\$76,460,000.00	\$67,394,975.00	\$143,854,975.00



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

Year Ending May 1 (inclusive)	City of Deerfield Beach <u>Covenant Loan</u>	City of Deerfield Beach <u>G.O. Loan</u>	City of Hialeah <u>Hialeah</u>	Town of Lake Park <u>Lake Park</u>	Village of Palm Springs <u>Springs</u>
2004	\$328,400.00	\$257,025.00	\$3,103,425.00	\$231,625.00	\$742,700.00
2005	328,400.00	625,825.00	3,104,425.00	316,625.00	747,000.00
2006	503,400.00	632,625.00	3,102,925.00	314,925.00	743,000.00
2007	501,400.00	630,625.00	3,104,325.00	316,525.00	745,000.00
2008	500,550.00	631,325.00	3,105,887.50	313,600.00	743,175.00
2009	500,000.00	627,675.00	3,103,737.50	315,900.00	746,725.00
2010	504,300.00	628,725.00	3,105,837.50	313,050.00	744,975.00
2011	504,300.00	629,725.00	3,102,837.50	313,300.00	743,475.00
2012	503,800.00	629,475.00	3,102,587.50	313,300.00	746,475.00
2013	502,800.00	632,975.00	3,104,837.50	318,050.00	743,725.00
2014	500,725.00	628,575.00	3,101,562.50	317,012.50	744,812.50
2015	503,125.00	132,862.50	3,105,400.00	315,712.50	745,112.50
2016	499,737.50	131,562.50	3,105,825.00	314,150.00	744,625.00
2017	500,825.00	--	3,102,837.50	317,325.00	743,350.00
2018	501,125.00	--	3,101,437.50	314,975.00	746,287.50
2019	500,637.50	--	3,106,362.50	317,362.50	743,175.00
2020	499,362.50	--	3,102,087.50	314,225.00	744,275.00
2021	502,300.00	--	3,103,875.00	315,825.00	744,325.00
2022	500,050.00	--	3,105,375.00	317,325.00	744,325.00
2023	502,050.00	--	3,102,625.00	313,325.00	743,325.00
2024	499,950.00	--	3,104,825.00	315,000.00	743,525.00
2025	502,175.00	--	3,103,200.00	316,225.00	747,825.00
2026	503,500.00	--	3,102,750.00	317,000.00	746,000.00
2027	501,750.00	--	3,102,750.00	316,250.00	745,750.00
2028	504,000.00	--	3,102,500.00	315,000.00	744,250.00
2029	--	--	3,101,750.00	313,250.00	746,500.00
2030	--	--	3,105,250.00	316,000.00	747,250.00
2031	--	--	3,102,500.00	318,000.00	746,500.00
2032	--	--	3,103,500.00	314,250.00	744,250.00
2033	<u>--</u>	<u>--</u>	<u>3,102,750.00</u>	<u>315,000.00</u>	<u>745,500.00</u>
Total	\$12,198,662.50	\$6,819,000.00	\$93,109,987.50	\$9,380,112.50	\$22,347,212.50

## 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**

The Bonds, other than the Bonds maturing in the year 2025, were 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 2014 through 2022, 2028 and 2033 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.

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

Under the Code, the difference between the principal amount of the Bonds maturing in the year 2025 and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Bonds of the same maturity was sold is "original issue discount." Original issue discount will accrue over the term of such Bonds at a constant interest rate compounded periodically. A purchaser who acquires such Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Bonds, and will increase his adjusted basis in such Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of such Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

## **LITIGATION**

Except as hereinafter described with respect to the City of Deerfield Beach, 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.

The City of Deerfield Beach is a defendant in a lawsuit brought by a party seeking a refund of certain fees paid to the City. The total amount of the disputed fees is approximately \$755,000. Counsel to the City of Deerfield Beach cannot predict the outcome of the lawsuit. However, the City of Deerfield Beach has advised the Issuer that in the event the lawsuit is determined adverse to the City, and the City is required to refund the disputed fees, such would not have an adverse effect upon the City material to its ability to perform its obligations in connection with the Bonds and the repayment of its Loan.

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 subheading thereunder captioned "Village of Palm Springs 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 \$79,199,928.60 (which includes net original issue premium of \$3,197,924.00 and underwriter's discount of \$457,995.40) 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

## APPENDIX A

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

#### CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of May 1, 2003 (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 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 Section 4 hereof, which contains 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 Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

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

"**Annual Report**" means a document or set of documents which (a) identifies the 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 2003A.

**"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 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 May 1, 2003 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 May 1, 2003, between the Issuer and the Borrower.

**"Listed Events"** means any of the events 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 primary offering of the Bonds for sale by the Participating Underwriter.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the 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 this Continuing Disclosure Agreement 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 this Continuing Disclosure Agreement.

**SECTION 4. Annual Financial Information.** (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the 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 with respect to or caused by the Borrower, 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 May 1, 2003 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

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

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

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

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

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1st day of May, 2003.

\_\_\_\_\_, 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 \_\_\_\_\_ 1, 2003 (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 2003A.

**"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 \_\_\_\_\_ 1, 2003, 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 \_\_\_\_\_ 1, 2003 (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

Florida League of Cities, Inc.  
Tallahassee, Florida  
Wachovia Bank, National Association  
Jacksonville, Florida  
Florida Municipal Loan Council  
Tallahassee, Florida  
Banc of America Securities LLC  
Clearwater, Florida

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of \_\_\_\_\_ 1, 2003 (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 2003A.

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 1st day of \_\_\_\_\_, 2003.

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 INDENTURE

TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of \_\_\_\_\_ 1, 2003, 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

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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

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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 2003A 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

WITNESSETH:

GRANTING CLAUSES

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

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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:

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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 Term 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.

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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 \_\_\_\_\_ 1, 2003 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,

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"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 2003A 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 \_\_\_\_\_, ending on and including the following \_\_\_\_\_ 1, except for the first period which begins on \_\_\_\_\_, 2003.

"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

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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

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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 \_\_\_\_\_ 1, 2003 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 \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, beginning \_\_\_\_\_ 1, 2003.

"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):
  1. 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)

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- 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)

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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."

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- 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.

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"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 April 20, 2003 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.

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"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.

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"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.

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(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.

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ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as "Florida Municipal Loan Council Revenue Bonds, Series 2003A". 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.

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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 (_____)	Amount	Interest Rate	Maturity (_____)	Amount	Interest Rate

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

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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 \_\_\_\_\_, 2003. 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

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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 therefrom 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:

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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

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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. Nonpresentation 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).

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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

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### ARTICLE III

#### REDEMPTION OF BONDS

##### SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before \_\_\_\_\_ 1, 20\_\_ are not subject to optional redemption prior to their maturities. The Bonds maturing after \_\_\_\_\_ 1, 20\_\_ are subject to redemption at the option of the Council on or after \_\_\_\_\_ 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:

Redemption Period (Both Dates Inclusive)	Redemption Price
_____ 1, 20__ through _____, 20__	101%
_____ 1, 20__ and thereafter	100%

##### SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds are 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.

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REVENUES AND FUNDS

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.

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**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)

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**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.

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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 moneys 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 2003A 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) \_\_\_\_\_ \$\_\_\_\_\_
  - (b) \_\_\_\_\_ \$\_\_\_\_\_
  - (c) \_\_\_\_\_ \$\_\_\_\_\_
  - (d) \_\_\_\_\_ \$\_\_\_\_\_

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

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**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)(1) 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):

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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.

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(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

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**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 15<sup>th</sup> 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.

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**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.

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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.

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**ARTICLE VII**  
**INVESTMENT OF MONEYS**

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the 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

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**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, nonpresentation 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:

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(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

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## ARTICLE IX

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

**SECTION 9.01. Defaults; Events of Default.** If any of the following events 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

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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.

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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

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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

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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

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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.

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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 arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all 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.

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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.

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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

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## ARTICLE X

### THE TRUSTEE

**SECTION 10.01. Acceptance of the Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. 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

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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

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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. [Reserved]**

**SECTION 10.12. Paying Agent.** The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed

upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

(a) to hold all sums received by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of the Bonds until such sums shall be paid to such Owners of the Bonds or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Council and the Trustee at all reasonable times; and

(c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

**SECTION 10.13. Registrar.** The Council hereby appoints the Trustee as Registrar for the Bonds. The Registrar shall designate to the Trustee its principal office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Council and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Council and the Trustee at all reasonable times.

The Council shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Council and authenticated by the Registrar or any authenticating agent, shall be made available for exchange, registration and registration of transfer at the principal office of the Registrar. The Council shall cooperate with the Trustee to cause the necessary agreements to be made and thereafter continued whereby the Registrar shall be furnished such records and other information at such times as shall be required to enable the Registrar to perform the duties and obligations imposed upon it hereunder.

**SECTION 10.14. Effect on Bondholders of Certain Actions.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee or Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

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## ARTICLE XI

### SUPPLEMENTAL INDENTURES

**SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to any of the Bondholders but only with the consent of the Bond Insurer, enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

(a) To cure or correct any ambiguity 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.

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ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders. The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change or modification of any Loan Agreement that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, (d) in connection with any other change therein which, 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.

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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

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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

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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.

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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.

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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 this page intentionally left blank)

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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, FL0122
225 Water Street, 3rd Floor
Jacksonville, Florida 32202
Attention: Stephanie Moore

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 or of 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.

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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

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WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

(SEAL)

No. R-\_\_\_\_\_

§

By: \_\_\_\_\_
Name:
Title:

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BOND
SERIES 2003A

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 \_\_\_\_\_, 2003, and on each \_\_\_\_\_ and \_\_\_\_\_ 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 2003A" (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

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Exhibit A-1

\_\_\_\_\_, 2003, 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 [Borrowers] (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:

Table with 2 columns: Redemption Period (Both Dates Inclusive), Redemption Price

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.

Exhibit A-2

Exhibit A-3

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

Exhibit A-4

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]

Exhibit A-5

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**APPENDIX D**  
**FORM OF COVENANT LOAN AGREEMENT**

**LOAN AGREEMENT**

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of \_\_\_\_\_, 2003 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 [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

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"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 2003A 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 \_\_\_\_\_, 2003.

"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.

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Indenture dated as of \_\_\_\_\_, 1, 2003, 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 2003A" (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.

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"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.

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"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 \_\_\_\_\_, 2003 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.

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"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.

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"Interest Payment Date" means \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_, 2003.

"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 \_\_\_\_\_, 2003, and thereafter each \_\_\_\_\_ and \_\_\_\_\_, 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.

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"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 and any other series of the Council's bonds or any Alternate Surety Bond.

"Surety Bond Provider" means MBIA Insurance Corporation 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.

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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:

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(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 \_\_\_\_\_, 200\_\_\_\_, 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 \_\_\_\_\_, 200\_\_\_\_. 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.

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(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.

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(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

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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,

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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.

(l) 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.

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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

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### ARTICLE III

#### THE LOAN

**SECTION 3.01. The Loan.** The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$\_\_\_\_\_ (\$\_\_\_\_\_ par amount of Bonds plus \$\_\_\_\_\_ reoffering premium). This amount includes an amount 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 cost of the initial issuance 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.

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## ARTICLE IV

### LOAN TERM AND LOAN CLOSING REQUIREMENTS

**SECTION 4.01. Commencement of Loan Term.** The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

**SECTION 4.02. Termination of Loan Term.** The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the 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 \_\_\_\_\_, 200\_\_\_\_, 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

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## 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 April 20th and October 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing April 20, 2003, and extending through October 20, 2022, 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. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Borrower or any other borrower whose loan was funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Borrower (or on behalf of the Borrower) on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

**SECTION 5.03. Payment of Additional Payments.** In addition to Basic Payments, 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

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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.

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 repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Borrower (or on behalf of the Borrower) from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

### SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the

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Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from 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.

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## ARTICLE VII

### ASSIGNMENT AND PAYMENT BY THIRD PARTIES

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

**SECTION 7.04. Payments by the Surety Bond Provider.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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## ARTICLE 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.

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## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**SECTION 8.01. Events of Default Defined.** The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 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

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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 the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental authority having proper jurisdiction to commence a contest, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after 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 or other applicable law.

**SECTION 8.02. Notice of Default.** The Borrower agrees to give the Trustee, the Bond Insurer and the Council prompt written notice if any petition, assignment, appointment or possession referred to in Section 8.01(e), 8.01(f) and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

**SECTION 8.03. Remedies on Default.** Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the 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

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**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, 3<sup>rd</sup> 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, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

Borrower: \_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

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.

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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).

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**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 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

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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 [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

By: \_\_\_\_\_  
Name: Raul Martinez  
Title: Chairman

ATTEST:

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

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LOAN AGREEMENT

EXHIBIT A

[BORROWER]

[BORROWER]  
USE OF LOAN PROCEEDS

(SEAL)

By: \_\_\_\_\_  
Name:  
Title:

DESCRIPTION OF PROJECT TO BE ACQUIRED OR CONSTRUCTED

ATTESTED BY:

PROJECT

TOTAL AMOUNT  
TO BE FINANCED

By: \_\_\_\_\_  
Name:  
Title:

Approved as to form and correctness  
this \_\_\_ day of \_\_\_\_\_, 2003.

By: \_\_\_\_\_  
Name:  
Title:

CERTIFIED ORDINANCE OF THE BORROWER

OPINION OF BORROWER'S COUNSEL

See Document No. \_\_\_\_\_

[Letterhead of Counsel to Borrower]

\_\_\_\_\_, 2003

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, 3<sup>rd</sup> Floor  
Jacksonville, Florida 32202

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

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

MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504

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 \_\_\_\_\_, 2003 (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 \_\_\_\_\_, 2003 (the "Indenture") between the Council and \_\_\_\_\_, as trustee (the "Trustee") and Ordinance No. \_\_\_\_\_ enacted by the Borrower on \_\_\_\_\_, 2003 (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

Exhibit B-1

Exhibit C-1

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 C-2

EXHIBIT D

DEBT SERVICE SCHEDULE

Date	Principal Amounts	Interest Rate	Interest	Total
------	-------------------	---------------	----------	-------

[TO COME]

Exhibit D-1

EXHIBIT E TO LOAN AGREEMENT  
FORM OF REQUISITION CERTIFICATE

TO: WACHOVIA BANK, NATIONAL ASSOCIATION, AS TRUSTEE  
FROM: [BORROWER] (THE "BORROWER")  
SUBJECT: LOAN AGREEMENT DATED AS OF THE 1<sup>ST</sup> DAY OF \_\_\_\_\_, 2003

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.

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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:

Exhibit E-1

## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

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

\$76,460,000  
FLORIDA MUNICIPAL LOAN COUNCIL  
REVENUE BONDS, SERIES 2003A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$76,460,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A (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 May 1, 2003, 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 Deerfield Beach, Florida; City of Hialeah, Florida; Town of Lake Park, Florida and Village of Palm Springs, 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 (other than the Basic Payment Obligation of the City of Deerfield Beach on its general obligation loan) 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 (other than the City of Deerfield Beach) 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 U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association 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

STD-RCS-FL-6  
4/95

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APPENDIX G

FINANCIAL INFORMATION REGARDING THE CITY OF DEERFIELD BEACH

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City of Deerfield Beach, Florida  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances/Equity  
 General Fund  
 For the Fiscal Years Ended September 30,

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Property Taxes	\$ 22,399,120	\$ 19,050,722	\$ 17,859,295
Fire Assessment Fees	2,188,669	-	-
Franchise Fees	5,271,490	3,976,944	3,415,353
Licenses and permits	1,677,301	1,439,905	1,500,511
Intergovernmental	5,461,848	5,597,250	5,615,872
Charges for services	4,444,118	4,633,666	3,746,093
Fines and forfeitures	1,078,309	1,167,816	1,121,357
Miscellaneous:			
Investment earnings	137,837	479,542	568,993
Insurance proceeds	335,193	5,120	1,904
Donations/Contributions	1,257,697	1,136,194	1,058,540
Administrative fees	2,140,367	2,057,655	1,851,980
Other	<u>119,639</u>	<u>177,866</u>	<u>766,751</u>
Total revenues	<u>46,511,588</u>	<u>39,722,680</u>	<u>37,506,649</u>
Expenditures:			
Current:			
General government	13,228,417	12,889,166	12,321,732
Public safety	21,917,417	20,636,001	18,863,909
Economic environment	22,443	19,668	14,718
Human services	1,948,756	1,804,391	1,589,552
Physical environment	2,367,394	2,270,300	2,192,395
Transportation	103,280	63,254	156,050
Culture and recreation	2,390,954	2,323,558	2,236,076
Capital Outlay	610,222	1,009,333	2,535,855
Debt Service:			
Principal	640,479	520,756	384,321
Interest	80,245	94,007	55,918
Fiscal charges	<u>16,636</u>	<u>6,310</u>	<u>6,361</u>
Total expenditures	<u>43,326,206</u>	<u>41,636,744</u>	<u>40,356,887</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>3,185,382</u>	<u>(1,914,064)</u>	<u>(2,850,238)</u>
Other financing sources (uses):			
Capital lease proceeds	210,631	578,421	1,034,875
Operating transfers in	831,582	907,888	669,176
Operating transfers out	<u>(1,789,943)</u>	<u>(1,583,478)</u>	<u>(1,398,989)</u>
Total other financing sources (uses)	<u>(747,730)</u>	<u>(97,169)</u>	<u>305,062</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses	<u>2,437,652</u>	<u>(2,011,233)</u>	<u>(2,545,176)</u>
Fund balances/equity	970,127	2,981,360	5,238,385
Residual equity transfer	<u>-</u>	<u>-</u>	<u>268,537</u>
Fund Balances/equity, September 30, 2000	<u>\$ 3,407,779</u>	<u>\$ 970,127</u>	<u>\$2,961,746</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.

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of Commission  
City of Deerfield Beach, Florida

We have audited the accompanying general-purpose financial statements of the City of Deerfield Beach, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Deerfield Beach, Florida's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Deerfield Beach Firefighters Pension Fund, which statements reflect total assets of 36 percent of the Trust and Agency Funds as of September 30, 2002 and total additions to net assets held in trust for pension benefits of 54 percent of the Pension Trust Funds for the year then ended. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Deerfield Beach Firefighters Pension Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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 of Deerfield Beach, Florida, as of September 30, 2002, 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.

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2003, on our consideration of the City of Deerfield Beach, 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 performed for the purpose of forming an opinion on the general-purpose financial statements of the City of Deerfield Beach, Florida taken as a whole. The combining and individual fund and account group financial 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 City of Deerfield Beach, Florida. 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.

The Pension Fund schedules of funding progress and employer contributions on pages 39 and 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

*Grant Thornton LLP*

Weston, Florida  
March 19, 2003

**City of Deerfield Beach  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 September 30, 2002**

<b>GOVERNMENTAL FUND TYPES</b>				
<b>ASSETS AND OTHER DEBITS</b>	<b><u>General</u></b>	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>	<b><u>Capital Projects</u></b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 100,489	\$ 1,048,447	\$ 30,050	\$ 9,736,663
Investments	3,307,044	1,348,652	243,836	-
<b>Receivables:</b>				
Accounts	47,014	-	-	-
Delinquent assessments	7,729	-	-	-
Employee contributions	-	-	-	-
Interest	5,809	-	-	-
Due from other funds	720,932	290,296	-	-
Due from other governments	1,147,029	194,065	-	27,700
Inventories	319,239	-	-	-
<b>Restricted assets:</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Prepaid items	168,441	21,445	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Accumulated depreciation	-	-	-	-
Improvements	-	-	-	-
Accumulated depreciation	-	-	-	-
Equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Construction-in-progress	-	-	-	-
<b>Other debits:</b>				
Amount available in Debt Service Funds	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Amount to be provided for promissory note	-	-	-	-
Amount to be provided for arbitrage	-	-	-	-
Amount to be provided for insurance claims	-	-	-	-
Amount to be provided for compensated absences	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$5,823,726</u></b>	<b><u>\$2,902,905</u></b>	<b><u>\$273,886</u></b>	<b><u>\$9,764,363</u></b>

<b>PROPRIETARY FUND TYPE</b>	<b>FIDUCIARY FUND TYPE</b>	<b>ACCOUNT GROUPS</b>		<b>Total (MEMORANDUM ONLY)</b>
		<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	
<b>Enterprise</b>	<b>Trust and Agency</b>			
\$ 14,762	\$ 964,135	\$ -	\$ -	\$ 11,894,546
4,100,263	116,667,954	-	-	125,667,749
3,353,518	146,637	-	-	3,547,169
86,768	-	-	-	94,497
-	23,723	-	-	23,723
231,658	720,700	-	-	958,167
-	495,111	-	-	1,506,339
29,926	-	-	-	1,398,720
193,086	-	-	-	512,325
1,572,120	-	-	-	1,572,120
3,600,000	-	-	-	3,600,000
249,501	3,173	-	-	442,560
50,531	-	11,544,342	-	11,594,873
18,139,589	-	10,676,689	-	28,816,278
(5,838,176)	-	-	-	(5,838,176)
49,286,403	-	9,709,248	-	58,995,651
(16,603,243)	-	-	-	(16,603,243)
11,311,266	-	13,261,273	-	24,572,539
(8,126,464)	-	-	-	(8,126,464)
13,205,710	-	2,825,449	-	16,031,159
-	-	-	273,886	273,886
-	-	-	21,781,478	21,781,478
-	-	-	1,635,683	1,635,683
-	-	-	188,479	188,479
-	-	-	273,009	273,009
-	-	-	2,978,045	2,978,045
-	-	-	3,169,218	3,169,218
<u>\$74,857,218</u>	<u>\$119,021,433</u>	<u>\$48,017,001</u>	<u>\$30,299,798</u>	<u>\$290,960,330</u>

(Continued)

**City of Deerfield Beach  
Combined Balance Sheet  
All Fund Types and Account Groups  
September 30, 2002  
(continued)**

LIABILITIES AND FUND EQUITY	GOVERNMENTAL FUND TYPES			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities:				
Accounts payable	\$518,286	\$ 56,849	\$ -	\$ 222,253
Accrued liabilities	562,667	16,372	-	-
Payable from restricted assets:				
Deposits	-	-	-	-
Due to other funds	346,039	72,598	-	720,932
Due to other governments	-	7,052	-	-
Performance bonds	-	-	-	-
Deferred revenue	-	938,299	-	-
General obligation bonds payable	-	-	-	-
Revenue bonds payable, net of discount	-	-	-	-
Obligations under capital leases	-	-	-	-
Loan payable	-	-	-	-
Notes payable	-	-	-	-
Other liabilities:				
Arbitrage rebate payable	-	-	-	-
Compensated absences	-	-	-	-
Insurance claims payable	<u>988,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,415,947</u>	<u>1,091,170</u>	<u>-</u>	<u>943,185</u>
Equity and other credits:				
Contributed capital	-	-	-	-
Investments in general fixed assets	-	-	-	-
Retained earnings:				
Reserved for renewal and replacement	-	-	-	-
Reserved for rate stabilization	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	289,278	94,221	-	31,121
Reserved for inventories	319,239	-	-	-
Reserved for prepaid items	168,441	21,445	-	-
Reserved for public safety	-	-	-	-
Reserved for economic environment	-	-	-	-
Reserved for physical environment	-	-	-	-
Reserved for cemeteries	-	-	-	-
Reserved for culture and recreation	-	-	-	-
Reserved for human services	-	-	-	-
Reserved for employees' pension benefits	-	-	-	-
Reserved for debt service	-	-	130,458	-
Unreserved:				
Designated for transportation	-	1,631,627	-	-
Designated for emergencies	1,315,680	-	-	-
Designated for capital projects	-	-	-	9,227,447
Undesignated	<u>1,315,141</u>	<u>64,442</u>	<u>143,428</u>	<u>(437,390)</u>
Total equity and other credits	<u>3,407,779</u>	<u>1,811,735</u>	<u>273,886</u>	<u>8,821,178</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$5,823,726</u>	<u>\$2,902,905</u>	<u>\$273,886</u>	<u>\$9,764,363</u>

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

<b>PROPRIETARY FUND TYPE</b>	<b>FIDUCIARY FUND TYPE</b>	<b>ACCOUNT GROUPS</b>		<b>Total (MEMORANDUM ONLY)</b>
		<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	
<b>Enterprise</b>	<b>Trust and Agency</b>			
\$ 1,486,853	\$ 691,285	\$ -	\$ -	\$2,975,526
314,838	-	-	-	893,877
298,628	-	-	-	298,628
217,698	149,072	-	-	1,506,339
-	-	-	-	7,052
-	17,400	-	-	17,400
-	402,429	-	-	1,340,728
-	-	-	20,215,364	20,215,364
4,728,380	-	-	1,840,000	6,568,380
1,645,560	-	-	1,635,683	3,281,243
16,325,662	-	-	-	16,325,662
-	-	-	188,479	188,479
-	-	-	273,009	273,009
1,263,020	-	-	3,169,218	4,432,238
-	-	-	<u>2,978,045</u>	<u>3,967,000</u>
<u>26,280,639</u>	<u>1,260,186</u>	<u>-</u>	<u>30,299,798</u>	<u>62,290,925</u>
11,276,395	-	-	-	11,276,395
-	-	48,017,001	-	48,017,001
100,000	-	-	-	100,000
3,600,000	-	-	-	3,600,000
704,024	-	-	-	704,024
32,896,160	-	-	-	32,896,160
-	-	-	-	414,620
-	-	-	-	319,239
-	-	-	-	189,886
-	243,178	-	-	243,178
-	1,000	-	-	1,000
-	91,085	-	-	91,085
-	1,286,453	-	-	1,286,453
-	38,704	-	-	38,704
-	225,383	-	-	225,383
-	115,875,444	-	-	115,875,444
-	-	-	-	130,458
-	-	-	-	1,631,627
-	-	-	-	1,315,680
-	-	-	-	9,227,447
-	-	-	-	<u>1,085,621</u>
<u>48,576,579</u>	<u>117,761,247</u>	<u>48,017,001</u>	<u>-</u>	<u>228,669,405</u>
<u>\$74,857,218</u>	<u>\$119,021,433</u>	<u>\$48,017,001</u>	<u>\$30,299,798</u>	<u>\$290,960,330</u>

**City of Deerfield Beach**  
**Combined Statement of Revenues, Expenditures**  
**and Changes In Fund Balances/Equity**  
**All Governmental Fund Types And Expendable Trust Funds**  
**For the Fiscal Year Ended September 30, 2002**

	<b>GOVERNMENTAL FUND TYPES</b>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>				
Property taxes	\$22,399,120	\$ 149,854	\$ -	\$ -
Fire assessment fees	2,188,669	-	-	-
Franchise fees	5,271,490	-	526,679	-
Local option gas tax	-	1,223,132	-	-
Licenses and permits	1,677,301	-	-	-
Intergovernmental	5,461,848	1,490,584	-	-
Charges for services	4,444,118	9,305	-	-
Fines and forfeitures	1,078,309	-	-	-
<b>Miscellaneous:</b>				
Investment earnings	137,837	31,838	6,725	954,948
Cemetery plot sales	-	-	-	-
Insurance proceeds	335,193	-	-	-
Donations/contributions	1,257,697	11,623	-	-
Administrative fees	2,140,367	182,173	-	-
Other	<u>119,639</u>	<u>16,828</u>	<u>-</u>	<u>-</u>
Total revenues	<u>46,511,588</u>	<u>3,115,337</u>	<u>533,404</u>	<u>954,948</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	13,228,417	95,772	-	-
Public safety	21,917,380	275,048	-	-
Economic environment	22,443	545,202	-	-
Human services	1,948,756	37,571	-	-
Physical environment	2,367,394	96,094	-	-
Transportation	103,280	1,528,053	-	-
Culture and recreation	2,390,954	114,880	-	-
Capital outlay	610,222	284,385	-	3,685,263
<b>Debt service:</b>				
Principal	640,479	104,383	1,458,740	-
Interest	80,245	11,607	696,630	-
Fiscal charges	<u>16,636</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>43,326,206</u>	<u>3,092,995</u>	<u>2,155,370</u>	<u>3,685,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,185,382</u>	<u>22,342</u>	<u>(1,621,966)</u>	<u>(2,730,315)</u>
<b>Other financing sources (uses):</b>				
Capital lease proceeds	210,631	179,932	-	-
Operating transfers in	831,582	208,881	1,627,074	-
Operating transfers out	<u>(1,789,943)</u>	<u>(220,517)</u>	<u>(52,277)</u>	<u>-</u>
Total other financing sources (uses)	<u>(747,730)</u>	<u>168,296</u>	<u>1,574,797</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,437,652	190,638	(47,169)	(2,730,315)
Fund balances/equity, October 1, 2001	<u>970,127</u>	<u>1,621,097</u>	<u>321,055</u>	<u>11,551,493</u>
Fund balances/equity, September 30, 2002	<u>\$3,407,779</u>	<u>\$1,811,735</u>	<u>\$273,886</u>	<u>\$ 8,821,178</u>

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



**FIDUCIARY  
FUND TYPE**

<b>Expendable Trust</b>	<b>Total (MEMORANDUM ONLY)</b>
\$ -	\$22,548,974
-	2,188,669
-	5,798,169
-	1,223,132
-	1,677,301
151,106	7,103,538
584,137	5,037,560
47,820	1,126,129
34,104	1,165,452
80,770	80,770
-	335,193
88,475	1,357,795
-	2,322,540
-	136,467
<u>986,412</u>	<u>52,101,689</u>
195	13,324,384
51,056	22,243,484
-	567,645
-	1,986,327
71,668	2,535,156
-	1,631,333
631,492	3,137,326
450	4,580,320
-	2,203,602
-	788,482
-	16,636
<u>754,861</u>	<u>53,014,695</u>
<u>231,551</u>	<u>(913,006)</u>
-	390,563
-	2,667,537
(65,564)	(2,128,301)
<u>(65,564)</u>	<u>929,799</u>
165,987	16,793
<u>1,719,816</u>	<u>16,183,588</u>
<u>\$1,885,803</u>	<u>\$16,200,381</u>

**City of Deerfield Beach**  
**Combined Statement of Revenues, Expenditures and Changes In Fund Balances**  
**Budget and Actual**  
**Non-GAAP Basis**  
**General and Annually Budgeted Special Revenue Fund**  
**For the Fiscal Year Ended September 30, 2002**

	<b>GENERAL FUND</b>		
	<b><u>BUDGET</u></b>	<b><u>ACTUAL (BUDGET BASIS)</u></b>	<b><u>VARIANCE FAVORABLE (UNFAVORABLE)</u></b>
Revenue:			
Property taxes	\$22,534,617	\$22,399,120	\$ (135,497)
Fire assessment fees	1,447,975	2,188,669	740,694
Franchise fees	5,239,302	5,271,490	32,188
Local option gas tax	-	-	-
Licenses and permits	1,505,100	1,677,301	172,201
Intergovernmental	5,556,702	5,461,848	(94,854)
Charges for services	4,642,988	4,444,118	(198,870)
Fines and forfeitures	1,129,850	1,078,309	(51,541)
Miscellaneous:			
Investment earnings	385,000	137,837	(247,163)
Insurance proceeds	22,500	335,193	312,693
Donations/contributions	1,019,200	1,257,697	238,497
Administrative fees	2,140,367	2,140,367	-
Other	<u>145,000</u>	<u>119,639</u>	<u>(25,361)</u>
Total revenues	<u>45,768,601</u>	<u>46,511,588</u>	<u>742,987</u>
Expenditures:			
Current:			
General government	13,523,831	13,266,065	257,766
Public safety	22,264,316	21,976,757	287,559
Economic environment	12,244	22,443	(10,199)
Human services	1,803,625	1,949,032	(145,407)
Physical environment	2,390,469	2,367,492	22,977
Transportation	107,720	103,694	4,026
Culture and recreation	2,415,935	2,390,954	24,981
Capital outlay	789,940	769,947	19,993
Debt service:			
Principal	665,684	640,479	25,205
Interest	84,468	80,245	4,223
Fiscal charges	<u>17,000</u>	<u>16,636</u>	<u>364</u>
Total expenditures	<u>44,075,232</u>	<u>43,583,744</u>	<u>491,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,693,369</u>	<u>2,927,844</u>	<u>1,234,475</u>
Other financing sources (uses):			
Capital lease proceeds	385,212	210,631	(174,581)
Operating transfers in	788,602	831,582	42,980
Operating transfers out	<u>(3,030,160)</u>	<u>(1,789,943)</u>	<u>1,240,217</u>
Total other financing sources (uses)	<u>(1,856,346)</u>	<u>(747,730)</u>	<u>1,108,616</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(162,977)	2,180,114	2,343,091
Fund balance, October 1, 2001	<u>162,977</u>	<u>970,127</u>	<u>807,150</u>
Fund balance, September 30, 2002	<u>\$ -</u>	<u>\$ 3,150,241</u>	<u>\$ 3,150,241</u>

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

<u>ANNUALLY BUDGETED SPECIAL REVENUE FUND</u>			<u>(MEMORANDUM ONLY)</u>		
<u>BUDGET</u>	<u>ACTUAL (BUDGET BASIS)</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL (BUDGET BASIS)</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 252,000	\$ 149,854	\$ (102,146)	\$22,786,617	\$22,548,974	\$ (237,643)
-	-	-	1,447,975	2,188,669	740,694
-	-	-	5,239,302	5,271,490	32,188
1,296,810	1,223,132	(73,678)	1,296,810	1,223,132	(73,678)
-	-	-	1,505,100	1,677,301	172,201
931,539	794,502	(137,037)	6,488,241	6,256,350	(231,891)
-	1,078	1,078	4,642,988	4,445,196	(197,792)
-	-	-	1,129,850	1,078,309	(51,541)
44,725	25,762	(18,963)	429,725	163,599	(266,126)
-	-	-	22,500	335,193	312,693
-	-	-	1,019,200	1,257,697	238,497
182,173	182,173	-	2,322,540	2,322,540	-
5,142	16,828	11,686	150,142	136,467	(13,675)
<u>2,712,389</u>	<u>2,393,329</u>	<u>(319,060)</u>	<u>48,480,990</u>	<u>48,904,917</u>	<u>423,927</u>
51,000	95,772	(44,772)	13,574,831	13,361,837	212,994
-	-	-	22,264,316	21,976,757	287,559
556,085	263,147	292,938	568,329	285,590	282,739
83,250	-	83,250	1,886,875	1,949,032	(62,157)
-	96,094	(96,094)	2,390,469	2,463,586	(73,117)
1,654,899	1,528,281	126,618	1,762,619	1,631,975	130,644
-	6,000	(6,000)	2,415,935	2,396,954	18,981
337,719	284,917	52,802	1,127,659	1,054,864	72,795
110,793	104,383	6,410	776,477	744,862	31,615
14,041	11,607	2,434	98,509	91,852	6,657
-	-	-	17,000	16,636	364
<u>2,807,787</u>	<u>2,390,201</u>	<u>417,586</u>	<u>46,883,019</u>	<u>45,973,945</u>	<u>909,074</u>
<u>(95,398)</u>	<u>3,128</u>	<u>98,526</u>	<u>1,597,971</u>	<u>2,930,972</u>	<u>1,333,001</u>
269,000	179,932	(89,068)	654,212	390,563	(263,649)
-	105,253	105,253	788,602	936,835	148,233
<u>(173,602)</u>	<u>(111,602)</u>	<u>62,000</u>	<u>(3,203,762)</u>	<u>(1,901,545)</u>	<u>1,302,217</u>
<u>95,398</u>	<u>173,583</u>	<u>78,185</u>	<u>(1,760,948)</u>	<u>(574,147)</u>	<u>1,186,801</u>
-	176,711	176,711	(162,977)	2,356,825	2,519,802
-	1,616,228	1,616,228	162,977	2,586,355	2,423,378
<u>\$ -</u>	<u>\$1,792,939</u>	<u>\$1,792,939</u>	<u>\$ -</u>	<u>\$4,943,180</u>	<u>\$ 4,943,180</u>

**City of Deerfield Beach  
 Combined Statement of Revenues, Expenses, and  
 Changes In Retained Earnings  
 All Proprietary Fund Types  
 For the Fiscal Year Ended September 30, 2002**

**PROPRIETARY  
 FUND TYPE**

	<b>ENTERPRISE FUNDS</b>
Operating revenues:	
Charges for services:	
Engineering fees	94,950
Water charges	10,586,466
Sewer charges	6,342,973
Solid waste charges	10,555,983
Miscellaneous	<u>650,181</u>
Total operating revenues	<u>28,230,553</u>
Operating expenses:	
Personal services	6,418,968
Contractual services	885,916
Electricity	625,239
Insurance	1,141,777
Fixed charges	81,892
County wastewater charge	2,816,564
County raw water charge	41,247
Disposal fees	5,479,426
General administrative charge	2,322,540
Commodities:	
Chemicals	499,698
Departmental supplies	209,433
Property maintenance	246,914
Automotive maintenance	448,976
Depreciation	2,843,081
Bad debt expense	59,781
Fiscal charges	<u>55,430</u>
Total operating expenses	<u>24,176,882</u>
Operating income	<u>4,053,671</u>
Non-operating revenues (expenses):	
Investment earnings	133,760
Interest charges	(893,059)
Loss on sales of fixed assets	(11,385)
Miscellaneous non-operating revenue	73,540
Amortization of bond discount	(6,663)
Amortization of bond costs	<u>(20,528)</u>
Total non-operating expenses	<u>(724,335)</u>
Income before contributions and operating transfers	<u>3,329,336</u>
Capital contributions - connection fees	<u>229,380</u>
Transfers (to) from other funds:	
Operating transfers in	15,000
Operating transfers out	<u>(554,235)</u>
Total transfers to other funds	<u>(539,235)</u>
Net income	3,019,481
Retained earnings, October 1, 2001, as restated	<u>34,280,703</u>
Retained earnings, September 30, 2002	<u>\$37,300,184</u>

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

**City of Deerfield Beach  
 Combined Statement of Changes in Net Assets  
 Fiduciary Fund Types - Pension Trust Funds  
 For the Fiscal Year Ended September 30, 2002**

	<b><u>PENSION TRUST FUNDS</u></b>
Additions:	
Contributions:	
Employee	\$1,186,516
Employer	1,242,846
State of Florida	<u>826,345</u>
Total contributions	<u>3,255,707</u>
Other income	<u>32,197</u>
Investment income:	
Net depreciation in fair value of investments	(12,940,060)
Interest and dividends	<u>4,353,907</u>
	(8,586,153)
Less investment expense	<u>1,048,322</u>
Net investment loss	<u>(9,634,475)</u>
Deductions:	
Benefits	6,184,363
Refunds of contributions	16,432
Administrative expense	<u>272,672</u>
Total deductions	<u>6,473,467</u>
Net decrease	(12,820,038)
Net assets held in trust for pension benefits	
Beginning of year	<u>128,695,482</u>
End of year	<u>\$115,875,444</u>

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

**City Of Deerfield Beach**  
**Combined Statement of Cash Flows - All Proprietary Fund Types**  
**For the Fiscal Year Ended September 30, 2002**

	<b>Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating income	\$4,053,671
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,843,081
Change in assets and liabilities:	
Increase in receivables	(251,419)
Decrease in inventories	1,843
Decrease in accounts payable and accrued liabilities	(287,092)
Decrease in deposits	(10,155)
Decrease in other liabilities	<u>(407,259)</u>
Net cash provided by operating activities	<u>5,942,670</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Repayment of interfund loans	(402,429)
Miscellaneous non-operating revenue	73,540
Operating transfers:	
In from other funds	15,000
Out to other funds	<u>(554,235)</u>
Net cash used in non-capital financing activities	<u>(868,124)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital contributed from connection fees	229,380
Proceeds from loan	4,598,683
Acquisition and constructions of capital assets	(5,879,868)
Principal paid on:	
Revenue bonds	(1,900,000)
Capital lease	(613,203)
Loan	(476,997)
Interest paid on:	
Revenue bonds	(571,065)
Capital lease	(67,093)
Deposits	(13,475)
Loan	(261,719)
Collection of special assessment levies	2,100
Interest received on special assessment levies	<u>325</u>
Net cash used in capital and related financing activities	<u>(4,952,932)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of investment securities	(1,516,097)
Proceeds from sale and maturities of investments	2,471,065
Interest received from investments	<u>95,184</u>
Net cash provided by investing activities	<u>1,050,152</u>
Net increase in cash and cash equivalents	1,171,766
Beginning cash and cash equivalents	<u>415,116</u>
Ending cash and cash equivalents	<u><u>\$1,586,882</u></u>

Noncash Investing, Capital and Financing Activities  
Borrowing under capital lease agreement totaled \$680,256.

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

## **NOTE “A” - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the City of Deerfield Beach’s (the City’s) significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

Accounting treatment and financial statements also incorporate current recommendations of the Committee on Governmental Accounting and Auditing of the American Institute of Certified Public Accountants, included in the industry audit guide “Audits of State and Local Governmental Units” (ASLGU).

- 1) **FINANCIAL REPORTING ENTITY** - The City of Deerfield Beach is a political subdivision of the State of Florida, located in Broward County along the lower southeast coast of the state. Deerfield Beach, which was incorporated in June, 1925, is approximately 15.2 square miles in area. In addition to the public safety, general government, recreation, and public works services provided to its 65,500 residents, the City operates water, sewer and solid waste enterprises and maintains various trust funds in a fiduciary capacity. The City does not provide educational or hospital facilities. Those services are provided by the Broward District School Board and the North Broward Hospital District, respectively.

This report includes the financial statements of the funds and account groups required to account for those financial activities which are related to the City and are controlled by or dependent upon the City’s legislative body, the City Commission. The financial reporting entity covered by this report includes the City of Deerfield Beach and its component unit. The reporting entity has been defined by GASB Statement No. 14 as the primary government and those component units for which the primary government is financially accountable. Financial accountability exists when a primary government appoints a voting majority of an organization’s governing board and may either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the primary government. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, and so data for these units are combined with data of the primary government.

The Deerfield Beach Housing Authority is a related organization because the mayor, with the concurrence of the City Commission, has the responsibility of appointing the members of the Housing Authority Board. Its operation is conducted within City boundaries. However, it is not included as a part of the financial reporting entity because it is fiscally independent and it has no financial accountability to the City. The Housing Authority’s autonomy prohibits it from providing any financial benefit or imposing a financial burden upon the City. The Housing Authority is not exclusively for the benefit of City residents and the City Commission cannot impose its will over operations, cannot hire, reassign or dismiss management, and cannot remove Housing Authority board members without cause. The Housing Authority is responsible for ensuring that a complete and full financial accounting and an audit is made biennially by a certified public accountant.

The Deerfield Beach Community Redevelopment Agency (CRA), which is largely responsible for redevelopment of the area that encompasses most of the beach district and which also includes the area east of Federal Highway to the intracoastal waterway, was established in November, 1999. The CRA is governed by a board which is comprised of the City’s elected officials. The CRA is fiscally dependent upon the City because the city commission approves the CRA’s budget, levies taxes and must approve any debt issuances. Accordingly, the CRA is presented as a special revenue fund. The CRA has a September 30 year end. Complete financial statements for the CRA are not available.

**NOTE "A" - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (2) (continued)

- 2) **BASIS OF PRESENTATION - FUND ACCOUNTING** - The City's accounting systems are organized and operated on the basis of funds and account groups which are the basic fiscal and accounting entities in governmental accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, equities, revenues and expenditures or expenses. Each fund is classified in one of three categories and further identified according to six major types of funds as follows:

**FUNDS**

**GOVERNMENTAL FUNDS** are used to account for the City's expendable financial resources and the related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

The **GENERAL FUND** is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. Resources are generated primarily from local property taxes, fire assessment fees, franchises, licenses and permits, intergovernmental revenue and charges for services. Expenditures are incurred to provide general government, public safety, economic environment, human services, physical environment, transportation and culture and recreational services.

**SPECIAL REVENUE FUNDS** are used to account for resources and related expenditures that are restricted by law or other action.

**DEBT SERVICE FUNDS** are used to account for the accumulation of resources for required reserves and the payment of general long-term debt principal and interest which is not supported by enterprise fund revenues. The City's general long-term debt which is accounted for in these funds includes general obligation bonds and improvement revenue bonds.

**CAPITAL PROJECTS FUNDS** are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise operations.

The **PROPRIETARY FUNDS** are the enterprise funds that account for City operations which are financed and operated in a manner similar to business enterprises, where the intent is to recover costs (including depreciation and interest) of providing services to the public through user charges. The City's enterprise funds are the Water and Sewer Fund, which was established to account for the water and sewer utilities, and the Solid Waste Fund, which was established to account for the sanitation and recycling operations.

**FIDUCIARY FUNDS** are used to account for assets held by the City as trustee or agent for individuals, private organizations and other governmental units. These include the following:

**TRUST AND AGENCY FUNDS** are used to account for assets held in a trustee capacity or as an agent by the City for other funds. Trust funds include expendable trust and pension funds. Expendable trust funds are reported in the same manner as governmental funds. Pension funds are reported in the same manner as proprietary funds.

**ACCOUNT GROUPS**

**ACCOUNT GROUPS** comprise a fourth category of "accounting entities" that are used to establish control and accountability over the City's general fixed assets, and the unmatured principal of its general long-term debt, which is not associated with, or the obligation of, the proprietary or trust funds. Accordingly, the City maintains the following account groups:



**NOTE “A” - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (2) (continued)

The **GENERAL FIXED ASSETS ACCOUNT GROUP** is used to account for all property and equipment, including construction work in progress, other than that acquired and accounted for by the enterprise funds.

The **GENERAL LONG-TERM DEBT ACCOUNT GROUP** is used to account for the principal on all outstanding bonds and notes, obligations under capital leases, accumulated sick and vacation leave and all other long-term obligations except those accounted for in the enterprise funds.

- 3) **FINANCIAL STATEMENT MEASUREMENT FOCUS** - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with each fund are determined by that fund’s measurement focus. Financial statement measurement focus objectives for governmental and expendable trust funds vary significantly from the objectives of the statements for proprietary and pension funds.
- a) **GOVERNMENTAL AND EXPENDABLE TRUST FUNDS** - In these funds the measurement focus objective is to determine financial flow and availability of financial resources. The operating statements present the “available spendable resources” by reporting changes (revenue and expenditures) in those resources. The balance sheets of these funds identify those amounts and their availability for appropriation as fund balance. Fund balance is the remainder when current liabilities are deducted from current assets. Only current assets and liabilities are reported in governmental and expendable trust funds.
1. **GENERAL FIXED ASSETS** - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. General fixed assets purchased, including land, are initially reported as expenditures in the general, special revenue and capital projects funds. Such assets are capitalized at historical cost in the general fixed assets account group except for certain infrastructure improvements other than buildings, which include roads, bridges, rights-of-way and sub-surface systems like storm drainage. Gifts and contributions are recorded as general fixed assets at fair market value as of the date of receipt. Depreciation is not required and has not been provided on general fixed assets.
  2. **LONG-TERM LIABILITIES** - Noncurrent liabilities that are expected to be financed from governmental funds are excluded from the governmental fund financial statements because of the spending measurement focus of such funds. Net current assets of governmental funds are not affected by such liabilities, therefore, these long-term amounts are instead accounted for and reported as liabilities in the General Long-Term Debt Account Group. The City’s long-term liabilities that are reported in this manner consist of general obligation bonds, improvement revenue bonds, obligations under capital leases, promissory notes, litigation settlements, insurance claims and accumulated unpaid employee vacation and sick pay, which are supported by general revenue of the City.
- b) **PROPRIETARY AND PENSION FUNDS** - In these funds the measurement focus objective is upon income determination and capital maintenance. The balance sheets of these funds include all assets and liabilities (whether current or noncurrent) associated with their activity. The result of the deduction of total liabilities from total assets, reported as fund equity, represents the economic net worth of those funds. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenue) and decreases (expense) in fund equity, including depreciation expense which is not reported in other fund types or account groups.

**NOTE "A" - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (3) (b) (continued)

**PROPERTY AND DEPRECIATION** - Property, plant and equipment in the enterprise funds are accounted for in the same manner as general fixed assets, except that depreciation is provided. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are as follows:

Buildings	15 to 50 years
Plant and improvements other than buildings	5 to 50 years
Equipment	2 to 25 years

Upon disposal of property, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposal recorded. Expenditures for maintenance, repairs and minor renewals and betterments are charged to income. Renewals and betterments of a major character are capitalized. If material, interest cost during a project's construction phase is capitalized. Lease amortization for capital leases is included in depreciation expense.

**4) BASIS OF ACCOUNTING**

a) **GOVERNMENTAL, EXPENDABLE TRUST AND AGENCY FUNDS** - These funds use the modified accrual basis of accounting as follows:

Generally, revenues are recognized when they become measurable and available except for certain revenue sources which are not susceptible to accrual. "Measurable" means the amount of the transaction can be determined and, "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Revenues are available if they are collected within 60 days of year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and the long-term portion of accumulated sick and vacation pay. Material revenues in the following categories are considered susceptible to accrual: assessments, property taxes, interest earned and intergovernmental revenue and grants. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

b) **PROPRIETARY AND PENSION FUNDS** - The accrual basis of accounting is followed in these funds. Under this method of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. The City of Deerfield Beach only applies all applicable Financial Accounting Standards Board pronouncements issued prior to November 30, 1989 in accounting and reporting for its proprietary operations.

In the pension funds, plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

5) **BUDGETS** - The City adopts annual operating budgets on a non-GAAP basis for the General Fund and the enterprise funds, as well as the following special revenue funds: Road and Bridge Tax Fund, Community Development Block Grant Fund, and the Community Redevelopment Agency Fund. The remaining special revenue funds are governed by grants with different fiscal periods and are funded at levels which the City has little control over or measurable knowledge of at the time it adopts the other budgets. During fiscal 2002, all legal requirements with regard to budget adoption and control for each of these funds were met. No fund exceeded its total appropriation, although one department, Senior Services, exceeded its total appropriation. Expenditures that were in excess of the original appropriation for this department were funded by available fund balances.

**NOTE "A" - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (5) (continued)**

- a) **PROCESS OF ADOPTION** - On or about August 1, the City Manager submits a proposed budget for the coming fiscal year to the City Commission. The City Commission then holds workshops during August, which are open to the public, to review the proposed budget and determine the tentative budget. During September, two public hearings are held for the purpose of presenting to and receiving input from the citizens on the tentative budget and proposed millage. At the second hearing, the annual budget is adopted. The City levies a property tax millage rate upon the taxable values of real and personal property which will provide revenue required for the fiscal year beginning October 1.
- b) **PERIOD OF ADOPTION** - Unless encumbered by a purchase order, the budget appropriations lapse at the end of each fiscal year.
- c) **LEVEL OF CONTROL** - The adoption of the budget by the City Commission constitutes the appropriation of the amounts specified therein as expenditures from the various funds. The amount of appropriation for a fund cannot be exceeded unless the City Commission has approved a supplemental appropriation. Budgetary control of expenditures is maintained at the departmental level. A departmental budget cannot be exceeded without the approval of the City Commission at a public meeting. At any time during the fiscal year, the City Manager may authorize a budget adjustment among the various line items within a department, as long as the total budget for the department does not change.
- d) **SUPPLEMENTAL APPROPRIATION** - During the fiscal year, if the City Manager certifies that there are revenues available for appropriation in excess of those estimated in the budget, the City Commission may, by ordinance, make supplemental appropriations for the year up to the amount of such excess.

During fiscal 2002, the City Commission made supplemental appropriations. On June 18, 2002 it approved additional funding of \$6,746 for the Senior Services Fund.

- e) **TREATMENT OF ENCUMBRANCES** - For budgetary control purposes, encumbrances are added to the current year expenditures and are accounted for as a use of the current year appropriation.
- f) **RECONCILIATION OF BUDGET TO ACTUAL** - The City adopts annual budgets on a non-GAAP basis which includes encumbrances. Actual data accounted for on a basis consistent with GAAP is presented in the "Combined Statement of Revenues and Expenditures". Actual data accounted for on a non-GAAP basis is presented in the "Combined Statement of Revenues and Expenditures - Budget and Actual". Reconciliations of the actual data as presented in the aforementioned statements are shown below:

1. **GENERAL FUND:**

	<b>GAAP Basis</b>	<b>Net</b>	<b>Non-GAAP</b>
	<b>Actual</b>	<b>Encumbrances</b>	<b>Basis Actual</b>
<b>Current expenditures</b>	\$41,978,624	\$ 97,813	\$42,076,437
<b>Capital outlay</b>	610,222	159,725	769,947
<b>Debt service</b>	<u>737,360</u>	-	<u>737,360</u>
<b>Total expenditures</b>	<u>\$43,326,206</u>	<u>\$257,538</u>	<u>\$43,583,744</u>

**NOTE "A" - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (5) (continued)**

**2. SPECIAL REVENUE FUNDS:**

	<b>GAAP Basis Actual</b>	<b>Non-budgeted Funds</b>	<b>Net Encumbrances</b>	<b>Non- GAAP Basis Actual</b>
<b>REVENUES:</b>				
Local option gas tax	\$1,223,132	\$ -	-	\$1,223,132
Property taxes	149,854	-	-	149,854
Charges for services	9,305	(8,227)	-	1,078
Intergovernmental revenues	1,490,584	(696,082)	-	794,502
Miscellaneous revenues	<u>242,462</u>	<u>(17,699)</u>	-	<u>224,763</u>
<b>Total revenues</b>	<u>\$3,115,337</u>	<u>\$ (722,008)</u>	<u>-</u>	<u>\$2,393,329</u>
<b>EXPENDITURES:</b>				
Current expenditures	\$2,692,620	\$ (602,282)	7,836	\$2,098,174
Capital outlay	284,385	(85,853)	86,385	284,917
Debt service	<u>115,990</u>	<u>-</u>	<u>-</u>	<u>115,990</u>
<b>Total expenditures</b>	<u>\$3,092,995</u>	<u>\$ (688,135)</u>	<u>94,221</u>	<u>\$2,499,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>	<u>\$ 168,296</u>	<u>\$ (5,287)</u>	<u>-</u>	<u>\$ 173,583</u>

In the above reconciliations, "Net Encumbrances" represents the difference between the encumbrances outstanding as of September 30, 2002 and the outstanding encumbrances as of September 30, 2001 which were paid during fiscal 2002. Additionally, the Special Revenue Funds included in the "Non-budgeted Funds" column represent the Miscellaneous Grants Fund.

- 6) **CASH AND CASH EQUIVALENTS** - For purposes of reporting cash flows, the City considers all highly liquid investments, except those included in bond sinking funds and pension funds, purchased with a maturity of three months or less to be cash equivalents. This includes cash on hand, cash with fiscal agent, demand deposits, money market funds and each fund's equity in the Florida State Investment Pool, including those that are classified as restricted assets. Cash and cash equivalents are accounted for in a pool used by all funds. Income earned from this pooling of cash is allocated to the respective funds based upon average monthly balances.
- 7) **INVESTMENTS** - Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. Income from investments held by individual funds is recorded in the respective fund as it is earned.
- 8) **INVENTORIES** - Inventories consisting principally of expendable items held for consumption, are stated at average cost. The consumption method is used for all inventories, that is, items of inventory are expensed as they are used.

In the General Fund the measurement focus is on "available spendable resources" and therefore the fund balance is reserved for the cost of the inventories on hand as of the statement date.

- 9) **TRANSFERS** - Transfers are recognized in the accounting period in which the interfund receivable and payable arise.

**NOTE “A” - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

- 10) **RESTRICTED ASSETS** - Revenue bonds generally require the restriction of certain fund assets for purposes stipulated by the revenue bond covenants. Other agreements or State case law also require certain restrictions. These assets are identified as restricted assets in the combined balance sheet.
- 11) **COMPENSATED ABSENCES** - It is the City’s policy to permit full-time employees to accumulate limited amounts of earned vacation and sick leave. Upon separation from service, employees receive payment for all unused vacation leave and, subject to length of employment, a portion of their sick leave. In the governmental funds, the City recognizes the cost for vacation and sick leave when payments are made to employees. Accrued amounts expected to be paid from available resources are not material. The accumulated liability for unpaid amounts of earned vacation and sick leave for these funds is reported in the General Long-Term Debt Account Group. In the enterprise funds, the amounts of earned but unused vacation and sick leave estimated to be payable upon termination are accrued as a liability.
- 12) **DEFERRED CHARGES** - Bond issuance costs and discounts on bonds issued are amortized over the life of the respective liability in the enterprise fund. Such amounts are amortized using the “bonds outstanding” method which approximates the interest method.
- 13) **PENSION PLANS** - The City has three defined benefit pension plans administered by independent boards of trustees, covering many of its full-time employees. It is the policy of the City to fund pension costs accrued, which includes amortization of prior service costs. See Note “K” for details of pension costs.
- 14) **RESERVATIONS OF RETAINED EARNINGS** - The following is a description of the reservations of retained earnings as of September 30, 2002:
  - a) **RESERVED FOR RENEWAL AND REPLACEMENT** - This represents an amount, established by bond ordinance, to be maintained for the purpose of providing for any necessary extensions, enlargements or additions to, or replacement of capital assets of the water and sewer system and emergency repairs thereto.
  - b) **RESERVED FOR RATE STABILIZATION** - This represents an amount, established by bond ordinance, to be maintained for the purpose of minimizing future revenue shortfalls and decreasing the need for increases in rates and charges.
- 15) **CONTRIBUTED CAPITAL** - Contributed capital represents amounts received by the Water & Sewer Fund from customers for connection fees; non-refundable impact fees received from developers; as well as capital grants received from other governmental units.
- 16) **RESERVATIONS OF FUND BALANCES** - The following is a description of the reservations of fund balances as of September 30, 2002:
  - a) **RESERVED FOR ENCUMBRANCES** - This represents contractual obligations at year end for which services or goods have not been received or paid for. Such encumbrances are not recorded as expenditures, but rather as reservations of fund balance.
  - b) **RESERVED FOR INVENTORIES** - The portion of fund balance which is reserved for the cost of inventories on hand as of September 30, 2002.
  - c) **RESERVED FOR PUBLIC SAFETY** - This represents reserves which are established to account for specifically authorized receipts and disbursements related to police and fire functions. Receipts for these reserves include court finds and donations from both private citizens and the business community. The City uses these funds for a variety of purposes including the purchase of supplies and equipment, the school safety program and to finance the training of public safety personnel.

**NOTE "A" - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

- d) **RESERVED FOR PHYSICAL ENVIRONMENT** - This amount represents receipts from donations which are to be used to enhance the appearance of the City wherever the beautification committee or City Commission deems it necessary.
  - e) **RESERVED FOR CEMETERIES** - This amount represents receipts which are derived from the sale of cemetery plots and used for the maintenance and general operations of the two City cemeteries.
  - f) **RESERVED FOR CULTURE AND RECREATION** - This represents the proceeds from a variety of sources including recreational activities at the City's parks and various donations from both the private and business sector of the community for such purposes as cultural events and beautification of the City. The majority of these funds are earmarked for use in the respective areas so designated by the revenue source.
  - g) **RESERVED FOR HUMAN SERVICES** - This represents contributions from the fund raising activities of a private not for profit corporation which designated that these funds be used, in conjunction with the grant funds the City receives, to support the operating costs of the Alzheimer Disease program.
  - h) **RESERVED FOR EMPLOYEES' PENSION BENEFITS** - This amount represents reserves which are being maintained to fund future pension benefit obligations.
  - i) **RESERVED FOR DEBT SERVICE** - This represents amounts accumulated and reserved for the payment of principal and interest on debt other than that of the enterprise fund.
- 17) **DESIGNATIONS OF FUND BALANCES** - The following is a description of the designations of fund balances as of September 30, 2002:
- a) **DESIGNATED FOR TRANSPORTATION** - This represents the portion of the local option gas tax monies that have been designated for maintenance and acquisition of roads and bridges.
  - b) **DESIGNATED FOR 2002/03 BUDGET** - This represents appropriations of fund balance included in the officially adopted 2002/03 fiscal year budget.
  - c) **DESIGNATED FOR EMERGENCIES** - This represents the portion of the General Fund that has been segregated to provide funds for emergency relief. Expenditures of such funds must be authorized by the City Commission for circumstances which threaten the health, safety and welfare of the public as a result of an Act of God or other catastrophe, the nature of which is not normally encountered in the day to day operation of the City.
  - d) **DESIGNATED FOR CAPITAL PROJECTS** - This represents the balance of bond proceeds and other legally designated funds to be used for specific capital projects.
- 18) **DEFICIT FUND EQUITY** - At September 30, 2002, the Special Revenue Grants Fund as well as the Capital Projects Grants Fund had deficit fund balances of \$75,425 and \$437,390, respectively. These deficits are expected to be funded by future grant reimbursements, which were not "measurable and available" at September 30, 2002.
- 19) **INTERFUND RECEIVABLE AND PAYABLE BALANCES** - The "Due from other funds" and "Due to other funds" accounts are current assets and current liabilities, respectively, and are used to record normal recurring interfund transactions such as inventory withdrawals and budgeted interfund transfers.
- 20) **TOTAL COLUMNS** - Total columns in general purpose financial statements which are captioned "Memorandum Only" aggregate the columnar amounts presented by fund type and account group and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of

**NOTE “A” - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of the data.

**NOTE “B” - PROPERTY TAXES**

Property taxes are levied on October 1 of each year. The tax bills are mailed on November 1 and must be paid by the following March 31. The taxpayers are given a discount of up to four percent if payment is received prior to March 1. All unpaid taxes become delinquent on April 1 and are subject to the issuance of tax sale certificates as of June 1. Broward County bills and collects all property taxes for the City.

Assessed values are established by the Broward County Property Appraiser at just values. The assessed value at January 1, 2001, upon which the 2001/02 levy was based, was approximately \$4.1 billion.

The City is permitted by state law to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services exclusive of voted debt levies. The taxes levied to finance general governmental services for the year ended September 30, 2002 were 6.3546 mills for operations and 0.4960 mills for debt service.

**NOTE “C” - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City maintains a common cash and cash equivalents pool for use by all funds. Each fund type’s portion of this pool is displayed on the combined balance sheet as “Cash and cash equivalents”. In addition, investments are separately held by the City’s enterprise and pension trust funds.

Deposits of the City, including time deposit accounts, demand deposit accounts and certificates of deposit, are defined as public deposits. All of the City’s public deposits are held in qualified public depositories pursuant to Chapter 280.03 of the Florida Statutes, “Florida Security for Public Deposits Act.” Under the Act, all qualified public depositories are required to pledge eligible collateral having market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository’s collateral pledging level. The pledging level may range from 50% to 125% 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 fault. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All deposits of the City are considered insured for risk and are category 1 credit risk as defined by GASB Statement No. 3.

Florida Statutes and City ordinance authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency and instrumentalities issues, State Treasurer's Investment Pool, Florida bank certificates of deposit, securities of mutual funds that invest in United States Government obligations, bankers acceptances and reverse repurchase agreements. In addition, the pension trust funds are authorized to invest in corporate bonds and stocks, money market funds, and mortgages and notes.

**NOTE “C” - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Shown below is a summary of the City’s investments as of September 30, 2002. The City’s investments are categorized to give an indication of the level of credit risk assumed by the City 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 investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in the City’s name or held by the counterparty’s trust department or agent but not in the City’s name.

	CATEGORY			Reported Amount/ Fair Value
	1	2	3	
US Government Securities	\$ 157,584	\$30,568,164	\$ 10,467,102	\$41,192,850
Corporate Bonds	-	16,143,523	-	16,143,523
Corporate Stocks	-	63,217,567	-	63,217,567
	<u>\$ 157,584</u>	<u>\$109,929,254</u>	<u>\$ 10,467,102</u>	120,553,940
Investments not subject to categorization:				
Investment in State Treasurer's Investment Pool				3,060,774
Investment in money market funds				15,266,727
Cash				<u>3,852,974</u>
Total cash and cash equivalents and investments				<u>\$142,734,415</u>

The pension funds own all of the investments in category 2 and none in categories 1 or 3. At September 30, 2002, none of the pension fund’s assets were invested in employer securities.

The investments in the State Treasurer's Investment Pool and money market funds are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. The City invested funds throughout the year in the State Investment Pool, which is not Securities and Exchange Commission ("SEC") registered but which qualifies as an SEC 2a7-like pool. The City's investment in the State Investment Pool at September 30, 2002 represented less than 1% of the total investment assets of the State Investment Pool. Throughout the year and as of September 30, 2002, the State Pool contained certain floating rate notes which were indexed based on the prime rate and/or one and three month LIBOR rate. These investments represented approximately three-tenths of 1% of the total investment portfolio of the State Investment Pool. These investments are valued using the pooled share price.

At September 30, 2002, the City has \$3,060,774 invested with the State Investment Pool. The State Board of Administration exercises oversight responsibility over the State Investment Pool. The Board is defined as a special-purpose unit of the State of Florida based on the criteria identified and described in GASB Statement No. 14. The definition of a special-purpose government is a government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments.



**NOTE "D" - RECONCILIATION OF INTERFUND ACCOUNTS**

1) Interfund receivable and payable balances as of September 30, 2002 are presented below:

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
<b>GENERAL FUND:</b>		
2000 Construction Fund	\$ 299,866	\$ -
Miscellaneous Grants Fund	421,066	-
Firefighters Pension Fund		346,039
<b>SPECIAL REVENUE FUNDS:</b>		
Road and Bridge Tax Fund	290,296	
Community Development Block Grant Fund	-	72,598
Solid Waste Fund		-
<b>CAPITAL PROJECTS FUNDS:</b>		
General Fund	-	720,932
<b>ENTERPRISE FUNDS:</b>		
Road and Bridge Tax Fund	-	217,698
<b>TRUST FUNDS:</b>		
Firefighters Pension Fund	346,039	-
Police Pension Fund	-	149,072
Target Area Trust Fund	149,072	-
Total Interfund Receivables and Payables	\$1,506,339	\$1,506,339

**NOTE "D" - RECONCILIATION OF INTERFUND ACCOUNTS** (Continued)

Interfund operating transfers in and out as of September 30, 2002 are presented below:

	<b>Transfers <u>In</u></b>	<b>Transfers <u>Out</u></b>
<b>GENERAL FUND</b>		
Special Revenue Funds	\$184,044	\$162,870
Debt Service Funds	52,277	1,627,074
Enterprise Funds	550,000	-
Expendable Trust Funds	<u>45,261</u>	<u>-</u>
Total General Fund	<u>831,582</u>	<u>1,789,944</u>
<b>SPECIAL REVENUE FUNDS:</b>		
Road and Bridge Tax Fund		
General Fund	-	111,602
Community Redevelopment Agency Fund		
General Fund	105,253	-
Miscellaneous Grants Fund		
General Fund	57,617	72,442
Local Law Enforcement Block Grant Fund	-	21,473
Neighborhood Initiative Grant Fund	21,473	-
Solid Waste Fund	4,235	15,000
General Trust Fund	4,205	-
Target Area Trust Fund	<u>16,098</u>	<u>-</u>
Total Special Revenue Funds	<u>208,881</u>	<u>220,517</u>
<b>DEBT SERVICE FUNDS:</b>		
General Obligation Sinking Fund		
General Fund	<u>1,627,074</u>	<u>52,277</u>
Total Debt Service Fund	<u>1,627,074</u>	<u>52,277</u>
<b>ENTERPRISE FUNDS:</b>		
Water and Sewer Fund		
General Fund	-	550,000
Solid Waste Fund		
Miscellaneous Grants Fund	<u>15,000</u>	<u>4,235</u>
Total Enterprise Funds	<u>15,000</u>	<u>554,235</u>
<b>EXPENDABLE TRUST FUNDS:</b>		
General Trust Fund		
General Fund	-	2,743
Miscellaneous Grants Fund		4,205
Law Enforcement Trust Fund		
General Fund		42,518
Target Area Trust Fund		
Miscellaneous Grants Fund	<u>-</u>	<u>16,098</u>
Total Expendable Trust Funds	<u>-</u>	<u>65,564</u>
<b>Total Interfund Operating Transfers-All Funds</b>	<b><u>\$2,682,537</u></b>	<b><u>\$2,682,537</u></b>

**NOTE "E" - GENERAL LONG-TERM DEBT**

The general long-term debt decreased by \$2,607,473 during the year ended September 30, 2002. It now totals \$30,299,798. The changes which occurred during fiscal 2002 are summarized below:

	<b><u>General Obligation Bonds</u></b>	<b><u>General Revenue Bonds</u></b>	<b><u>Capital Lease</u></b>	<b><u>Notes Payable</u></b>	<b><u>Compensated Absences</u></b>	<b><u>Arbitrage Rebate</u></b>	<b><u>Insurance Claims</u></b>
Beginning balance	\$21,269,104	\$2,245,000	\$1,937,078	\$241,384	\$3,683,457	\$ 179,670	\$3,351,578
Bonds retired	(1,053,740)	(405,000)	-	-	-	-	-
New agreements	-	-	390,563	-	-	-	-
Lease payments	-	-	(691,958)	-	-	-	-
Note payments	-	-	-	(52,905)	-	-	-
Net decrease in liability for compensated absences	-	-	-	-	(514,239)	-	-
Increase in arbitrage liability	-	-	-	-	-	93,339	-
Insurance claims	-	-	-	-	-	-	(373,533)
Ending balance	<u>\$20,215,364</u>	<u>\$1,840,000</u>	<u>\$1,635,683</u>	<u>\$188,479</u>	<u>\$3,169,218</u>	<u>\$273,009</u>	<u>\$2,978,045</u>

CITY OF DEERFIELD BEACH  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2002

**NOTE "F" - BONDS PAYABLE**

1) SCHEDULE OF PRINCIPAL RETIREMENT:

Fiscal Year	GENERAL LONG-TERM DEBT				Total G.O. Debt
	GENERAL OBLIGATION BONDS				
	1992	1993	1995	2000	
2003	\$600,000	\$290,000	\$ 75,000	\$131,590	\$1,096,590
2004	640,000	300,000	80,000	121,554	1,141,554
2005	675,000	320,000	85,000	116,029	1,196,029
2006	-	335,000	90,000	635,247	1,060,247
2007	-	355,000	95,000	603,186	1,053,186
2008	-	370,000	100,000	574,345	1,044,345
2009	-	395,000	105,000	540,212	1,040,212
2010	-	415,000	110,000	513,531	1,038,531
2011	-	435,000	120,000	487,235	1,042,235
2012	-	460,000	130,000	457,497	1,047,497
2013	-	485,000	135,000	431,568	1,051,568
2014	-	-	145,000	641,262	786,262
2015	-	-	155,000	603,414	758,414
2016	-	-	165,000	553,401	718,401
2017	-	-	-	587,169	587,169
2018	-	-	-	559,936	559,936
2019	-	-	-	529,238	529,238
2020	-	-	-	501,610	501,610
2021	-	-	-	472,061	472,061
2022	-	-	-	450,902	450,902
2023	-	-	-	426,232	426,232
2024	-	-	-	407,961	407,961
2025	-	-	-	403,285	403,285
2026	-	-	-	790,182	790,182
2027	-	-	-	361,717	361,717
2028	-	-	-	650,000	650,000
	<u>\$1,915,000</u>	<u>\$4,160,000</u>	<u>\$1,590,000</u>	<u>\$12,550,364</u>	<u>\$20,215,364</u>

2) SCHEDULE OF DEBT SERVICE:

Fiscal Year	GENERAL LONG-TERM DEBT				Total G.O. Debt
	GENERAL OBLIGATION BONDS				
	1992	1993	1995	2000	
2003	\$713,060	\$506,712	\$166,146	\$244,868	\$1,630,786
2004	718,260	503,082	166,871	239,210	1,627,423
2005	715,500	508,682	167,311	238,546	1,630,039
2006	-	507,682	167,467	952,875	1,628,024
2007	-	510,597	167,336	952,083	1,630,016
2008	-	507,137	166,921	956,168	1,630,226
2009	-	512,712	166,221	950,243	1,629,176
2010	-	511,481	165,237	954,308	1,631,026
2011	-	509,175	168,966	953,244	1,631,385
2012	-	510,794	172,126	947,044	1,629,964
2013	-	511,069	169,717	950,819	1,631,605
2014	-	-	172,021	1,459,338	1,631,359
2015	-	-	173,684	1,457,613	1,631,297
2016	-	-	174,694	1,455,775	1,630,469
2017	-	-	-	1,628,300	1,628,300
2018	-	-	-	1,631,099	1,631,099
2019	-	-	-	1,627,824	1,627,824
2020	-	-	-	1,628,707	1,628,707
2021	-	-	-	1,626,869	1,626,869
2022	-	-	-	1,629,875	1,629,875
2023	-	-	-	1,627,725	1,627,725
2024	-	-	-	1,630,441	1,630,441
2025	-	-	-	1,629,232	1,629,232
2026	-	-	-	1,629,718	1,629,718
2027	-	-	-	1,630,072	1,630,072
2028	-	-	-	667,469	667,469
	<u>\$2,146,820</u>	<u>\$5,599,123</u>	<u>\$2,364,718</u>	<u>\$31,299,465</u>	<u>\$41,410,126</u>

ENTERPRISE DEBT

REVENUE BONDS

<u>1992</u>	<u>Total General Long-Term Debt</u>	<u>1992</u>
\$420,000	\$1,516,590	\$ -
450,000	1,591,554	1,355,000
470,000	1,666,029	1,440,000
500,000	1,560,247	1,525,000
-	1,053,186	420,000
-	1,044,345	-
-	1,040,212	-
-	1,038,531	-
-	1,042,235	-
-	1,047,497	-
-	1,051,568	-
-	786,262	-
-	758,414	-
-	718,401	-
-	587,169	-
-	559,936	-
-	529,238	-
-	501,610	-
-	472,061	-
-	450,902	-
-	426,232	-
-	407,961	-
-	403,285	-
-	790,182	-
-	361,717	-
-	650,000	-
<u>\$1,840,000</u>	<u>\$22,055,364</u>	<u>\$4,740,000</u>

ENTERPRISE DEBT

REVENUE BONDS

<u>1992</u>	<u>Total General Long-Term Debt</u>	<u>1992</u>
\$528,295	\$2,159,081	\$ -
521,830	2,149,253	1,603,828
529,570	2,159,609	1,603,231
524,820	2,152,844	1,597,428
528,500	2,158,516	432,863
-	1,630,226	-
-	1,629,176	-
-	1,631,026	-
-	1,631,385	-
-	1,629,964	-
-	1,631,605	-
-	1,631,359	-
-	1,631,297	-
-	1,630,469	-
-	1,628,300	-
-	1,631,099	-
-	1,627,824	-
-	1,628,707	-
-	1,626,869	-
-	1,629,875	-
-	1,627,725	-
-	1,630,441	-
-	1,629,232	-
-	1,629,718	-
-	1,630,072	-
-	667,469	-
<u>\$2,633,015</u>	<u>\$44,043,141</u>	<u>\$5,237,350</u>

**NOTE "F" - BONDS PAYABLE**

3) **OUTSTANDING BONDS PAYABLE** - The following is a summary of bonds payable outstanding as of September 30, 2002:

	<u>Interest Rate</u>	<u>Amount</u>
General obligation bonds payable from ad valorem taxes:		
General Obligation Bonds of 1992	4.10 to 6.000%	\$ 1,915,000
General Obligation Bonds of 1993	3.70 to 5.500%	4,160,000
General Obligation Bonds of 1995	5.70 to 5.875%	1,590,000
General Obligation Bonds of 2000	4.25 to 6.080%	<u>12,550,364</u>
Total		<u>20,215,364</u>
General bonds payable from specific revenue sources other than ad valorem taxes:		
Improvement Revenue Bonds, Series 1992	3.35 to 5.70%	<u>1,840,000</u>
Bonds Payable from Enterprise Fund:		
Water and Sewer Refunding and Improvement Revenue Bonds, Series 1992	4.50 to 6.125%	4,740,000
Less: Unamortized bond discount		<u>(11,620)</u>
Total Water and Sewer Revenue Bonds		<u>4,728,380</u>
Total Bonds Payable		<u>\$26,783,744</u>

4) **CHANGES IN BONDS PAYABLE** - The following is a summary of changes in bonds payable for the year ended September 30, 2002:

	<u>General General Obligation</u>	<u>Long-Term General Revenue</u>	<u>Enterprise Debt Water/Sewer</u>	<u>Total</u>
Bonds payable at October 1, 2001	\$21,269,104	\$2,245,000	\$6,621,717	\$30,135,821
Bonds retired	(1,053,740)	(405,000)	(1,900,000)	(3,358,740)
Accretion of bond discount	-	-	6,663	6,663
Bonds payable at September 30, 2002	<u>\$20,215,364</u>	<u>\$1,840,000</u>	<u>\$4,728,380</u>	<u>\$26,783,744</u>

**NOTE "F" - BONDS PAYABLE** (4) (continued)

At September 30, 2002, seven bond issues are considered defeased. The proceeds of all defeased issues have been placed in an irrevocable trust to provide for all future debt service payments. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2002, outstanding bonds of \$9,280,000 of enterprise debt and \$1,815,000 of general long-term debt are considered defeased.

5) **DESCRIPTION OF INDIVIDUAL BOND ISSUES** - The following is a detailed description of the individual bond issues outstanding as of September 30, 2002:

a) **GENERAL OBLIGATION BONDS PAYABLE FROM AD VALOREM TAXES** - The City has five separate issues of general obligation bonds which are secured by the full faith and credit of the City. The City must levy a tax on all taxable property each year to cover the debt service on these issues, which are more fully described as follows:

General Obligation Bonds 1973

The original amount of this issue was \$2,500,000, and was used for the construction of sidewalk, drainage and signalization improvements and the acquisition of beach erosion control devices and land utilized for beach purposes. The final maturity date of this issue was that of January 1, 2002.

General Obligation Bonds 1992

The original amount of this issue was \$6,175,000 as was used to advance refund and defease the City's \$6,650,000 general obligation bonds 1985. The outstanding bonds of the issue, \$1,915,000, earn interest at rates from 4.1% to 6.0%. Principal is due annually on June 1<sup>st</sup> and interest is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup>, with the final maturity date being June 1, 2005.

General Obligation Bonds 1993

The original amount of this issue was \$4,580,000 to be used for the construction of drainage improvements, betterments to the Northeast Focal Point Senior Center Complex and rebuilding and repairing bridges and sea walls. The outstanding bonds of the issue \$4,160,000 earn interest at rates from 3.7% to 5.5%. Principal is due annually on June 1<sup>st</sup> and interest is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> with the final maturity date being June 1, 2013.

General Obligation Bonds 1995

The original amount of this issue was \$2,000,000 to be used to finance the acquisition and construction of various park and recreational improvements within the City. The outstanding bonds of the issue, \$1,590,000 earn interest at rates from 5.7% to 5.875 %. Principal is due annually on June 1<sup>st</sup> and interest is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> with the final maturity date being June 1, 2016.

General Obligation Bonds 2000

The original amount of this issue was divided into two series: Series "A" for which \$9,978,847 in bonds were issued, and Series "B" for which \$2,820,183 in bonds were issued. The proceeds of these bonds will be used to finance the construction of a public safety complex, a public works facility, parks improvements, right-of-way improvements and expansion of the senior services facilities. The combined outstanding bonds of the issue, \$12,550,364, earn interest at rates from 4.25% to 6.08%. For Series A, principal is due annually on April 1<sup>st</sup> and interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> with the final maturity date being October 1, 2024. For Series B, principal is due annually on November 1<sup>st</sup>, and interest is payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup> with the final maturity date being on November 1, 2027.

**NOTE "F" - BONDS PAYABLE** (5) (continued)

- b) **GENERAL BONDS PAYABLE FROM SPECIFIC REVENUE SOURCES** - The City has one issue of general long-term debt revenue bonds which is secured solely by electric franchise fees. This issue requires a sinking fund into which monthly installments of principal and interest are deposited from franchise fee revenues. In addition, the sinking fund is required to maintain a reserve equal to the maximum debt service coming due in any ensuing year. This issue is more fully described as follows:

Improvement Revenue Bonds 1992

The original amount of this issue was \$4,870,000 and was used to advance refund and defease the 1978 and 1986 improvement revenue bonds. The remaining outstanding bonds of this issue, \$1,840,000, earn interest at rates from 3.35% to 5.7%. Principal is due annually on July 1<sup>st</sup> and interest is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> with the final maturity date being July 1, 2006.

- c) **ENTERPRISE BONDS PAYABLE** - The Water and Sewer Fund contains one issue of bonded debt which is secured by the revenue from the operation of the water and sewer system. This issue is more fully described as follows:

Water and Sewer Refunding and Improvement Revenue Bonds 1992

The original amount of this issue was \$13,890,000, less a discount of \$132,708. It was sold to provide \$3,600,000 for various improvements to the City's water plants and the remaining was used to advance refund a portion of the 1984 series water and sewer bonds. As of September 30, 2002, \$4,740,000, less a discount of \$11,620 of the bonds remain outstanding. Interest rates on the bonds range from 4.50% to 6.125%. Principal and interest payments are made semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>, with the final maturity date of October 1, 2006.

- 6) **SINKING FUND REQUIREMENTS** - A summary of sinking fund requirements which were met or exceeded as of September 30, 2002 follows:

	<b><u>Principal Accrual</u></b>	<b><u>Interest Accrual</u></b>	<b><u>Reserved or Restricted for Debt Service</u></b>
General Long-Term Debt:			
1992 Improvement Revenue Bonds	<u>\$ 105,000</u>	<u>\$ 25,458</u>	<u>\$ 130,458</u>
Enterprise Debt:			
1992 Water/Sewer Revenue Bonds	<u>1,275,000</u>	<u>184,209</u>	<u>1,459,209</u>
Total	<u>\$1,380,000</u>	<u>\$209,667</u>	<u>\$1,589,667</u>



**NOTE “G” - GENERAL FIXED ASSETS**

1) A summary of changes in fixed assets during the year ended September 30, 2002 follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Transfers and Deletions</u></b>	<b><u>Ending Balance</u></b>
Land	\$10,209,239	\$ 1,335,103	\$ -	\$11,544,342
Buildings	10,509,117	167,572	-	10,676,689
Improvements other than buildings	9,430,375	278,873	-	9,709,248
Equipment	12,781,780	692,160	(212,667)	13,261,273
Construction-in-progress	<u>566,229</u>	<u>2,363,872</u>	<u>(104,652)</u>	<u>2,825,449</u>
Total General Fixed Assets	<u>\$43,496,740</u>	<u>\$4,837,580</u>	<u>\$(317,319)</u>	<u>\$48,017,001</u>

2) Investments in general fixed assets as of September 30, 2002 are summarized below:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Transfers and Deletions</u></b>	<b><u>Ending Balance</u></b>
Capital projects funds:				
General obligation bonds	\$15,095,831	\$3,352,526	\$ (104,652)	\$18,343,705
Revenue bonds	4,918,614	-	-	4,918,614
Federal grants	1,084,965	127,183	-	1,212,148
State grants	429,697	139,139	-	568,836
County grants	29,588	417,845	(999)	446,434
General fund revenues	15,036,783	610,222	(211,668)	15,435,337
Special revenue fund revenues	4,369,164	190,215	-	4,559,379
Expendable trust fund revenues	2,401,123	450	-	2,401,573
Other sources	<u>130,975</u>	<u>-</u>	<u>-</u>	<u>130,975</u>
Total Investments in General Fixed Assets	<u>\$43,496,740</u>	<u>\$4,837,580</u>	<u>\$(317,319)</u>	<u>\$48,017,001</u>

**NOTE “H” - OTHER LIABILITIES**

1) **OBLIGATIONS UNDER CAPITAL LEASES** - As of September 30, 2002, the City was engaged in six lease-purchase agreements. These lease-purchase agreements contain a covenant that the agreements are cancelable due to non-appropriation of funding. However, the City’s intention is to maintain funding until it is paid in full.

a) **EQUIPMENT UNDER CAPITAL LEASES** - As of September 30, 2002, the equipment held under capital leases, which were acquired during the year, consists of the following:

<b><u>Asset</u></b>	<b><u>General Fixed Assets</u></b>	<b><u>Enterprise Funds</u></b>
Equipment	\$390,563	\$680,256

**NOTE "H" - OTHER LIABILITIES (Continued)**

- b) **FUTURE MINIMUM LEASE PAYMENTS** - A schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of September 30, 2002, is presented below.

<b>FISCAL YEAR ENDING SEPTEMBER 30</b>	<b>ENTERPRISE FUNDS</b>	<b>GENERAL LONG-TERM DEBT</b>
2003	\$721,882	\$779,548
2004	523,972	632,504
2005	423,543	290,450
2006	102,180	30,076
2007	-	-
Total lease payments	1,771,577	1,732,578
Less: Amount representing interest	(126,017)	(96,895)
Present value of net minimum lease payments	\$1,645,560	\$1,635,683

- 2) **COMPENSATED ABSENCES** - The accrued liability for the enterprise funds at September 30, 2002 was \$817,583 for sick pay and \$445,437 for vacation pay, totaling \$1,263,020, an increase for the year of \$66,644. For the governmental funds the accrued liability at September 30, 2002 was \$1,961,235 for sick pay and \$1,241,898 for vacation pay, totaling \$3,683,457. At September 30, 2001 these liabilities were \$2,408,268 and \$1,207,983, respectively, for a total of \$3,169,218.

No current liability has been reported in the individual governmental funds as no material expenditure is expected to be made out of expendable available financial resources.

- 3) **NOTES PAYABLE** - As of September 30, 2002, the City was engaged in two promissory notes payable. Both notes were issued for the acquisition of land. The original amount of these notes was \$382,300 and interest is paid on them annually at rates of 6.19% and 7%. The notes mature at varying amounts during succeeding fiscal years through 2005.

Notes payable debt service requirements to maturity, including \$31,260 of interest are as follows:

<b>FISCAL YEAR ENDING SEPTEMBER 30</b>	<b>AMOUNT</b>
2003	\$68,917
2004	9,261
2005	141,561
Total	\$219,739

- 4) **LOAN PAYABLE** - In November 1998, the City entered into a loan agreement with the State of Florida Department of Environmental Protection to borrow up to \$19,806,000. The purpose of this loan was to construct water and wastewater facilities and storm drainage projects. As of September 30, 2002, the City borrowed \$16,325,662 with an interest rate ranging from 2.99% to 3.57%. Interest and principal payments are due on May 15 and November 15 of each year.

In December 1999, the City entered into a loan agreement with the Florida Finance Commission for \$16,000,000. The purpose of this loan was to construct water and wastewater facilities and storm drainage projects. The loan, which bore interest at 3.65% and which was collateralized by revenues of the water and sewer fund, was paid in full on February 12, 2002.

**NOTE “P” - SEGMENTS OF ENTERPRISE ACTIVITIES**

Various services provided by the City are financed by user charges including water and sewer and solid waste. The key financial information for the year ended September 30, 2002 for these services follows:

	<b>WATER AND SEWER FUND</b>	<b>SOLID WASTE FUND</b>	<b>TOTAL</b>
Operating revenues	\$17,329,897	\$10,900,656	\$28,230,553
Depreciation	2,136,384	706,697	2,843,081
Operating income	3,936,994	116,677	4,053,671
Net operating transfers	(550,000)	10,765	(539,235)
Net income	2,964,992	54,489	3,019,481
Capital contributed from connection fees	229,380	-	229,380
Acquisition and construction of capital assets	(5,602,582)	(277,286)	(5,879,868)
Deletions of capital assets	84,214	127,251	211,465
Net working capital	10,478,428	(276,143)	10,202,285
Total assets	71,182,619	3,674,599	74,857,218
Long-term bonds	4,728,380	-	4,728,380
Obligations under capital leases	-	1,645,560	1,645,560
Total equity	47,808,863	767,716	48,576,579

**NOTE “J” - PRIOR PERIOD ADJUSTMENTS**

The City has restated retained earnings of the Water & Sewer Fund at September 30, 2001 to reflect capital connection fees collected from its customers during Fiscal 2001. GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires that governments recognize capital contributions to proprietary funds as revenues, not contributed capital. Presentation of these fees as additions to contributed capital had been a widely accepted practice, prior to the adoption of Statement No. 33.

Further, amounts due from the State of Florida in connection with its Drinking Water Revolving Loan Program were reflected as receivables of the Water & Sewer Fund at September 30, 2001. The City has restated these amounts, and retained earnings accordingly, at September 30, 2001 in the amount of \$1,613,194.

The restatements described above follow:

<b>Water &amp; Sewer Fund</b>	<b>Retained Earnings</b>	<b>Contributed Capital</b>	<b>Accounts Receivable</b>
Balance, September 30, 2001 (as originally stated)	\$35,036,960	\$11,420,105	\$3,410,705
Adjustments pursuant to GASB 33	143,710	(143,710)	-
Adjustments in connection with State of Florida Drinking Water Revolving Loan Program	(1,613,194)	-	(1,613,194)
Balance, September 30, 2001 (as restated)	<u>\$33,567,476</u>	<u>\$11,276,395</u>	<u>\$1,797,511</u>
<b>Total Enterprise Funds</b>	<b>Retained Earnings</b>	<b>Contributed Capital</b>	<b>Accounts Receivable</b>
Balance, September 30, 2001 (as originally stated)	\$35,750,187	\$11,420,105	\$4,674,261
Adjustments pursuant to GASB 33	143,710	(143,710)	-
Adjustments in connection with State of Florida Drinking Water Revolving Loan Program	(1,613,194)	-	(1,613,194)
Balance, September 30, 2001 (as restated)	<u>\$34,280,703</u>	<u>\$11,276,395</u>	<u>\$3,061,067</u>

**NOTE “K” - EMPLOYEE RETIREMENT SYSTEMS - DEFINED BENEFIT PLANS**

1) **PLAN DESCRIPTION** - The City of Deerfield Beach as a single employer maintains three defined benefit pension plans covering full-time firefighters, police officers employed by the City prior to January 13, 1990 and non-uniformed employees hired before April 17, 1990. The Fire Pension Plan, Police Pension Plan and Non-uniformed Pension Plan are individual plans administered for each of three employee categories: fire, police and non-uniformed personnel. Each plan is governed by its own board of trustees which is responsible for establishing employee benefit provisions within the framework of Chapters 175 and 185 of the Florida Statutes and local ordinances. Retirement, disability and death benefits and annual cost-of-living adjustments are provided by all three plans to members and beneficiaries. New members are no longer admitted to the police and non-uniformed defined benefit plans. The City includes all of the required disclosures for the pension funds in the City’s Comprehensive Annual Financial Report. The Comprehensive Annual Financial Report may be obtained by writing or calling the City of Deerfield Beach’s Finance Department; 150 N.E. 2<sup>nd</sup> Avenue, Deerfield Beach, Florida 33441; (954) 480-4227.

Also, the Fire Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing or calling the following: The Pension Resource Center, Inc. , 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, FL 33410; (561) 624-3277. The Police and Non-uniformed plans do not issue stand-alone financial statements.

On January 13, 1990 the police officers of the City of Deerfield Beach merged with the Broward County Sheriff’s Office. State law provides that these officers, who are now employees of the Broward County Sheriff’s Office, could make an irrevocable election to remain in the City pension plan.

2) **FUNDING POLICY AND ANNUAL PENSION COST** - The board of trustees of each plan establishes and may amend the contribution requirements of plan members and of the City. The City’s annual pension cost for the current year and related information for each plan is as follows:

	<b>FIRE</b>	<b>POLICE</b>	<b>NON-UNIFORMED</b>
Contribution rates:			
City	3.70%	8.72%	0.00%
Plan members	9.00%	9.00%	9.00%
Annual pension cost	\$443,541	\$773,341	\$25,964
Contributions made	\$443,541	\$773,341	\$25,964
Actuarial valuation date	10/1/01	10/1/01	10/1/01
Actuarial cost method	Aggregate cost	Entry Age	Aggregate cost
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	29 years	15 years	15 years
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumptions:			
Investment rate of return*	8.00%	7.25%	7.50%
Projected salary increases*	7.00%	6.50%	6.00%
*Includes inflation at	3.5%	4.0%	4.0%
Cost of living adjustments	None	3.0%	4.0%

**NOTE “K” - EMPLOYEE RETIREMENT SYSTEMS - DEFINED BENEFIT PLANS** (Continued)

Information regarding fiscal year 2002 participant data for the three pension plans is as follows:

	<b>FIRE</b>	<b>POLICE</b>	<b>NON-UNIFORMED</b>	<b>TOTAL</b>
Number of plan members:				
Retirees and beneficiaries currently receiving benefits	26	47	93	166
Vested terminated employees	1	4	7	12
Active employees:				
Fully vested	71	28	89	188
Nonvested	60	0	0	60
Benefit provisions:				
Normal retirement benefit equals:				
Average salary for years shown	3	3	3	
At the rate of/per year of service	3%	3%	3%	
Maximum years of service	30	30	30	
Normal retirement eligibility:				
Age/service years	52/10	47/10	65/10	
(Alternative)	47/25	47/20	55/25	
Early retirement eligibility:				
Age/service years	47/10	47/10	55/10	

Covered employees in the fire and non-uniformed defined benefit plans are required to contribute 9 percent of their gross salary. Beginning on January 13, 1990 participants in the police pension plan were no longer required to contribute to the plan. Prior to that time a 9 percent contribution of gross salary was mandatory. The member’s contribution rate is fixed by the authorizing ordinance and the City’s contribution rate is actuarially determined. The actuarial assumptions and four year smoothed market method were selected to fund the plans with the intent of producing future required employer contributions which remain fairly level as a percentage of covered payroll. The contribution rate for normal cost is determined using the entry age or the aggregate cost method, depending on the plan, over a 15 to 29 year period.

During fiscal year 2002, the funding method for the Fire Pension Plan was changed from the entry age normal cost method to the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

- 3) **THREE YEAR TREND INFORMATION** - As of the valuation dates indicated, three year historical trend information on the plans is presented in the table below:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b>FIRE</b>			
2001	\$312,056	102.0%	\$ (53,753)
2000	563,668	102.0	(33,980)
1999	276,606	100.0	(17,041)
<b>POLICE</b>			
2001	\$507,349	125.3%	\$ (236,448)
2000	590,181	98.7	(108,251)
1999	684,623	99.0	(115,852)
<b>NON-UNIFORMED</b>			
2001	\$ -	N/A	\$0
2000	473,439	100%	0
1999	739,773	100	0

- 4) **SIX-YEAR HISTORICAL TREND INFORMATION** - Six-year historical trend information designed to provide information about the progress of the plans in accumulating sufficient assets to pay benefits when due is presented in the Schedules of Funding Progress located in the Other Required Supplemental Information section of the City's Comprehensive Annual Financial Report.

**NOTE "L" - POST-EMPLOYMENT HEALTH CARE BENEFITS**

In addition to providing pension benefits, the City provides health insurance benefits for retired employees as established by City ordinance. This is part of the City's self-insurance health plan. The retirees are not required to contribute for the cost of insurance coverage. The cost of retiree health care insurance benefits is recognized as an expenditure as claims are paid. For the year ending September 30, 2002, those costs totaled \$442,159 for the 44 participants.

**NOTE "M" - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. Liability claims in the State of Florida are limited to some extent by Chapter 768.28 of the Florida Statutes under the Doctrine of Sovereign Immunity. The City does not carry commercial insurance, except for employee health, because of its prohibitive cost and covers all claim settlements and judgments out of its General Fund resources. The General Fund provides coverage of up to \$60,000 per person for employee health claims. The City purchases commercial insurance for employee health claims in excess of coverage provided by the General Fund. Settled claims have not exceeded this commercial coverage for employee health in any of the past three fiscal years.

Various funds of the City participate in the risk management program and make payments to the General Fund based on estimates of the amounts needed to pay prior and current year claims. Claims expenditures and liabilities are reported when it is probable that a loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

**NOTE "M" - RISK MANAGEMENT (Continued)**

At September 30, 2002, the amount of these liabilities was \$3,967,000 of which \$988,955 is in the General Fund and \$2,978,045 is in the General Long-term Debt Account Group. This liability is the City's best estimate based on available information. Changes in the reported liability since September 30, 2001 resulted from the following:

	<b>Beginning of fiscal year liability</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>Balance at fiscal year end</b>
2001-02	\$4,340,533	\$4,779,845	\$(5,153,378)	\$3,967,000
2000-01	\$3,828,893	\$5,531,590	\$(5,019,950)	\$4,340,533

**NOTE "N" - COMMITMENTS AND CONTINGENT LIABILITIES**

The City has outstanding commitments for construction of property, plant and equipment of \$2,815,278 in the enterprise funds as of September 30, 2002.

As of September 30, 2002, various lawsuits have been filed against the City including personal injury and general liability claims. The liability related to the various claims which were reasonably determinable at the end of the fiscal year has been accrued in the General Fund and the General Long-Term Debt Account Group. In the opinion of management and legal counsel, any other potential claims will not have a materially adverse effect on the City's financial statements.

**NOTE "O" - NEW ACCOUNTING STANDARDS**

GASB Statement No. 34

In June 1999, the GASB issued statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Generally, this statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information. The requirements of this statement are effective for the City in the fiscal year ended September 30, 2003. Management has not yet determined the effect of this statement on its financial statements.

GASB Statement No. 36

In April 2000, the GASB issued Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues - and amendment of GASB Statement No. 33*. Generally, this Statement provides symmetrical accounting treatment for certain shared revenues by superseding a portion of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The requirements of this statement are effective for the City in the fiscal year ended September 30, 2003. Management has not yet determined the impact of this statement on its financial statements.

GASB Statement No. 39

In May 2002, the GASB issued statement No. 39, *Determining Whether Certain Organizations are Component Units*. The objective of this statement is to provide criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and to clarify requirements for those organizations. The requirements of this statement are effective for the City in the fiscal year ended September 30, 2004. Management has not yet determined the impact of this statement on its financial statements.

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## **STATISTICAL SECTION**

**Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. These schedules reflect social and economic data, and financial trends of the government.**

City of Deerfield Beach

Table I

General Governmental Expenditures by Function (A)  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Human Services</u>	<u>Physical Environment</u>	<u>Economic Environment</u>
1993	\$8,595,012	\$10,360,345	\$222,493	\$1,288,092	\$2,980
1994	8,880,640	10,585,369	261,339	1,315,763	-
1995	8,443,566	11,399,878	295,508	1,337,190	-
1996	9,119,426	12,492,312	1,227,499 (B)	1,308,888	-
1997	9,401,227	13,377,195	1,286,486	1,625,121	-
1998	9,754,307	14,519,578	1,374,281	1,946,941	-
1999	11,121,119	16,274,281	1,426,787	1,991,479	12,243
2000	12,321,732	18,863,909	1,589,552	2,192,395	14,718
2001	12,889,166	20,636,001	1,804,391	2,270,300	19,668
2002	13,228,417	21,917,380	1,948,756	2,367,394	22,443

A) Information contained in this table pertains strictly to the General Fund.

B) Beginning in fiscal 1996, expenditures for the senior services department were categorized as general governmental expenditures. In the past, these expenditures were included with the special revenue funds and the trust and agency funds.

<u>Transportation</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total Expenditures</u>
\$117,018	\$1,367,241	\$809,183	\$185,992	\$22,948,356
131,989	1,410,524	433,835	314,480	23,333,939
140,583	1,460,079	622,615	252,741	23,952,160
61,474	1,606,057	447,103	369,529	26,632,288
66,013	1,750,854	916,670	202,779	28,626,345
153,983	2,139,020	1,959,876	410,945	32,258,931
108,779	2,126,411	1,180,318	377,732	34,619,149
156,050	2,236,076	2,535,855	446,600	40,356,887
63,254	2,323,558	1,009,333	621,073	41,636,744
103,280	2,390,954	610,222	737,360	43,326,206

**City of Deerfield Beach**

**Table II**

**General Governmental Revenues by Source  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Property Taxes</u></b>	<b><u>Fire Assessment Fees</u></b>	<b><u>Franchise Fees</u></b>	<b><u>Licenses and Permits</u></b>	<b><u>Intergovernmental</u></b>
1993	\$10,798,423	\$-	\$2,718,434	\$1,006,275	\$3,123,411
1994	11,943,795	-	2,313,504	1,327,502	3,162,800
1995	11,943,984	-	2,239,212	1,252,839	3,272,076
1996	12,425,449	-	2,687,239	1,619,825	3,962,994
1997	13,564,279	-	3,139,545	1,982,942	4,041,981
1998	14,146,702	-	2,770,379	1,639,968	4,433,854
1999	15,144,729	-	3,116,838	1,738,231	4,443,197
2000	17,859,295	-	3,415,353	1,500,511	5,615,872
2001	19,050,722	-	3,976,944	1,439,905	5,597,250
2002	22,399,120	2,188,669	5,271,490	1,677,301	5,461,848

Information contained in this table pertains strictly to the General Fund.

<b><u>Charges for Service</u></b>	<b><u>Fines and Forfeitures</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total Revenues</u></b>
\$2,168,122	\$899,120	\$2,406,993	\$23,120,778
2,700,546	801,148	2,831,484	25,080,779
3,021,660	715,699	2,924,223	25,369,693
3,674,487	848,116	3,299,723	28,517,833
3,430,901	923,224	4,031,699	31,114,571
3,558,638	862,427	4,205,564	31,617,532
3,472,401	901,168	4,068,303	32,884,867
3,746,093	1,121,357	4,248,168	37,506,649
4,633,666	1,167,816	3,856,377	39,722,680
4,444,118	1,078,309	3,990,733	46,511,588

**City of Deerfield Beach**

**Table III**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Total Adjusted Tax Levy</u></b>	<b><u>Current Tax Collections</u></b>	<b><u>Percent of Adjusted Levy Collected</u></b>	<b><u>Delinquent Tax Collections</u></b>	<b><u>Total Tax Collections</u></b>	<b><u>Total Collections as a Percent of Current Levies Collected</u></b>
1993	\$10,774,723	\$10,606,753	98.4%	\$191,670	\$10,798,423	100.2%
1994	11,813,795	11,847,522	100.3	96,273	11,943,795	101.1
1995	12,032,962	11,911,359	99.0	32,625	11,943,984	99.3
1996	12,509,727	12,396,546	99.1	28,903	12,425,449	99.3
1997	13,556,292	13,505,467	99.6	58,812	13,564,279	100.0
1998	14,182,933	14,120,813	99.6	25,889	14,146,702	99.7
1999	15,190,034	15,092,192	99.4	52,537	15,144,729	99.7
2000	17,895,909	17,726,195	99.1	133,100	17,859,295	99.8
2001	19,070,974	18,812,319	98.7	238,403	19,050,722	99.9
2002	22,462,744	22,349,036	99.5	50,084	22,399,120	99.7

Note: Broward County assesses property valuations and collects all ad valorem taxes.

The table above depicts City of Deerfield Beach ad valorem taxes only. Delinquent tax collections are net of any penalties, interest and commissions. The total adjusted tax levy is equal to the total tax levy for a particular year less any discounts allowed for early payment and less any errors made in formulating the original levy.

**City of Deerfield Beach**

**Table IV**

**Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Total</u></b>
1993	\$1,825,431,580	\$312,137,520	\$2,137,569,100
1994	1,809,405,735	302,131,365	2,111,537,100
1995	1,830,398,267	308,728,220	2,139,126,487
1996	1,877,605,877	331,638,468	2,209,244,345
1997	1,972,523,060	330,590,786	2,303,113,846
1998	2,070,581,660	318,863,458	2,389,445,118
1999	2,239,964,380	325,605,676	2,565,570,056
2000	2,622,185,650	387,479,427	3,009,665,077
2001	2,803,935,200	414,770,412	3,218,705,612
2002	3,666,140,080	429,856,742	4,095,996,822

State law requires full (100%) valuation. Therefore, the assessed value and estimated tax value are the same.

**City of Deerfield Beach**

**Table V**

**Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

**MILLAGE RATES PER \$1,000 OF TAXABLE VALUE**

<b>Fiscal Year</b>	<b>Deerfield Beach Operations</b>	<b>Deerfield Beach Debt</b>	<b>Broward County</b>	<b>School Board</b>	<b>North Broward Hospital</b>	<b>South Florida Water Management District</b>	<b>Florida Inland Navigation District</b>	<b>Total</b>
1993	5.0194	.3306	7.9618	9.8310	2.4890	.5470	.0520	26.2308
1994	5.3163	.6002	8.1327	9.8197	2.4753	.5970	.0510	26.9922
1995	5.3230	.5935	8.0343	10.0259	2.4459	.5970	.0490	27.0686
1996	5.3230	.6630	8.1165	10.0477	2.4327	.6470	.0400	27.2699
1997	5.6144	.6536	7.7524	9.9400	2.4200	.6720	.0380	27.0904
1998	5.6144	.6134	7.838	9.9745	2.4087	.6970	.0500	27.1960
1999	5.6541	.5737	7.571	9.7256	2.5000	.6970	.0470	26.7684
2000	5.6910	.5368	7.571	9.1283	2.4895	.6970	.0440	26.1576
2001	5.7166	.5112	7.525	8.9553	2.4803	.6970	.0410	25.9264
2002	6.3546	.4960	7.4005	8.7541	2.4803	.6970	.0385	26.2210

**TAX LEVIES APPLICABLE TO DEERFIELD BEACH ASSESSED VALUE (in thousands)**

<b>Fiscal Year</b>	<b>Deerfield Beach</b>	<b>Broward County</b>	<b>School Board</b>	<b>North Broward Hospital</b>	<b>South Florida Water Management District</b>	<b>Florida Inland Navigation District</b>	<b>Total</b>
1993	\$11,435	\$17,019	\$21,014	\$5,320	\$1,169	\$111	\$56,068
1994	12,605	17,172	20,735	5,227	1,260	108	57,107
1995	12,126	17,186	21,447	5,232	1,277	105	57,373
1996	13,094	17,931	22,198	5,374	1,429	88	60,114
1997	14,212	17,566	22,522	5,483	1,523	86	61,392
1998	14,706	18,479	23,516	5,679	1,643	118	64,141
1999	15,747	19,136	24,582	6,319	1,762	119	67,665
2000	18,523	22,518	27,150	7,404	2,073	131	77,799
2001	19,774	23,893	28,435	7,875	2,213	130	82,320
2002	23,396	25,274	29,897	8,471	2,380	131	89,549



**City of Deerfield Beach**

**Table VI**

**Statement of Principal Taxpayers  
September 30, 2002**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Assessed Valuation for Fiscal 2002</u>	<u>Percentage</u>
1. Publix Supermarket	Food warehousing and storage	\$56,161,030	1.37%
2. HBC/JPI Deer Creek Ltd	Apartments	39,768,300	.97
3. Felcor/CSS Holdings LP	Hotel	28,871,720	.70
4. Deerfield Retail/LLC	Mall	23,920,400	.58
5. Security Capital Atlantic	Apartments	19,081,170	.47
6. TMT Pointe at Crystal Lake Inc	Apartments	18,273,900	.45
7. CMD Southwest Inc	Office building	18,259,650	.45
8. Target	Department store	17,970,390	.44
9. SPTMRT Properties Trust	Condominium	17,858,310	.44
10. Tivoli Lakes Club Investors LLC	Apartments	<u>16,820,500</u>	<u>.40</u>
<b>Total taxable assessed value of ten largest taxpayers</b>		256,985,370	6.27
<b>Total taxable assessed value of other taxpayers</b>		<u>3,839,011,452</u>	<u>93.73</u>
<b>Total taxable assessed value of all taxpayers</b>		<u>\$4,095,996,822</u>	<u>100.00%</u>

City of Deerfield Beach

Table VII

Special Assessment Collections  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessments Outstanding at Beginning of Fiscal Year</u>	<u>Net Assessments Made During Fiscal Year</u>	<u>Assessments Collected During Fiscal Year</u>	<u>Assessments Outstanding at End of Fiscal Year</u>
1993	\$166,798	\$-	\$3,966	\$162,832
1994	162,832	-	8,155	154,677
1995	154,677	26,067	52,369	128,375
1996	128,375	26,067	27,256	127,186
1997	127,186	31,067	32,608	125,645
1998	125,645	5,000	14,408	116,237
1999	116,237	5,000	4,838	116,399
2000	116,399	-	10,490	105,909
2001	105,909	-	8,919	96,990
2002	96,990	-	2,493	94,497

**City of Deerfield Beach**

**Table VIII**

**Computation of Legal Debt Margin  
September 30, 2002**

Assessed value of taxable property		<u>\$4,095,996,822</u>
Limit, 15% of assessed value		\$614,399,523
Amount of net applicable to debt limits:		
General Obligation Bonds - 1992	1,915,000	
General Obligation Bonds - 1993	4,160,000	
General Obligation Bonds - 1995	1,590,000	
General Obligation Bonds - 2000	<u>12,550,364</u>	<u>20,215,364</u>
LEGAL DEBT MARGIN		<u>\$594,184,159</u>

Authorization to issue and debt limit are established by the City Charter, as follows:

“The City is authorized to issue full faith and credit bonds only after same shall have been approved by a majority of votes cast in an election in which a majority of freeholders who are qualified electors residing in the City shall participate, as required by Section 12 of Article VII of the Constitution of Florida. Full faith and credit bonds of the City can be issued only if all full faith and credit bonds outstanding at the time together with the amounts of bonds proposed to be issued shall not exceed in the aggregate fifteen percentum (15%) of the assessed valuation of taxable property in the City at such time.”

**City of Deerfield Beach**

**Table IX**

**Ratio of Net General Bonded Debt  
to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Assessed Value</u></b>	<b><u>Gross Bonded Debt</u></b>	<b><u>Less Debt Service Funds</u></b>
1993	47,639	\$2,137,569,100	\$12,385,000	\$232,416
1994	47,771	2,111,537,100	11,796,000	217,049
1995	48,393	2,139,126,487	13,199,000	220,868
1996	48,974	2,209,244,345	12,555,000	212,039
1997	50,123	2,303,113,846	11,835,000	201,539
1998	50,213	2,389,445,118	11,085,000	114,039
1999	60,166	2,565,570,056	10,295,000	118,190
2000	61,671	3,009,665,077	19,443,847	125,174
2001	64,948	3,218,705,612	21,269,104	52,278
2002	65,500	4,095,996,822	20,215,364	-

Note: Population estimates were obtained from the following sources:  
 1993 through 1996, 1998 - University of Florida, Bureau of Business and Economic Research  
 1997 - U.S. Bureau of the Census Official Estimate  
 1999 – City of Deerfield Beach, Planning and Growth Management Department Estimate  
 2000 & 2001 - Broward County Planning Department Estimate  
 2002 - University of Florida, Bureau of Business and Economic Research

- (A) Net bonded debt per capita is equal to the direct general obligation bond debt of the city divided by population.
- (B) Total net bonded debt per capita is equal to the direct general obligation bond debt of the city plus the overlapping general obligation bond debt of the county and school district divided by population.

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita (A)</u>	<u>Ratio of Total Bonded Debt to Assessed Value</u>	<u>Total Net Bonded Debt Per Capita (B)</u>
\$12,152,584	.57%	\$255	1.81%	\$814
11,578,951	.55	242	1.74	771
12,978,132	.61	268	1.74	768
12,342,961	.56	252	1.74	786
11,633,461	.51	232	1.58	727
10,970,961	.46	218	1.38	657
10,176,810	.40	169	1.24	527
19,318,674	.64	313	1.27	620
21,216,826	.66	327	1.30	641
20,215,364	.50	309	1.01	629

**City of Deerfield Beach**

**Table X**

**Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Governmental Expenditures  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Governmental Expenditures</u></b>	<b><u>Ratio of Debt Service to General Governmental Expenditures</u></b>
1993	\$343,841	\$645,545	\$989,386	\$22,948,356	4.31%
1994	883,000	854,631	1,737,631	23,333,939	7.45
1995	896,500	852,391	1,748,891	23,952,160	7.30
1996	959,000	948,714	1,907,714	26,632,288	7.16
1997	1,050,500	884,039	1,934,539	28,626,345	6.76
1998	1,167,500	833,271	2,000,771	32,258,931	6.20
1999	1,135,000	778,763	1,913,763	34,619,149	5.53
2000	1,195,000	720,553	1,915,553	40,356,887	4.75
2001	1,379,926	706,887	2,086,813	41,636,744	5.01
2002	1,458,740	696,630	2,155,370	43,326,206	4.97

Excludes bond issuance and other costs.

**City of Deerfield Beach**

**Table XI**

**Computation of Direct and Overlapping Bonded Debt  
General Obligation Bonds  
September 30, 2002**

<u>Governmental Unit</u>	<u>Applicable to City of Deerfield Beach Net General Obligation Bonded Debt Outstanding</u>	<u>Percent</u>	<u>Amount</u>
Direct Debt:			
City of Deerfield Beach	<u>\$20,215,364</u>	100%	<u>\$20,215,364</u>
Overlapping Debt:			
Broward County	361,204,926	4.1*	14,809,402
Broward School District	<u>149,948,717</u>	4.1*	<u>6,147,897</u>
	<u>511,153,643</u>		<u>20,957,299</u>
Total	<u>\$531,369,007</u>		<u>\$41,172,663</u>

\* Ratio of taxable assessed value in the City of Deerfield Beach to total Broward County assessed value.

**City of Deerfield Beach**

**Table XII**

**Water and Sewer Revenue Bond Coverage  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Gross Revenue (A)</u></b>	<b><u>Expenses (B)</u></b>	<b><u>Net Revenue Available for Debt Service</u></b>	<b><u>Escrow or Principal</u></b>
1993	\$12,144,044	\$7,778,601	\$4,365,443	\$-
1994	12,173,788	7,554,905	4,618,883	575,000
1995	12,173,126	7,801,060	4,372,066	885,000
1996	12,383,762	7,928,620	4,455,142	930,000
1997	12,674,544	8,507,678	4,166,866	980,000
1998	13,474,187	8,478,960	4,995,227	1,035,000
1999	14,646,659	8,861,837	5,784,822	1,090,000
2000	16,269,400	8,009,955	8,259,445	1,155,000
2001	17,014,773	8,915,308	8,099,465	1,225,000
2002	17,466,593	9,359,920	8,106,673	1,275,000

- A) Gross revenue for the purpose of determining debt service coverage, is equal to the sum of the operating revenues of the Water and Sewer Fund and total interest earnings. For fiscal years before 1993, gross revenue does not include that portion of investment earnings earned by the treasury bonds that were held in the sinking fund for payment of the term bonds, which are now defeased, that mature on April 1, 2008.
- B) Expenses, for the purpose of determining debt service coverage, are equal to the total operating expenses of the Water and Sewer Fund less depreciation and less the general administrative charge.
- C) The debt service requirement for the water and sewer revenue bonds is set forth in the bond resolution which authorized the issuance of the Water and Sewer Refunding Revenue Bonds, Series 1984, as supplemented and amended by the bond resolutions passed in conjunction with the issuance of the Water and Sewer Refunding and Improvement Revenue Bonds, Series 1992.



**Debt Service Requirements**

<b><u>Interest</u></b>	<b><u>Total ( C )</u></b>	<b><u>Coverage</u></b>
\$795,416	\$795,416	5.49
789,229	1,364,229	3.39
758,666	1,643,666	2.66
713,561	1,643,561	2.71
665,009	1,645,009	2.53
611,896	1,646,896	3.03
553,809	1,643,809	3.52
491,154	1,646,154	5.02
422,994	1,647,994	4.91
368,418	1,643,418	4.93

**City of Deerfield Beach**

**Table XIII**

**Demographic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>( A ) <u>Population</u></b>	<b>( B ) <u>Per Capita Income</u></b>	<b>( B ) <u>Median Age</u></b>	<b>( C ) <u>School Enrollment</u></b>	<b>( D ) <u>Unemployment Rate</u></b>
1993	47,639	\$23,840	37.6	5,680	6.2%
1994	47,771	24,736	37.5	5,845	5.8
1995	48,393	26,192	37.5	6,018	5.1
1996	48,974	26,752	39.5	6,203	4.8
1997	50,123	27,661	39.5	6,738	4.7
1998	50,213	28,546	39.5	7,178	4.6
1999	60,166	29,442	39.5	7,345	3.8
2000	61,671	29,409	39.5	7,007	3.7
2001	64,948	Not available	39.5	7,023	3.6
2002	65,500	Not available	37.7	7,534	5.9

A) Source: Broward County Planning Department Estimate for 2001. City of Deerfield Beach Planning and Growth Management Department Estimate for 1999 and 2000. Population estimates from 1993 through 1996 and 1998 as well as 2001 - 2002 were obtained from the University of Florida, Bureau of Economic and Business Research. The 1997 population is from the US Bureau of the Census.

B) Source: University of Florida, Bureau of Business and Economic Research - for Broward County.

C) Source: School Board of Broward County.

D) Source: Florida Bureau of Labor Market Information.

**City of Deerfield Beach**

**Table XIV**

**Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Assessed Property Value ( A )</b>	<b>Commercial Construction (B)</b>		<b>Residential Construction (B)</b>		<b>Building Permits</b>		<b>Bank Deposits ( C ) (in thousands)</b>
		<b>Number of Units</b>	<b>Value</b>	<b>Number of Units</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Total Value</b>	
1993	\$2,137,569,100	14	\$3,402,400	49	\$2,442,700	2,139	\$29,651,126	\$9,547,706
1994	2,111,537,100	11	4,345,115	675	39,292,338	7,573	66,782,606	10,068,473
1995	2,139,126,487	442	24,917,490	1,186	14,181,844	5,931	51,108,068	8,253,548
1996	2,209,244,345	353	19,016,667	1,320	13,032,632	5,524	63,411,424	7,161,930
1997	2,303,113,846	302	23,332,853	595	77,074,633	7,601	100,407,486	6,410,425
1998	2,389,445,118	498	106,951,072	687	21,802,554	8,264	178,018,941	8,873,818
1999	2,565,570,056	128	23,184,770	353	32,534,380	8,737	108,075,164	7,093,748
2000	3,009,665,077	533	26,740,153	548	17,890,263	7,809	73,049,327	7,319,000
2001	3,218,705,612	501	39,910,327	593	3,710,643	5,851	78,064,193	7,841,000
2002	4,095,996,822	270	55,182,067	296	8,194,366	10,985	94,018,875	8,632,000

A) Source: Broward County Property Appraiser - Assessed value of all real and personal property, before exemptions, as of January 1<sup>st</sup> of current fiscal year.

B) Source: City of Deerfield Beach Building Department.

C) Source: Florida Bankers Association.

**City of Deerfield Beach**

**Table XV**

**Miscellaneous Statistical Data  
September 30, 2002**

Date of incorporation	June 1925
Date first charter adopted	1925
Date present charter adopted	1975
Form of government	Mayor/Commission
Area	15.2 square miles
Miles of streets and alleys:	
Paved	100.6
Sidewalks	109.3
Miles of sewers:	
Storm	28.62
Sanitary	132.02
Force mains	35.58
Building permits issued:	10,985
Value of buildings permitted:	\$94,018,875
Fire protection:	
Number of stations	4
Number of employees	122
Municipal water department:	
Number of meters	12,571
Number of units	32,473
Plant capacity	24,300,000 gallons per day
Recreation:	
Number of parks	22
Public beach	5,700 feet
Municipal pier	920 feet
Education:	
Number of public schools	5
Number of teachers	361
Number of students	7,534
Employees	452

APPENDIX H

FINANCIAL INFORMATION REGARDING THE CITY OF HIALEAH

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City of Hialeah, Florida  
 Combined Statement of Revenues, Expenditures and Changes  
 in Fund Balances - General Fund  
 Fiscal Years Ended September 30,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Ad valorem taxes	\$37,761,909	\$37,305,475	\$35,168,820
Utility taxes	17,169,661	15,659,335	15,157,097
Franchise fees	8,766,068	7,578,351	7,858,428
Licenses and permits	5,128,004	4,189,978	4,354,611
State and local shared revenues	18,399,706	18,177,781	17,104,038
Fines and forfeitures	1,517,199	1,628,429	995,316
Interest	2,295,127	1,601,572	1,130,731
Government grants and other revenues	5,430,427	4,284,117	3,906,003
Revenues from direct-financing lease	<u>647,515</u>	<u>647,515</u>	<u>647,515</u>
Total revenues	<u>97,115,616</u>	<u>91,072,553</u>	<u>86,322,559</u>
Expenditures:			
Current:			
Police	28,742,435	26,876,050	27,452,417
Fire	20,005,416	17,943,499	18,877,581
Fleet maintenance	1,851,343	1,462,673	1,424,607
Construction and maintenance	1,923,927	1,769,628	1,880,484
Recreation and community service	8,749,184	7,672,922	7,882,931
Streets	-	-	-
Planning and development	1,660,652	1,493,396	1,636,775
Law	670,619	498,990	692,297
Risk management	151,812	136,212	-
Human resources	491,890	489,460	436,657
City Clerk's office	876,264	910,536	854,215
Office of Management and Budget	298,513	245,485	290,421
Office of the Mayor	416,074	341,389	324,559
Employee retirement	435,290	385,112	400,571
Library	1,229,786	931,952	956,393
Compliance division	491,783	409,554	416,111
Finance	655,265	680,553	667,957
Community development	-	-	-
Grants and human services	-	-	-
S.H.I.P. expenses	-	-	-
General government	22,435,091	17,735,575	19,541,797
Workforce Investment Act programs	-	-	-
Division of licenses	314,903	299,277	356,520
Information systems	533,233	292,187	257,785
Capital outlay	2,552,516	2,705,737	1,635,855
Debt Service:			
Principal	2,117,713	1,993,924	1,855,658
Interest	<u>459,663</u>	<u>543,639</u>	<u>642,093</u>
Total expenditures	<u>97,063,372</u>	<u>85,817,750</u>	<u>88,483,684</u>
Excess (deficiency) of revenues over expenditures	<u>52,244</u>	<u>5,254,803</u>	<u>(2,161,125)</u>
Other financing sources (uses):			
Operating transfers in	1,832,181	1,724,409	2,190,579
Operating transfers out	<u>(88,869)</u>	<u>(84,673)</u>	<u>(1,504,759)</u>
Total other financial sources (uses)	1,743,312	1,639,736	685,820
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,795,556	6,894,539	(1,475,305)
Fund balance, beginning	19,926,751	13,815,924	14,057,517
Prior period adjustment	-	(431,926)	-
Residual equity transfers in (out)	-	(351,786)	-
Cumulative effect of a change in accounting principle	<u>-</u>	<u>-</u>	<u>1,233,712</u>
Fund balances, ending	<u>\$21,722,307</u>	<u>\$19,926,751</u>	<u>\$13,815,924</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.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and City Council  
City of Hialeah, Florida

We have audited the accompanying general purpose financial statements of the City of Hialeah, 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 as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining and individual fund financial 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 City. Such information has been subjected to the auditing procedures applied in our 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.

*Rachelle Cohen & Holtz LLP*

Miami, Florida  
January 18, 2002



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**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**(Combined Statements - Overview)**

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**CITY OF HIALEAH, FLORIDA**

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2001

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2000)

	<u>Governmental Fund Types</u>				<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fund Type</u>	<u>Fund Type</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>	
<u>ASSETS AND OTHER DEBITS</u>					<u>Enterprise</u>	<u>Trust and Agency</u>			<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$ 38,108,692	\$ 1,368,401	\$ 846,177	\$ 516,462	\$ 24,299,656	\$ 28,457,846	\$ -	\$ -	\$ 93,597,234	\$ 62,362,894
Cash held in escrow	-	28,056	-	-	-	-	-	-	28,056	26,691
Investments	-	-	-	-	-	462,434,543	-	-	462,434,543	528,910,474
Receivables:										
Franchise, utility and other taxes	5,857,847	-	-	-	-	-	-	-	5,857,847	6,037,031
Customer accounts	-	-	-	-	6,879,419	-	-	-	6,879,419	7,112,932
Accrued interest and dividends	-	-	-	-	25,961	2,693,376	-	-	2,719,337	3,477,111
Due from other governmental agencies	-	1,794,713	-	-	469,785	-	-	-	2,264,498	6,853,443
Other	930,306	4,637,688	-	-	1,244,616	1,711,920	-	-	8,524,530	2,910,124
Due from other funds	6,612,501	7,464,601	-	-	8,577,464	388,678	-	-	23,043,244	23,978,585
Inventories	338,999	-	-	-	347,861	-	-	-	686,860	505,111
Prepaid items and other assets	-	145,133	-	-	7,027	-	-	-	152,160	166,667
Restricted assets	-	-	-	8,942,609	18,867,409	-	-	-	27,810,018	29,853,708
Net investment in direct financing lease	-	-	-	-	-	-	3,404,747	-	3,404,747	3,833,901
Fixed assets, net	-	-	-	-	73,496,098	-	212,387,430	-	285,883,528	260,439,849
Other debits:										
Amount available in debt service fund	-	-	-	-	-	-	-	618,179	618,179	582,047
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	98,529,967	98,529,967	99,834,107
Total assets and other debits	<u>\$ 51,848,345</u>	<u>\$ 15,438,592</u>	<u>\$ 846,177</u>	<u>\$ 9,459,071</u>	<u>\$ 134,215,296</u>	<u>\$ 495,686,363</u>	<u>\$ 215,792,177</u>	<u>\$ 99,148,146</u>	<u>\$ 1,022,434,167</u>	<u>\$ 1,036,884,675</u>

(Continued)

See notes to general purpose financial statements.

**CITY OF HIALEAH, FLORIDA**

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
(Continued)

SEPTEMBER 30, 2001

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2000)

	<u>Governmental Fund Types</u>				<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>	<u>Fund Type</u>	<u>Fund Type</u>	<u>General</u>	<u>General</u>	<u>(Memorandum Only)</u>	
<u>LIABILITIES, EQUITY AND</u> <u>OTHER CREDITS</u>		<u>Revenue</u>	<u>Service</u>	<u>Projects</u>	<u>Enterprise</u>	<u>Trust and</u>	<u>Fixed</u>	<u>Long-Term</u>	<u>2001</u>	<u>2000</u>
						<u>Agency</u>	<u>Assets</u>	<u>Debt</u>		
Liabilities:										
Accounts payable and accrued liabilities	\$4,214,556	\$ 677,256	\$221,530	\$2,064,566	\$8,413,266	\$16,581,293	\$ -	\$ -	\$32,172,467	\$18,913,988
Self-insurance claims payable	6,658,812	-	-	-	1,088,625	-	-	26,867,050	34,614,487	32,815,078
Compensated absences payable	2,712,780	-	-	-	1,613,585	-	-	10,517,020	14,843,385	15,253,068
Due to other funds	14,329,010	4,690,318	6,468	578,870	845,320	30,273	-	-	20,480,259	21,826,874
Due to retired participants	-	-	-	-	-	23,387,656	-	-	23,387,656	19,445,648
Capital lease obligations - current portion	-	-	-	-	112,665	-	-	-	112,665	167,951
Deposits	-	59,554	-	-	-	-	-	-	59,554	304,326
Liabilities payable from restricted assets:										
Current maturities of long-term debt	-	-	-	-	2,890,000	-	-	-	2,890,000	2,720,000
Customer deposits	291,093	-	-	-	4,642,846	-	-	-	4,933,939	4,503,732
Due to other funds - restricted	-	-	-	-	2,562,985	-	-	-	2,562,985	2,151,711
Accrued interest	-	-	-	-	466,791	-	-	-	466,791	532,911
Occupational license revenue received in advance	1,213,665	-	-	-	-	-	-	-	1,213,665	1,380,878
Deferred revenues, net	706,122	2,310,620	-	-	257,770	-	-	-	3,274,512	3,449,184
Deferred interest, net	-	-	-	-	2,313,947	-	-	-	2,313,947	2,396,270
Net pension obligation	-	-	-	-	-	-	-	19,206,239	19,206,239	17,089,486
Capital lease obligations - long-term portion	-	-	-	-	-	-	-	3,386,755	3,386,755	5,195,115
Long-term debt	-	-	-	-	16,095,000	-	-	39,171,082	55,266,082	59,875,253
Total liabilities	<u>30,126,038</u>	<u>7,737,748</u>	<u>227,998</u>	<u>2,643,436</u>	<u>41,302,800</u>	<u>39,999,222</u>	<u>-</u>	<u>99,148,146</u>	<u>221,185,388</u>	<u>208,021,473</u>

(Continued)

See notes to general purpose financial statements.

**CITY OF HIALEAH, FLORIDA**

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
(Continued)

SEPTEMBER 30, 2001

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2000)

LIABILITIES, EQUITY AND OTHER CREDITS (Continued)	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2001	2000
Investment in general fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,792,177	\$ -	\$ 215,792,177	\$ 191,587,052
Contributed capital	-	-	-	-	49,832,131	-	-	-	49,832,131	50,206,680
Retained earnings:										
Reserved for:										
General contingencies	-	-	-	-	6,867,593	-	-	-	6,867,593	6,585,024
Asset renewal and replacement	-	-	-	-	250,000	-	-	-	250,000	250,000
Retirement of revenue bonds	-	-	-	-	871,027	-	-	-	871,027	871,027
Unreserved	-	-	-	-	35,091,745	-	-	-	35,091,745	27,300,916
Fund balances:										
Reserved for:										
Employees pension benefits	-	-	-	-	-	455,687,141	-	-	455,687,141	504,016,394
Encumbrances	825,625	378,023	-	-	-	-	-	-	1,203,648	2,382,904
Inventories	338,999	-	-	-	-	-	-	-	338,999	207,352
Debt service	-	-	618,179	-	-	-	-	-	618,179	582,047
Unreserved:										
Designated for:										
Subsequent years' expenditures	9,294,920	2,791,895	-	-	-	-	-	-	12,086,815	15,211,723
Future construction	-	903,984	-	-	-	-	-	-	903,984	603,511
Undesignated	11,262,763	3,626,942	-	6,815,635	-	-	-	-	21,705,340	29,058,572
Total equity	<u>21,722,307</u>	<u>7,700,844</u>	<u>618,179</u>	<u>6,815,635</u>	<u>92,912,496</u>	<u>455,687,141</u>	<u>215,792,177</u>	<u>-</u>	<u>801,248,779</u>	<u>828,863,202</u>
Total liabilities, equity and other credits	<u>\$ 51,848,345</u>	<u>\$ 15,438,592</u>	<u>\$ 846,177</u>	<u>\$ 9,459,071</u>	<u>\$ 134,215,296</u>	<u>\$ 495,686,363</u>	<u>\$ 215,792,177</u>	<u>\$ 99,148,146</u>	<u>\$ 1,022,434,167</u>	<u>\$ 1,036,884,675</u>

See notes to general purpose financial statements.

**CITY OF HIALEAH, FLORIDA**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2000)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>	
					<u>2001</u>	<u>2000</u>
<b>Revenues:</b>						
Ad valorem taxes	\$37,761,909	\$ -	\$ -	\$ -	\$37,761,909	\$37,305,475
Utility taxes	17,169,661	3,333,796	-	-	20,503,457	19,077,865
Franchise fees	8,766,068	-	-	-	8,766,068	7,578,351
Licenses and permits	5,128,004	399,930	-	-	5,527,934	4,541,634
State and local shared revenues	18,399,706	4,602,411	-	-	23,002,117	22,637,268
Fines and forfeitures	1,517,199	1,168,128	-	-	2,685,327	1,776,193
Interest	2,295,127	476,691	40,130	1,309,289	4,121,237	3,150,650
Government grants and other revenues	5,430,427	16,075,185	-	-	21,505,612	21,419,434
Revenues from direct-financing lease	647,515	-	-	-	647,515	647,515
<b>Total revenues</b>	<u>97,115,616</u>	<u>26,056,141</u>	<u>40,130</u>	<u>1,309,289</u>	<u>124,521,176</u>	<u>118,134,385</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Police	28,742,435	188,631	-	-	28,931,066	27,088,861
Fire	20,005,416	670,304	-	-	20,675,720	18,437,991
Fleet maintenance	1,851,343	-	-	-	1,851,343	1,462,673
Construction and maintenance	1,923,927	-	-	-	1,923,927	1,769,628
Recreation and community services	8,749,184	-	-	-	8,749,184	7,672,922
Streets	-	5,179,783	-	-	5,179,783	4,169,915
Planning and development	1,660,652	-	-	-	1,660,652	1,493,396
Law	670,619	-	-	-	670,619	498,990
Risk management	151,812	-	-	-	151,812	136,212
Human resources	491,890	-	-	-	491,890	489,460
City Clerk's office	876,264	-	-	-	876,264	910,536
Office of Management and Budget	298,513	-	-	-	298,513	245,485
Office of the Mayor	416,074	-	-	-	416,074	341,389
Employee retirement	435,290	-	-	-	435,290	385,112
Library	1,229,786	-	-	-	1,229,786	931,952
Compliance division	491,783	-	-	-	491,783	409,554
Finance	655,265	-	-	-	655,265	680,553
Grants and human services	-	551,067	-	-	551,067	466,430
S.H.I.P. expenses	-	1,918,445	-	-	1,918,445	967,226
General government	22,435,091	1,899,201	3,998	21,568	24,359,858	19,402,591
Workforce Investment Act programs	-	2,028,140	-	-	2,028,140	1,181,858
Division of licenses	314,903	-	-	-	314,903	299,277
Information systems	533,233	-	-	-	533,233	292,187
Capital outlay	2,552,516	11,880,677	-	11,548,942	25,982,135	29,414,787
<b>Debt service:</b>						
Principal	2,117,713	1,160,115	125,000	-	3,402,828	3,480,316
Interest	459,663	1,623,027	196,935	392,530	2,672,155	2,125,987
<b>Total expenditures</b>	<u>97,063,372</u>	<u>27,099,390</u>	<u>325,933</u>	<u>11,963,040</u>	<u>136,451,735</u>	<u>124,755,288</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>52,244</u>	<u>(1,043,249)</u>	<u>(285,803)</u>	<u>(10,653,751)</u>	<u>(11,930,559)</u>	<u>(6,620,903)</u>
<b>Other financing sources (uses):</b>						
Operating transfers in	1,832,181	2,108,592	321,935	-	4,262,708	2,162,342
Operating transfers out	(88,869)	(3,173,454)	-	(258,970)	(3,521,293)	(1,548,003)
Debt proceeds	-	-	-	-	-	4,400,000
<b>Total other financial sources (uses)</b>	<u>1,743,312</u>	<u>(1,064,862)</u>	<u>321,935</u>	<u>(258,970)</u>	<u>741,415</u>	<u>5,014,339</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>1,795,556</u>	<u>(2,108,111)</u>	<u>36,132</u>	<u>(10,912,721)</u>	<u>(11,189,144)</u>	<u>(1,606,564)</u>
<b>Fund balances, beginning</b>	19,926,751	9,808,955	582,047	17,728,356	48,046,109	49,787,390
<b>Prior period adjustment (see Note 17)</b>	-	-	-	-	-	(431,926)
<b>Residual equity transfers in</b>	-	-	-	-	-	297,209
<b>Fund balances, ending</b>	<u>\$21,722,307</u>	<u>\$7,700,844</u>	<u>\$618,179</u>	<u>\$ 6,815,635</u>	<u>\$36,856,965</u>	<u>\$48,046,109</u>

See notes to general purpose financial statements.

**CITY OF HIALEAH, FLORIDA**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL AND SPECIAL REVENUE FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>General Fund</u>			<u>Annually Appropriated Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Ad valorem taxes	\$38,218,300	\$37,761,909	\$ (456,391)	\$ -	\$ -	\$ -
Utility taxes	16,003,000	17,169,661	1,166,661	3,300,000	3,333,796	33,796
Franchise fees	7,115,000	8,766,068	1,651,068	-	-	-
Licenses and permits	3,927,000	5,128,004	1,201,004	250,000	399,930	149,930
State and local shared revenues	17,520,000	18,399,706	879,706	4,300,000	4,602,411	302,411
Fines and forfeitures	1,134,500	1,517,199	382,699	-	-	-
Interest	1,300,000	2,295,127	995,127	95,000	277,781	182,781
Government grants and other revenues	3,910,634	5,430,427	1,519,793	2,125,000	3,000,613	875,613
Revenues from direct finance lease	647,515	647,515	-	-	-	-
<b>Total revenues</b>	<u>89,775,949</u>	<u>97,115,616</u>	<u>7,339,667</u>	<u>10,070,000</u>	<u>11,614,531</u>	<u>1,544,531</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Police	29,788,583	28,763,272	1,025,311	-	-	-
Fire	20,515,836	20,026,905	488,931	737,884	688,491	49,393
Fleet maintenance	2,093,644	1,851,732	241,912	-	-	-
Construction and maintenance	2,129,982	1,924,127	205,855	-	-	-
Recreation and community services	9,307,942	8,765,827	542,115	-	-	-
Streets	-	-	-	6,184,609	5,203,132	981,477
Planning and development	1,930,631	1,661,576	269,055	-	-	-
Law	740,282	670,791	69,491	-	-	-
Risk management	194,204	151,812	42,392	-	-	-
Human resources	638,806	491,901	146,905	-	-	-
City Clerk's office	1,089,742	879,610	210,132	-	-	-
Office of Management and Budget	373,187	298,513	74,674	-	-	-
Office of the Mayor	494,055	416,103	77,952	-	-	-
Employee retirement	517,926	435,290	82,636	-	-	-
Library	1,402,248	1,229,849	172,399	-	-	-
Compliance division	514,067	497,555	16,512	-	-	-
Finance	812,894	655,265	157,629	-	-	-
General government	23,286,188	22,498,477	787,711	605,000	622,645	(17,645)
Division of licenses	342,748	314,903	27,845	-	-	-
Information systems	549,062	534,015	15,047	-	-	-
Capital outlay	4,827,992	3,244,098	1,583,894	5,256,728	3,135,226	2,121,502
<b>Debt service:</b>						
Principal	2,117,713	2,117,713	-	1,040,000	1,040,000	-
Interest	459,663	459,663	-	1,304,047	1,297,994	6,053
<b>Total expenditures</b>	<u>104,127,395</u>	<u>97,888,997</u>	<u>6,238,398</u>	<u>15,128,268</u>	<u>11,987,488</u>	<u>3,140,780</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(14,351,446)</u>	<u>(773,381)</u>	<u>13,578,065</u>	<u>(5,058,268)</u>	<u>(372,957)</u>	<u>4,685,311</u>
<b>Other financing sources (uses):</b>						
Operating transfers in	1,796,160	1,832,181	36,021	-	258,970	258,970
Operating transfers out	(75,000)	(88,869)	(13,869)	(1,154,116)	(2,883,485)	(1,729,369)
Appropriation of prior year fund balance	12,630,286	-	(12,630,286)	6,212,384	4,479,211	(1,733,173)
<b>Total other financing sources (uses)</b>	<u>14,351,446</u>	<u>1,743,312</u>	<u>(12,608,134)</u>	<u>5,058,268</u>	<u>1,854,696</u>	<u>(3,203,572)</u>
<b>Excess of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ 969,931</u>	<u>\$ 969,931</u>	<u>\$ -</u>	<u>\$ 1,481,739</u>	<u>\$ 1,481,739</u>

See notes to general purpose financial statements.

# CITY OF HIALEAH, FLORIDA

## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2000)

	<u>2001</u>	<u>2000</u>
Operating revenues:		
Metered water sales	\$ 13,232,252	\$ 14,167,910
Sanitary sewer service	25,888,621	28,015,451
Sanitation fees	12,628,361	12,621,447
Hydrant rentals and other charges	71,940	69,574
Other	2,386,484	3,048,478
Total operating revenues	<u>54,207,658</u>	<u>57,922,860</u>
Operating expenses:		
Water	7,428,537	7,391,508
Sewer	20,465,234	20,425,452
Indirect expenses	5,531,381	5,742,827
Depreciation	3,261,560	3,325,481
Sanitation	11,703,423	10,265,640
Total operating expenses	<u>48,390,135</u>	<u>47,150,908</u>
Operating income	<u>5,817,523</u>	<u>10,771,952</u>
Non-operating revenues (expenses):		
Interest and other income	2,871,270	2,549,762
Net (decrease) increase in fair value of investments	(1,327)	26,765
Interest expense	(1,124,730)	(1,555,559)
Loss on sale of investments	-	(22,173)
Gain on disposal of fixed assets	-	6,100
Total non-operating revenues	<u>1,745,213</u>	<u>1,004,895</u>
Income before capital contributions and operating transfers	<u>7,562,736</u>	<u>11,776,847</u>
Capital Contributions	<u>877,528</u>	<u>-</u>
Transfers to other funds:		
Operating transfers in	58,585	185,661
Operating transfers out	(800,000)	(800,000)
Total transfers	<u>(741,415)</u>	<u>(614,339)</u>
Net income	7,698,849	11,162,508
Add depreciation on contributed assets	374,549	374,549
Increase in retained earnings	<u>8,073,398</u>	<u>11,537,057</u>
Retained earnings, beginning	35,006,967	22,983,407
Prior period adjustment (Note 17)	-	783,712
Retained earnings, beginning, as adjusted	<u>35,006,967</u>	<u>23,767,119</u>
Residual equity transfer out	-	(297,209)
Retained earnings, ending	<u>43,080,365</u>	<u>35,006,967</u>
Contributed capital, beginning	50,206,680	50,171,241
Contributed capital received	-	409,988
Depreciation on contributed assets	(374,549)	(374,549)
Contributed capital, ending	<u>49,832,131</u>	<u>50,206,680</u>
Total fund equity	<u>\$ 92,912,496</u>	<u>\$ 85,213,647</u>

See notes to general purpose financial statements.

# CITY OF HIALEAH, FLORIDA

## COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2000)

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Operating income	\$ 5,817,523	\$10,771,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,261,560	3,325,481
Amortization of deferred income	(121,979)	(121,981)
Gain on disposal of fixed assets	-	(6,100)
Prior period adjustment	-	783,712
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Customers' accounts receivable	(1,350,586)	(1,030,638)
Other receivables	(914,111)	106,463
Due from other governments	-	(469,785)
Due from other funds	1,095,760	(1,360,402)
Inventories	(50,102)	(13,617)
Prepaid items and other assets	13,180	24,689
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,579,786)	2,914,230
Self-insurance claims payable	(19,801)	(114,976)
Due to other funds	(852,718)	(302,372)
Liabilities payable from restricted assets	484,268	(144,421)
Compensated absences payable	(19,343)	(391,660)
Total adjustments	<u>(53,658)</u>	<u>3,198,623</u>
Net cash provided by operating activities	<u>5,763,865</u>	<u>13,970,575</u>
Cash flows from non-capital financing activities:		
Operating transfers in	58,585	185,661
Operating transfers out	(800,000)	(800,000)
Residual equity transfers out	-	(297,209)
Net cash used in non-capital financing activities	<u>(741,415)</u>	<u>(911,548)</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(3,654,960)	(2,739,961)
Proceeds from the sale of fixed assets	-	6,100
Contributed capital	-	409,988
Principal payments on long-term debt	(2,720,000)	(2,565,000)
Payments on capital leases	877,528	(175,088)
Interest paid	(1,124,730)	(1,555,559)
Net cash used in capital and related financing activities	<u>(6,622,162)</u>	<u>(6,619,520)</u>
Cash flows from investing activities:		
Purchase of investments	(1,774,190)	(15,723,771)
Proceeds from sale of investments	15,723,771	17,648,855
Decrease in restricted assets other than cash	(52,871)	(96,568)
Interest and other income received	2,933,307	2,549,762
Net cash provided by investing activities	<u>16,830,017</u>	<u>4,378,278</u>
Net increase in cash and cash equivalents	15,230,305	10,817,785
Cash and cash equivalents, beginning (includes restricted of \$7,514,278)	<u>24,148,883</u>	<u>13,331,098</u>
Cash and cash equivalents, ending (includes restricted of \$14,657,391)	<u>\$39,379,188</u>	<u>\$24,148,883</u>

See notes to general purpose financial statements.



# CITY OF HIALEAH, FLORIDA

## COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001  
(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2000)

	<u>2001</u>	<u>2000</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 5,935,192	\$ 1,470,559
Employee	<u>4,509,777</u>	<u>4,067,101</u>
Total contributions	<u>10,444,969</u>	<u>5,537,660</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(46,341,074)	21,773,736
Investment earnings	<u>17,227,792</u>	<u>39,279,403</u>
	(29,113,282)	61,053,139
Less investment expenses	<u>775,155</u>	<u>759,339</u>
Net investment income (loss)	<u>(29,888,437)</u>	<u>60,293,800</u>
Total additions (reductions)	<u>(19,443,468)</u>	<u>65,831,460</u>
<b>DEDUCTIONS</b>		
Pension benefits	19,478,872	19,606,186
Refunds	<u>9,406,913</u>	<u>11,766,446</u>
Total deductions	<u>28,885,785</u>	<u>31,372,632</u>
Net increase (decrease)	(48,329,253)	34,458,828
Net assets held in trust for pension benefits:		
Beginning of year	<u>504,016,394</u>	<u>469,557,566</u>
End of year	<u>\$ 455,687,141</u>	<u>\$ 504,016,394</u>

See notes to general purpose financial statements.

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**NOTES TO GENERAL PURPOSE  
FINANCIAL STATEMENTS**

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# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the City) was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. 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 and financial reporting principles. The more significant of the City's accounting policies are described below.

#### 1. The 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.

#### *Related Organization*

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2001, the City appropriated an operating grant of approximately \$175,000 to this organization, of which \$174,683 was expended.

#### 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.

# CITY OF HIALEAH, 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)

The City has the following fund types and account groups:

**Governmental funds** 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 measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 90 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 City 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.

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**Governmental Funds** include the following fund types:

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 **Special Revenue Funds** account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The City's special revenue funds (21) include: Recycling and Education Fund, Streets Fund, Storm Water Utilities Fund, Rescue Transportation Fund, Emergency 911 Fund, Emergency 911 Wireless Communication Fund, Disaster Relief Fund, Law Enforcement Trust Fund, Hialeah-Dade Development County Grant, Community Development Block Grant (CDBG) Fund, Hialeah Adult Youth Employment Services (HAYES Program - WIA) Fund, Home Investment Fund, Emergency Shelter Grant Fund, Building Impact Fees Fund, Affordable Housing Fund, State Housing Initiatives Fund (S.H.I.P.), the Law Enforcement Block Grant Fund, Victims of Crime Act Fund, Criminal Justice Fund, Safe Neighborhood Park Project Fund and the Auto Theft Grant Fund.

The **Debt Service Fund** accounts for the servicing of general long-term debt not being financed by proprietary funds.

# CITY OF HIALEAH, 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 Funds (Continued)

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds. The City's capital projects funds include: the Capital Improvement and Construction Fund and the Hialeah Court House Fund.

*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 FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or are contradicted by 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 board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Included therein are the City's Water and Sewers Fund and Solid Waste Fund.

*Fiduciary Funds* account for the assets held by the City in a trustee capacity or as an agent on behalf of others. Agency funds include the Disaster Relief Fund. Trust funds account for assets held by the City under the terms of a formal trust agreement. The City's pension trust funds include the Employees' Retirement Fund, the Elected Officials' Retirement Fund and the Excess Benefit Fund.

*Account Groups.* The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

#### 3. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks and corporate bonds.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Deposits and Investments (Continued)

Investments are reported at fair value.

#### 4. Interfund Receivables and Payables

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

#### 5. Inventories

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are recorded on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

#### 6. Fixed Assets

Fixed assets used in governmental funds are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair market value on the date of donation. Assets in the general fixed assets account group are not depreciated. Certain public domain (infrastructure) general fixed assets are capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Fixed assets in the proprietary funds of the City are recorded at cost.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives, ranging from 5 years for equipment to 50 years for utility plant, using the straight-line method.

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Office furniture and equipment	5-15
Shop equipment	5-10
Trucks and autos	5-10
Water and sewer lines	50

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 7. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee services.

The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave is accrued when incurred in proprietary funds and reported as a fund liability.

Amounts not expected to be liquidated with expendable financial resources are reported in the general long-term debt account group.

#### 8. Deferred Revenues

Revenues collected in advance are deferred and recognized as revenue in the period earned.

#### 9. 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. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

#### 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 a reservation of fund balance since they do not constitute expenditures or liabilities of the current period.

#### 11. Reserves and Designations

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

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use. The proprietary fund's contributed capital represents equity acquired through capital grants and contributions from developers, customers or other funds.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 12. 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.

#### 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 or results of operations in accordance with accounting principles generally accepted in the United States. Interfund eliminations have not been made in the aggregation of this data.

#### 14. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction.

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The assessed value of property at January 1, 2000, upon which the 2000-2001 levy was based, was approximately \$5.2 billion. The County bills and collects all property taxes for the City.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2001 was 7.528 mills per \$1,000 of assessed valuation.



# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 1. Budgets and Budgetary Accounting

The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding 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. Upon request of the Mayor, the City Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Mayor and only within the last six months of the budget year, the City Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the governing council level.
- e. Annual appropriated budgets are adopted for the General and certain Special Revenue Funds (streets, storm water utilities, rescue transportation, building impact fees and 911 funds) on a basis consistent with accounting principles generally accepted in the United States (GAAP), except for encumbrances, which are reported as expenditures for budgetary purposes. A reconciliation of GAAP to the budgetary basis is shown below.
- f. The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Individual type amendments were not material in relation to the original appropriations. Unencumbered appropriations lapse at fiscal year end.
- g. The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were approximately \$7,704,000 during fiscal year ended September 30, 2001.

#### 2. Budgets/GAAP Reconciliation

The following schedule reconciles the amounts on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (budgetary basis) to the amounts on the combined statement of revenues, expenditures and changes in fund balances.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### 2. Budgets/GAAP Reconciliation (Continued)

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Excess of revenues over expenditures and other financing sources – budgetary basis	\$ 969,931	\$ 1,481,739
Appropriations of prior year fund balance	-	(4,479,211)
Exclude funds not budgeted:		
Emergency 911 Wireless Communication Fund	-	68,001
Law Enforcement Trust Fund	-	198,553
Affordable Housing Fund	-	300,473
Encumbrances – Funds not budgeted (Emergency 911 Wireless Communications Fund)	-	(55,689)
Net encumbrances recorded as expenditures	<u>825,625</u>	<u>378,023</u>
Excess (deficiency) of revenues over expenditures and other financing sources – GAAP basis	<u>\$1,795,556</u>	<u>\$(2,108,111)</u>

#### 3. Deficit Funds

The Hialeah Courthouse capital projects fund had a deficit fund balance of \$30,537 as of September 30, 2001. This project is in the planning stage and will be funded with funds earmarked by the City.

The Emergency 911 Fund has a deficit fund balance of \$2,855 as of September 30, 2001. This deficit balance will be funded by the general fund.

### NOTE 4. DEPOSITS AND INVESTMENTS

#### *Deposits*

Deposits include cash on hand and certificates of deposit. In addition to insurance provided by the Federal Deposit Insurance Corporation, significant 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. Accordingly, all amounts reported as deposits are deemed as insured or collateralized.

The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common or preferred stock. Investments are reported at fair value.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### *Deposits* (Continued)

Investments are required to be categorized to give an indication of the level of credit risk assumed by the City at year end.

The three categories risk as defined by GASB Statement No. 3 are as follows:

- Category (1) - Insured or registered, or securities held by the City or its agent in the City's name.
- Category (2) - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category (3) - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws.

Investments consist of the Local Government Surplus Funds Trust Fund administered by State Board of Administration and investments held by the City's retirement funds. The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the funds have adopted operating procedures consistent with the requirements for a 2a-7 fund.

At September 30, 2001, the City's investment balances were as follows:

	<u>Category 1</u>	<u>Carrying Value</u>
Overnight repurchase agreements	\$ 38,696,039	\$ 38,696,039
U.S. Treasury bonds and notes	22,103,101	22,103,101
U.S. Government securities	104,889,066	104,889,066
Short-term U.S. Government securities	26,898,600	26,898,600
Corporate bonds and notes	106,458,508	106,458,508
Common stocks	<u>222,518,287</u>	<u>222,518,287</u>
Total investments	\$521,518,287	<u>521,518,287</u>
Investments not subject to risk categorization:		
Investment pools		<u>30,593,657</u>
		<u>\$552,157,258</u>

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### *Deposits* (Continued)

A reconciliation of cash and investments as shown on the combined balance sheet follows:

Cash and cash equivalents	\$ 93,597,234
Cash held in escrow	28,056
Investments	462,434,543
Restricted cash and investments	<u>27,810,018</u>
	<u>\$583,869,851</u>
Deposits	\$ 23,472,443
Loans to retirement system members	8,239,751
Investments	<u>552,157,657</u>
	<u>\$583,869,851</u>

### NOTE 5. DUE FROM/TO OTHER FUNDS

The amounts due from/to other funds at September 30, 2001 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	<u>\$6,612,501</u>	<u>\$14,329,010</u>
Special revenue funds:		
Streets	1,723,856	-
Stormwater utilities	2,506,576	-
Rescue transportation	737,227	-
E911	-	88,414
Law Enforcement Block Grant	522,893	-
Disaster Relief	-	387,156
E911-Wireless	195,299	-
Hialeah-Dade Development County Grant	-	32,214
C.D.B.G.	351,983	-
W.I.A.	-	1,527,373
Emergency Shelter Grant Fund	-	341
Affordable Housing Fund	6,409	-
Criminal justice	-	34,125
S.H.I.P.	1,420,358	-
Victims of Crime Act	-	2,925
Safe neighborhoods park project	<u>-</u>	<u>2,617,770</u>
Total special revenue funds	<u>7,464,601</u>	<u>4,690,318</u>

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 5. DUE FROM/TO OTHER FUNDS (Continued)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Debt service fund	-	<u>6,468</u>
Capital projects funds:		
Capital Improvement Construction Fund	-	548,333
Hialeah courthouse fund	-	<u>30,537</u>
Total capital projects funds	-	<u>578,870</u>
Enterprise funds:		
Solid waste	8,577,464	-
Water and sewers	-	<u>3,408,305</u>
Total enterprise funds	<u>8,577,464</u>	<u>3,408,305</u>
Trust and Agency Funds:		
Agency Fund	-	2,545
Pension trust funds:		
Employees retirement system	388,678	-
Elected officials retirement	-	<u>27,728</u>
Total pension trust funds	<u>388,678</u>	<u>30,273</u>
Totals	<u>\$23,043,244</u>	<u>\$23,043,244</u>

### NOTE 6. RESTRICTED ASSETS

Restricted assets consist of the following assets restricted for debt service and customer deposits at September 30, 2001:

<b>Water and Sewer Fund</b>	
Customers' deposit - cash and investments	\$ 990,933
Restricted for Miami-Dade County Department of Environmental Resource Management – DERM fee	3,329,030
Sinking fund and special reserve - 1968 revenue bonds – cash and investments with fiscal agent	992,194
Bond redemption - 1968 revenue bonds - cash and cash equivalents with fiscal agents	2,462
Renewal and replacement - 1968 revenue bonds - cash and investments with fiscal agent	251,093
Renewal and replacement - State of Florida loan - cash and investments with fiscal agent	6,545,353
Debt service - State of Florida loan – cash and investments with fiscal agent	<u>4,151,568</u>
Total restricted cash and investments water and sewer fund	<u>16,262,633</u>

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 6. RESTRICTED ASSETS (Continued)

#### Other Restricted Assets

Customer accounts – Solid Waste Fund	1,779,143
Customer accounts – Stormwater Fund	526,135
Customer accounts – City Utility Tax	247,398
Security and group insurance liability deposits	<u>52,100</u>
Total restricted assets water and sewer fund	<u>18,867,409</u>

#### Capital Improvements Construction Fund

Debt service – Florida Municipal Loan Council – Cash and cash equivalents	<u>8,942,609</u>
Total restricted assets	<u>\$27,810,018</u>

### NOTE 7. PURCHASE AND LEASEBACK - HIALEAH PARK

In 1978, the City purchased the land occupied by Hialeah Park Racetrack for \$9,000,000, financed by 6% notes payable to banks requiring monthly payments of \$53,960, including principal and interest, through January 2008. Concurrent with the purchase, the City leased the land to new owners under an agreement providing for monthly rental payments of \$53,960 through January 2008. The notes payable to banks, which are collateralized solely by the land, stipulate that the required monthly payments are to be made from the related lease revenues (see Note 11 for related debt repayment schedule).

Terms of the lease provide that the lessee shall pay all taxes, licenses and occupancy expenses. In addition, the lessee has an option to purchase the land at the end of lease for \$100. Accordingly, the City has accounted for the lease as a direct financing lease and has capitalized future lease payments receivable in the general fixed assets group of accounts. The liability is accounted for in the general long-term debt account group.

The net investment in direct financing lease as of September 30, 2001 is summarized as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Net minimum lease payments to be received	\$647,515	\$3,453,409	\$4,100,924
Less unearned income	<u>191,890</u>	<u>504,287</u>	<u>696,177</u>
Net investment in direct financing lease	<u>\$455,625</u>	<u>\$2,949,122</u>	<u>\$3,404,747</u>

### NOTE 8. FIXED ASSETS

	September 30, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2001</u>
Land	\$ 22,677,690	\$ -	\$ -	\$22,677,690
Buildings	51,261,358	3,302,199	-	54,563,557
Sidewalks, streets and sewers	57,751,852	13,639,722	-	71,391,574
Landscaping and grounds	6,812,417	2,115,307	-	8,927,724
Swimming pools	6,313,879	537,538	-	6,851,417

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 8. FIXED ASSETS (Continued)

	September 30, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>2001</u>
Automobiles, trucks, tractors and mowers	14,425,825	3,211,495	301,676	17,335,644
Office furniture and fixtures	1,553,036	158,160	41,645	1,669,551
General equipment	17,910,383	1,111,445	234,043	18,787,785
Floodlights, bleachers and Fences	6,113,155	924,228	-	7,037,383
Library books	<u>2,933,556</u>	<u>245,795</u>	<u>34,246</u>	<u>3,145,105</u>
	187,753,151	25,245,889	611,610	212,387,430
Net investment in direct financing lease (Note 7)	<u>3,833,901</u>	-	<u>429,154</u>	<u>3,404,747</u>
	<u>\$191,587,052</u>	<u>\$25,245,889</u>	<u>\$1,040,764</u>	<u>\$215,792,177</u>

A summary of the Enterprise Funds' fixed assets at September 30, 2001 follows:

	<u>Estimated Useful Lives (Years)</u>	<u>Amount</u>
Water and Sewers:		
Land	-	\$ 158,073
Buildings	50	2,491,609
Office furniture and equipment	5-15	2,877,089
Shop equipment	5-10	1,186,964
Trucks and autos	5-10	2,542,029
Water and sewer lines	50	66,538,574
East side sewer system	50	48,693,511
Construction in progress	-	<u>9,816</u>
		124,497,665
Less accumulated depreciation		<u>54,976,492</u>
		<u>\$ 69,521,173</u>
Solid Waste:		
Land	-	171,284
Building	40-50	644,419
Landscaping and grounds	5-10	23,023
Office furniture and equipment	5-10	387,162
Trucks and autos	5-10	<u>7,735,199</u>
		8,961,087
Less accumulated depreciation		<u>(4,986,162)</u>
Total		<u>\$ 3,974,925</u>
Grand total		<u>\$ 73,496,098</u>

### NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds. The water and sewers fund was established to account for the provision of water and sewer services to the residents of the City. The solid waste fund was established to account for services related to the collection and disposal of solid waste.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

Segment information for the year ended September 30, 2001 is as follows:

	<u>Water and Sewers</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues	\$ 40,978,688	\$13,228,970	\$ 54,207,658
Depreciation and amortization	2,750,117	511,443	3,261,560
Operating income	4,803,419	1,014,104	5,817,523
Operating transfer in	-	58,585	58,585
Operating transfers out	-	(800,000)	(800,000)
Net income	7,041,429	657,420	7,698,849
Fixed assets additions	2,547,038	1,107,922	3,654,960
Total assets	121,622,757	12,552,539	134,215,296
Net working capital	32,117,606	7,064,803	39,182,409
Long-term liabilities	19,165,270	600,741	19,766,011
Total fund equity	82,473,509	10,438,987	92,912,496

### NOTE 10. LEASES

**Capital Leases.** The City has entered into four lease agreements as lessee for financing the acquisition of a Motorola 800 MHz Turnkey Communications System and related equipment and accessories, automobiles and trucks for the building and zoning department and for the retrofit installation of energy efficiency equipment in City buildings. The City has also financed the acquisition of a data processing computer system for its Water and Sewers fund. Payments on all leases are due quarterly through 2010.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the general fixed assets account group for governmental fund leases with the related liability in the general long-term debt account group and Water and Sewers enterprise fund for the portion related to proprietary fund leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2001 were:

	<u>General Long-Term Debt</u>	<u>Enterprise Funds</u>
Year ending September 30:		
2002	\$1,929,861	\$114,161
2003	1,232,614	-
2004	79,625	-
2005	79,625	-
2006	79,625	-
2007-2010	<u>278,688</u>	<u>-</u>
Total minimum lease payments	3,680,038	114,161
Less amount representing interest	<u>293,282</u>	<u>1,496</u>
Present value of minimum lease payments	<u>\$3,386,756</u>	<u>\$112,665</u>



# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 11. LONG-TERM DEBT

**Revenue Bonds.** The City issues bonds where the City pledges revenues derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

**1968 Revenue Bonds** - The 1968 \$14,000,000 revenue bonds are due in varying annual installments through 2007 and bear interest at rates ranging from 5% to 6%, payable semi-annually. Principal is paid annually. The bonds are collateralized by a first lien on the revenues from the Water and Sewers Fund, net of amounts necessary to pay all costs of operations and maintenance. The City has also pledged all revenues, except ad valorem taxes, as collateral for the bonds. The bonds are subject to a call provision whereby they may be redeemed by the Water and Sewers Fund in inverse order of maturity upon payment of a premium of 1/4% for each year between redemption and scheduled maturity, but not exceeding a total of 3% of the face value. At September 30, 2001, \$2,880,000 remained outstanding. These bonds are accounted for in the Water and Sewers Fund.

The Water and Sewers Fund is required to segregate and restrict certain amounts in connection with the ordinance governing the issuance of the revenue bonds. As of September 30, 2001, the Water and Sewers Fund is in compliance with such requirements.

**1993 Revenue Bonds** - In November 1993, the City issued \$4,400,000 Capital Improvement Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs. The Series 1993 bonds mature October 2018 and bear interest ranging from 3.1% to 5.5%. The Series 1993 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. At September 30, 2001, \$3,510,000 remained outstanding. These bonds are accounted for in the general long-term debt account group.

Revenue bond debt service requirements to maturity including interest of \$2,447,591 are as follows:

	1968 Revenue <u>Bonds</u>	1993 Revenue <u>Bonds</u>	<u>Total</u>
Year ending September 30:			
2002	\$ 605,610	\$ 320,935	\$ 926,545
2003	579,850	324,435	904,285
2004	573,530	322,295	895,825
2005	575,801	324,755	900,556
2006	542,390	321,540	863,930
2007 and thereafter	<u>476,625</u>	<u>3,869,825</u>	<u>4,346,450</u>
Total debt service	3,353,806	5,483,785	8,837,591
Less amounts representing interest	<u>473,806</u>	<u>1,973,785</u>	<u>2,447,591</u>
Total principal outstanding	<u>\$2,880,000</u>	<u>\$3,510,000</u>	<u>\$6,390,000</u>

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 11. LONG-TERM DEBT (Continued)

**State of Florida** - In fiscal year 1977, the Water and Sewers Fund borrowed \$43,490,000 from the State of Florida toward the construction of the East Side Sewer System. The loan, which bears interest at rates ranging from 5.4% to 5.6%, is payable in varying annual installments of principal and interest through 2008. The loan is collateralized by a secondary lien on net revenues of the water and sewer system after the funding requirements of the 1968 revenue bonds have been met.

Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately \$5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. In addition, the Department of Water and Sewers is required to make periodic escrow payments for debt service. As of September 30, 2001, \$4,151,568 is restricted for debt service payments and reserves. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2001, the unamortized deferred interest balance was \$257,770.

Annual debt service requirements to maturity for loans from the State of Florida, including interest of \$3,223,755 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2002	\$ 2,430,000	\$ 893,960	\$ 3,323,960
2003	2,585,000	759,580	3,344,580
2004	2,750,000	615,720	3,365,720
2005	2,925,000	462,670	3,387,670
2006	3,110,000	299,875	3,409,875
2007-2008	<u>2,305,000</u>	<u>191,950</u>	<u>2,496,950</u>
Total	<u>\$16,105,000</u>	<u>\$3,223,755</u>	<u>\$19,328,755</u>

**Notes Payable** - Notes payable recorded in the general long-term debt account group relate to a loan from the Florida Municipal Loan Council, the purchase and leaseback of Hialeah Park (see Note 7) which is anticipated to be completely offset by lease income and a Community Development Block Grant Section 108 Loan.

#### **Florida Municipal Loan Council**

On April 28, 1999, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$30,000,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$27,950,000 and calls for semi-annual payments due on April 1 and October 1, commencing on October 1, 1999 through April 1, 2019 and bears interest at varying rates ranging from 3.2% to 5.1%.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 11. LONG-TERM DEBT (Continued)

#### *Community Development Block Grant Section 108 Loan*

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled \$4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City.

The loan had an outstanding balance of \$4,175,000 at September 30, 2001.

The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. As of September 30, 2001, the City has paid the local business \$4,000,000 of the loan amount and has designated the additional \$400,000 net of transaction fees in the City's CDBG special revenue fund.

Annual debt service requirements to maturity for notes payable, including interest of \$18,031,644 are as follows:

	Hialeah Park	Florida Municipal Loan Council	CDBG Section 108	Total
Year ending September 30:				
2002	\$ 647,515	\$ 2,340,439	\$ 441,982	\$ 3,429,936
2003	647,515	2,339,645	443,150	3,430,310
2004	647,515	2,336,794	443,530	3,427,839
2005	647,515	2,336,149	443,162	3,426,826
2006	647,515	2,331,926	442,095	3,421,536
2007 and thereafter	<u>863,349</u>	<u>29,980,509</u>	<u>5,581,116</u>	<u>36,424,974</u>
Total debt service	4,100,924	41,665,462	7,795,035	53,561,421
Less amounts representing interest	<u>696,177</u>	<u>13,715,462</u>	<u>3,620,035</u>	<u>18,031,674</u>
Total principal outstanding	<u>\$3,404,747</u>	<u>\$27,950,000</u>	<u>\$4,175,000</u>	<u>\$35,529,747</u>

#### *Mortgage Payable*

In September 1991, the City executed a mortgage note payable with the Miami-Dade Housing Agency for the purchase of an apartment building to be used for low-income housing. The mortgage calls for monthly principal and interest payments at 3% per annum of \$759 through August 1, 2021 and is secured by the property.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 11. LONG-TERM DEBT (Continued)

#### *Mortgage Payable* (Continued)

Annual debt service requirements to maturity for notes payable, including interest of \$45,047 are as follows:

Year ending September 30:	
2002	\$ 9,106
2003	9,106
2004	9,106
2005	9,106
2006	9,106
2007 and thereafter	<u>126,737</u>
Total debt service	172,287
Less amounts representing interest	<u>40,932</u>
Total principal outstanding	<u>\$131,335</u>

***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 September 30, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2001</u>
Compensated absences	\$ 11,494,052	\$ -	\$ (977,032)	\$10,517,020
Claims payable	25,867,050	1,000,000	-	26,867,050
Revenue bonds	3,635,000	-	(125,000)	3,510,000
Notes payable	37,113,901	-	(1,584,154)	35,529,747
Capital leases	5,075,313	-	(1,688,558)	3,386,755
Net pension obligation	17,089,486	2,116,753	-	19,206,239
Mortgage payable	<u>136,419</u>	<u>-</u>	<u>(5,084)</u>	<u>131,335</u>
Total	<u>\$100,411,221</u>	<u>\$3,116,753</u>	<u>\$(4,379,828)</u>	<u>\$99,148,146</u>

### NOTE 12. CONTRIBUTED CAPITAL

Contributions in the Water and Sewers Fund consist of water and sewer connection charges, assessments and similar items contributed by customers and developers in exchange for the right to receive service for new construction, as well as grants received from governmental agencies for capital construction. The account includes contributions from Miami-Dade County as a result of a litigation settlement agreement, dated August 4, 1975, providing for payment by the County of \$10,000,000 to be used by the Water and Sewers Fund towards construction of the East Side Sewer System. Subject to legal counsel's interpretation, title may pass to the County for an amount equivalent to its contribution. As of September 30, 2001, receipts from the County of \$7,840,204 are included in contributed capital. During the fiscal year ended September 30, 2001, the City implemented GASB Statement No. 33, *Accounting and Financial*

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### NOTE 12. CONTRIBUTED CAPITAL (Continued)

*Reporting for Nonexchange Transactions.* Implementation requires that the current year effect of contributed capital be accounted for as capital contributions as presented on the statement of revenues, expenses and changes in retained earnings.

### NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. For all other coverages, the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City records the current portion of claims payable within the General Fund and the long-term portion within the General Long-Term Debt Account Group. Amounts payable from proprietary funds are accounted for within those funds.

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning	\$ 32,815,078	\$ 32,099,794
Incurred claims (including IBNR)	25,650,699	20,375,192
Claims payments	<u>(23,851,290)</u>	<u>(19,659,908)</u>
Unpaid claims, ending	\$ <u>34,614,487</u>	\$ <u>32,815,078</u>

### NOTE 14. COMMITMENTS AND CONTINGENCIES

#### *Contingent Liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### NOTE 14. COMMITMENTS AND CONTINGENCIES (Continued)

#### *Water and Sewers Fund*

The Department of Water and Sewers has entered into two agreements with the Miami-Dade Water and Sewer Department (the County), whereby the County will sell treated water and provide wastewater treatment and disposal services through September 2007 and February 2009, respectively, to the extent required by the City. Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2001 were \$5,783,601 for water services and \$18,076,953 for wastewater treatment and disposal services.

#### *Department of Transportation Turf and Landscape Maintenance Agreement*

On June 16, 2000, the City entered into an agreement with the Florida Department of Transportation (FDOT) for the maintenance of roadside areas and median strips within the City of Hialeah belonging to the State Highway System. The agreement requires quarterly payments of \$41,250 by the FDOT to the City, and is effective through July 31, 2005 at which time it may be renewed by mutual consent.

### NOTE 15. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

#### *EMPLOYEES' RETIREMENT SYSTEM*

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

#### *Plan Description*

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan, that covers substantially all of the employees of the City and its Department of Water and Sewers. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 15. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

#### *EMPLOYEES' RETIREMENT SYSTEM* (Continued)

##### *Loans to Members*

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (6% as of September 30, 2001). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

##### *Administrative Expenses*

Administrative expenses incurred by the Plans are absorbed by the City.

##### *Funding Policy*

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

##### *Annual Pension Cost and Net Pension Obligation*

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$ 7,979,676
Interest on net pension obligation	1,357,708
Adjustment to annual required contribution	<u>(1,423,220)</u>
Annual pension cost	7,914,164
Contributions made	<u>(5,679,278)</u>
Increase in net pension obligation	2,234,886
Net pension obligation, beginning of year	<u>16,971,353</u>
Net pension obligation, end of year	<u>\$19,206,239</u>

The annual required contribution for the current year was determined as part of the October 1, 2000 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases ranging from 5.5% to 9.1% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using 4-year smoothed market method.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 15. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

#### *EMPLOYEES' RETIREMENT SYSTEM (Continued)*

##### *Annual Pension Cost and Net Pension Obligation (Continued)*

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		<u>Net Pension Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	
9/30/99	\$8,416,393	60%	\$ 9,111,629
9/30/00	9,032,697	12	16,971,353
9/30/01	7,914,164	72	19,206,239

#### *ELECTED OFFICIALS' RETIREMENT SYSTEM*

##### *Plan Description*

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. EORS provides pension benefits to qualified elected officials.

##### *Funding Policy*

The City is required to contribute at an actuarially determined rate.

##### *Annual Pension Cost and Net Pension Obligation*

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$ 128,489
Interest on net pension obligation	(51,526)
Adjustment to annual required contribution	<u>64,175</u>
Annual pension cost	141,138
Contributions made	<u>(250,000)</u>
Decrease in net pension obligation	(108,862)
Net pension obligation, beginning of year	<u>(736,092)</u>
Net pension obligation, end of year	<u>\$(844,954)</u>

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		<u>Net Pension Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	
9/30/99	\$ 93,317	100%	\$(546,056)
9/30/00	155,781	100	(732,975)
9/30/01	141,138	100	(844,954)



# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 15. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

#### *ELECTED OFFICIALS' RETIREMENT SYSTEM* (Continued)

##### *Annual Pension Cost and Net Pension Obligation* (Continued)

The annual required contribution for the current year was determined as part of the September 30, 2000 actuarial valuation, using the individual entry age method. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6% per year compounded annually, (b) projected salary increases of 5% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques, which express it as a percentage of the actuarial accrued liability. The unfunded actuarial accrued liability is being expressed as a percentage of covered payroll which approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. The remaining amortization period at September 30, 2001 was 25 years.

### NOTE 16. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive passthrough benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These Funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. During the fiscal year ended September 30, 2001, the City passed-through State contributions for the firefighters of \$628,683. During the fiscal year ended September 30, 2000, the City passed-through State contributions for both the police and firefighters of \$1,214,934.

### NOTE 17. PRIOR PERIOD ADJUSTMENTS

In 1999, the City began to charge certain administrative costs to the Water and Sewers fund and retroactively applied this charge back to fiscal year ended September 30, 1995. Total costs allocated amounted to \$1,233,712 for the fiscal years September 30, 1995 through 1998, which was reported as a cumulative effect of a change in accounting principle in the prior year financial statements. During fiscal year ended September 30, 2000, the City revised the cost allocation plan crediting the Water and Sewers fund \$783,712 for the cost allocations for fiscal years September 30, 1995 through 1999. The credit was reported as a prior period adjustment in the accompanying financial statements.

# CITY OF HIALEAH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### NOTE 17. PRIOR PERIOD ADJUSTMENTS (Continued)

During fiscal year ended September 30, 2000, the City assumed management of a low income housing building previously managed by the Hialeah Housing Authority (HHA). A new fund was created (the Affordable Housing Fund) to account for the rental income and expenses associated with the management of the building. The City had previously recorded the excess of revenues over expenditures from the HHA operations as a deposit in the general fund instead of into the general fund's operations. A prior period adjustment of \$351,786 was recorded to transfer the deposit to the general fund's fund balance. A residual equity transfer out was then recorded to transfer the \$351,786 fund balance to the newly created fund.

General fund reconciliation of prior period adjustments is as follows:

Prior period adjustment (water and sewer fund cost allocation)	\$(783,712)
Prior period adjustment (general fund transfer of deposits into fund balance)	<u>351,786</u>
Prior period adjustment, net	<u>\$(431,926)</u>

APPENDIX I

FINANCIAL INFORMATION REGARDING THE TOWN OF LAKE PARK

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TOWN OF LAKE PARK, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GENERAL FUND

Fiscal Years Ended September 30,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Taxes	\$ 3,594,025	\$ 3,379,024	\$ 3,340,126
Licenses and permits	365,051	339,578	434,425
Intergovernmental	1,172,447	1,211,537	1,135,751
Charges for services	394,239	388,342	77,015
Fines and forfeitures	150,464	233,237	161,613
Miscellaneous:	<u>125,894</u>	<u>129,026</u>	<u>157,102</u>
Total Revenue	5,802,120	5,680,744	5,306,032
Expenditures:			
Current:			
General government	1,132,586	965,743	901,006
Public safety	3,477,761	3,884,879	3,033,180
Physical environment	129,519	115,086	97,853
Transportation	363,213	339,520	262,567
Culture and recreation	770,330	716,895	685,579
Intragovernmental service	146,250	142,736	146,182
Capital Outlay	96,647	471,045	283,699
Debt Service:			
Principal Retirement	71,524	43,191	44,613
Interest	<u>12,686</u>	<u>10,278</u>	<u>5,510</u>
Total expenditures	<u>6,200,516</u>	<u>6,689,373</u>	<u>5,460,189</u>
Revenues over (under) expenditures	(398,396)	(1,008,629)	(154,157)
Other financing sources (uses):			
Capital leases	-	163,528	-
Operating transfers in	60,000	300,000	250,000
Operating transfers out	<u>(70,199)</u>	<u>(72,343)</u>	<u>(130,001)</u>
	<u>10,009</u>	<u>391,185</u>	<u>119,999</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(408,495)	(617,444)	(34,158)
Fund balance (deficit), beginning of year	<u>580,708</u>	<u>1,198,152</u>	<u>1,232,310</u>
Fund Balance (deficit), end of year	<u>\$ 172,213</u>	<u>\$ 580,708</u>	<u>\$ 1,198,152</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.



**CALER, DONTEN, LEVINE,  
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PRIVATE COMPANIES PRACTICE SECTION

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor and  
Town Commissioners  
Town of Lake Park  
Lake Park, Florida

We have audited the accompanying general purpose financial statements of the Town of Lake Park, Florida, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements and the supplementary information referred to below are the responsibility of the management of the Town of Lake Park, Florida. Our responsibility is to express an opinion on these general purpose financial statements and the supplementary information based on our audit. We did not audit the financial statements of the Municipal Police Officers' Retirement Trust Fund, which represents 69 percent of the assets of the fiduciary fund type and 106 percent of the total additions to plan net assets of the pension trust funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Municipal Police Officers' Retirement Trust Fund, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Lake Park, 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 U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the internal control over financial reporting of the Town of Lake Park, Florida, 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.

*Cales, Dಂತen, Levine,  
Dunker, Porter & Veil, P.A.*

November 15, 2002, except for the second paragraph  
of Note Q, as to which the date is January 23, 2003

TOWN OF LAKE PARK, FLORIDA

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

Year Ended September 30, 2001

	General	Governmental Special Revenue
<b>Revenues</b>		
Taxes	\$ 3,594,025	\$
Licenses and permits	365,051	
Intergovernmental	1,172,447	77,903
Charges for services	394,239	
Fines and forfeitures	150,464	
Miscellaneous	125,894	13,249
TOTAL REVENUES	<u>5,802,120</u>	<u>91,152</u>
<b>Expenditures</b>		
<b>Current</b>		
General government	1,132,586	30,953
Public safety	3,477,761	41,951
Physical environment	129,519	
Transportation	363,213	
Culture and recreation	770,330	8,715
Intragovernmental service	146,250	
Capital outlay	96,647	11,761
Debt service		
Principal retirement	71,524	
Interest charges	12,686	
TOTAL EXPENDITURES	<u>6,200,516</u>	<u>93,380</u>
REVENUES OVER (UNDER) EXPENDITURES	(398,396)	(2,228)
Other financing sources (uses)		
Operating transfers in	60,000	4,857
Operating transfers out	<u>(70,099)</u>	
	<u>(10,099)</u>	<u>4,857</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(408,495)	2,629
Fund balance (deficit), beginning of year	<u>580,708</u>	<u>37,786</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 172,213</u>	<u>\$ 40,415</u>



Fund Types		Total (Memorandum Only)
Debt Service	Capital Projects	
\$ 768,107	\$	\$ 4,362,132
		365,051
	683,288	1,933,638
		394,239
		150,464
<u>12,006</u>	<u>106,000</u>	<u>257,149</u>
<u>780,113</u>	<u>789,288</u>	<u>7,462,673</u>
	296	1,163,835
		3,519,712
		129,519
		363,213
		779,045
		146,250
	1,787,120	1,895,528
344,672		416,196
<u>423,436</u>		<u>436,122</u>
<u>768,108</u>	<u>1,787,416</u>	<u>8,849,420</u>
12,005	(998,128)	(1,386,747)
	65,242	130,099
		<u>(70,099)</u>
<u>0</u>	<u>65,242</u>	<u>60,000</u>
12,005	(932,886)	(1,326,747)
<u>(199,652)</u>	<u>2,935,788</u>	<u>3,354,630</u>
<u>\$ (187,647)</u>	<u>\$ 2,002,902</u>	<u>\$ 2,027,883</u>

See notes to financial statements.

TOWN OF LAKE PARK, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND  
ENCUMBRANCES--BUDGET AND ACTUAL--GENERAL FUND  
AND DEBT SERVICE FUND--NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2001

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 3,690,500	\$ 3,594,025	\$ (96,475)
Licenses and permits	364,000	365,051	1,051
Intergovernmental	1,159,900	1,068,199	(91,701)
Charges for services	403,260	394,239	(9,021)
Fines and forfeitures	189,100	150,464	(38,636)
Miscellaneous	345,000	185,894	(159,106)
<b>TOTAL REVENUES</b>	<b>6,151,760</b>	<b>5,757,872</b>	<b>(393,888)</b>
<b>Expenditures and Encumbrances</b>			
<b>Current</b>			
General government	1,140,901	1,199,047	(58,146)
Public safety	3,632,512	3,329,406	303,106
Physical environment	130,553	129,454	1,099
Transportation	353,907	360,083	(6,176)
Culture and recreation	788,588	755,021	33,567
Intragovernmental service	143,746	137,462	6,284
Capital outlay	186,005	95,395	90,610
<b>Debt service</b>			
Principal retirement	53,594	72,793	(19,199)
Interest charges	12,067	13,212	(1,145)
<b>TOTAL EXPENDITURES AND ENCUMBRANCES</b>	<b>6,441,873</b>	<b>6,091,873</b>	<b>350,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES--BUDGETARY BASIS</b>	<b>\$ (290,113)</b>	<b>(334,001)</b>	<b>\$ (43,888)</b>
Fund balance (deficit), beginning of year		580,708	
Prior year encumbrances paid		(78,032)	
Current year encumbrances		3,538	
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>		<b>\$ 172,213</b>	

Debt Service Fund			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 768,109	\$ 768,107	\$ (2)	\$ 4,458,609	\$ 4,362,132	\$ (96,477)
			364,000	365,051	1,051
			1,159,900	1,068,199	(91,701)
			403,260	394,239	(9,021)
			189,100	150,464	(38,636)
0	12,006	12,006	345,000	197,900	(147,100)
<u>768,109</u>	<u>780,113</u>	<u>12,004</u>	<u>6,919,869</u>	<u>6,537,985</u>	<u>(381,884)</u>
			1,140,901	1,199,047	(58,146)
			3,632,512	3,329,406	303,106
			130,553	129,454	1,099
			353,907	360,083	(6,176)
			788,588	755,021	33,567
			143,746	137,462	6,284
			186,005	95,395	90,610
344,673	344,672	1	398,267	417,465	(19,198)
423,436	423,436	0	435,503	436,648	(1,145)
<u>768,109</u>	<u>768,108</u>	<u>1</u>	<u>7,209,982</u>	<u>6,859,981</u>	<u>350,001</u>
<u>\$ 0</u>	12,005	<u>\$ 12,005</u>	<u>\$ (290,113)</u>	(321,996)	<u>\$ (31,883)</u>
	(199,652)			381,056	
				(78,032)	
				3,538	
	<u>\$ (187,647)</u>			<u>\$ (15,434)</u>	

See notes to financial statements.

TOWN OF LAKE PARK, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS--ENTERPRISE FUNDS

Year Ended September 30, 2001

<b>Operating revenues</b>		
Charges for services		\$ 1,558,541
Miscellaneous		19,813
	TOTAL OPERATING REVENUES	<u>1,578,354</u>
<b>Operating expenses</b>		
Personal services		862,691
Operating expenses		465,161
Depreciation		233,472
	TOTAL OPERATING EXPENSES	<u>1,561,324</u>
	OPERATING INCOME	17,030
<b>Nonoperating revenues (expense)</b>		
Interest revenue		24,833
Interest expense		(64,089)
	TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(39,256)</u>
	LOSS BEFORE OPERATING TRANSFERS	(22,226)
Operating transfers out		<u>(60,000)</u>
	NET LOSS	(82,226)
Retained earnings, beginning of year		<u>307,123</u>
	RETAINED EARNINGS, END OF YEAR	<u>\$ 224,897</u>

See notes to financial statements.

TOWN OF LAKE PARK, FLORIDA

COMBINED STATEMENT OF CASH FLOWS--  
ENTERPRISE FUNDS

Year Ended September 30, 2001

<b>OPERATING ACTIVITIES</b>		
Operating income		\$ 17,030
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		233,472
Provision for doubtful accounts		16,000
Change in assets and liabilities		
Increase in accounts receivable		(11,898)
Decrease in prepaid expenses		5,204
Increase in accounts payable		28,980
Increase in accrued expenses		12,009
Decrease in deferred revenue		(13,751)
Increase in due to other funds		398,202
Increase in compensated absences		1,785
Decrease in customer deposits payable		<u>(3,970)</u>
	NET CASH PROVIDED BY OPERATING ACTIVITIES	683,063
<b>NON-CAPITAL FINANCING ACTIVITY</b>		
Operating transfers out		<u>(60,000)</u>
	NET CASH USED IN NON-CAPITAL FINANCING ACTIVITY	(60,000)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets		(815,724)
Proceeds of debt		700,000
Interest paid		(64,089)
Principal repayments on loan		(20,713)
Principal paid on obligation under capital lease		<u>(17,693)</u>
	NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(218,219)
<b>INVESTING ACTIVITY</b>		
Interest on investments		<u>24,833</u>
	NET CASH PROVIDED BY INVESTING ACTIVITY	24,833
Net increase in cash and cash equivalents		429,677
Cash and cash equivalents (overdraft), beginning of year		<u>(81,979)</u>
Cash and cash equivalents, end of year		<u>\$ 347,698</u>

**Reconciliation of cash and cash equivalents to balance sheet**

Cash	\$ 323,392
Cash overdraft	(10,536)
Investments - State Treasurer's Fund	9,518
Restricted assets - investments in State Treasurer's Fund	<u>25,324</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 347,698</u></b>

See notes to financial statements.

TOWN OF LAKE PARK, FLORIDA

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS--  
ALL PENSION TRUST FUNDS

Year Ended September 30, 2001

<b>Additions</b>		
Contributions		
Employer	\$ 171,247	
State of Florida	104,258	
Employees	154,766	
	<u>430,271</u>	
Investment income		
Net depreciation in fair value of investments	(1,632,675)	
Interest and dividends	214,739	
	<u>(1,417,936)</u>	
Less investment expense	35,947	
Net investment loss	<u>(1,453,883)</u>	
		Total Additions
		<u>(1,023,612)</u>
<b>Deductions</b>		
Retirement benefits	136,461	
Refunds of contributions	21,309	
Administrative expenses	61,015	
	<u>218,785</u>	
		Total Deductions
		<u>218,785</u>
		<b>NET DECREASE</b>
		<u>(1,242,397)</u>
Net Assets Held in Trust for Pension Benefits, beginning of year		<u>8,374,722</u>
Net Assets Held in Trust for Pension Benefits, end of year		<u>\$ 7,132,325</u>

See notes to financial statements.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE A - FINANCIAL REPORTING ENTITY

The Town of Lake Park, Florida (the "Town") was incorporated in 1923. The Town's Charter was approved by the Laws of Florida, Chapter 61-2375. The Town is governed by an elected Mayor and Town Commission which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following summarizes the potential component units considered in defining the Town's financial reporting entity.

Included within the financial reporting entity as pension trust funds:

**Town of Lake Park Employees' Pension Plans:** The Town sponsors three single-employer, public employees retirement systems (the "Plans"). The Plans are for the benefit of all general, police and fire/rescue employees of the Town and are governed by separate Boards of Trustees. The Trustees generally consist of the Mayor, the Town Manager, Police Chief or Fire Chief representing their respective plan, a Town resident and representatives elected from their respective benefit groups - the general employees, the police department, and the fire department.

The Town and the Plans' participants are obligated to fund the Plans' costs based upon annual actuarial valuations. The Town is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

Jointly Governed Organization:

**Seacoast Utility Authority:** The Seacoast Utility Authority (the "Authority") was formed in August 1988. The Town signed an interlocal agreement with four other local governments to create the Authority to provide water and sewer services to its residents. The Authority is governed by a five member board with one representative from each participating local government. The Town is not financially accountable for the Authority and does not hold title to any of the Authority's assets, nor does it have any right to the Authority's surpluses or any ongoing financial interest and/or responsibility for the Authority. The Town paid approximately \$25,000 to the Authority for water and sewer services for the year ended September 30, 2001.



TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The Town of Lake Park, Florida maintains its accounting records in accordance with the principles and policies applicable to governmental units as set forth by the Governmental Accounting Standards Board (GASB) as well as U.S. generally accepted accounting principles (GAAP) as promulgated by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (FASB). The following is a summary of the significant accounting policies.

Basis of Presentation: A governmental accounting system must make it possible (1) to show that all applicable legal provisions have been complied with and (2) to determine, fairly and with full disclosure, the financial position and results of financial operations of the funds and account groups of the Town. In order to accomplish these objectives, the Town's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on the specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations.

The types of funds and account groups used in accounting for the financial operations of the Town and their nature and purpose are as follows:

**Governmental Fund Types** - Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in Proprietary and expendable trust funds) are accounted for through governmental funds.

**General Fund** - The General Fund is the general operating fund of the Town. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Special Revenue Funds** - The Special Revenue Funds are used to 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 Town are as follows:

**Police Education Fund** - This fund accounts for revenues received from fines issued by the Town's police department. This fund is designated for expenditures related to police education and training programs.

**Grants and Entitlements Fund** - This fund accounts for revenues received through grant programs and related expenditures as stated in the grant conditions.

**Library Aid Fund** - This fund accounts for county grant revenues for the expansion and improvement of the Town's library.

**Community Redevelopment Fund** - This fund accounts for the Town's community redevelopment district established pursuant to State Statutes.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Debt Service Fund** - The Debt Service Fund is used to account for ad valorem taxes approved by the voters specifically for payment of the Town's general obligation bonds.

**Capital Projects Funds** - The Capital Projects Funds are used to account for the acquisition of fixed assets or construction of major capital projects not financed by proprietary funds. Capital projects funds used by the Town are as follows:

**Special Projects Fund** - This fund accounts for major capital projects financed by general governmental resources and federal and state grants.

**Bond Fund** - This fund accounts for construction and renovation projects financed by the proceeds of the Town's general obligation bond, Series 1997.

**Renewal and Replacement Fund** - This fund accounts for renewal and replacement projects approved by the Town from annual appropriations.

**Proprietary Fund Type** - A proprietary fund is used to account for the Town's ongoing organizations and activities, which are similar to those found in the private sector.

**Enterprise Funds** - The enterprise funds are used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Marina Fund** - This fund is used to account for the services and activities of the Town's municipal marina.

**Sanitation Fund** - This fund is used to account for the Town's garbage and trash collection services.

**Bus Fund** - This fund is used to account for the operation of a recreation program bus.

**Park Avenue Kimmel Property Fund** - This fund is used to account for the operation of the Kimmel rental property on Park Avenue that is owned and operated by the Town.

**Park Avenue Property Fund** - This fund is used to account for the operation of the rental property in the 900 block of Park Avenue that is owned and operated by the Town.

**Fiduciary Fund Types** - These funds are used to account for assets held in trust or as an agent by the Town for others and include the pension trust and agency funds.

**Pension Trust Funds -**

**Municipal Police Officers' Retirement Trust Fund** - This fund is used to account for assets held in a trustee capacity for the defined benefit pension plan for all Police officers.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Municipal Firemen's Pension Trust Fund** - This fund is used to account for assets held in a trustee capacity for the defined benefit pension plan for Firemen.

**General Employees' Retirement Plan Fund** - This fund was established to account for the newly adopted defined contribution pension plan adopted by the Town for General Employees not eligible for participation in the Police Officers' and Firemen's pension plans.

**Agency Fund -**

**Special Assessment Agency Fund** - This fund is used to account for assets held by the Town, acting as an agent, for assessment debt without governmental commitment.

**Account Groups** - Account Groups are used to establish accounting control and accountability for the Town's general fixed assets and the unmatured principal of its general long-term debt.

**General Fixed Assets Account Group** - This account group is used to account for fixed assets utilized principally for general Town purposes and excludes fixed assets of the enterprise funds.

**General Long-Term Debt Account Group** - This account group is used to account for the outstanding principal balances of capital lease obligations and bonds payable and the long-term portion of compensated absences payable not accounted for in the enterprise funds.

Basis of Accounting: Governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except that principal and interest on long-term obligations are reported only when due.

The accrual basis of accounting is utilized by the proprietary and pension trust funds. Revenue is recognized in the period earned and expenses are recognized in the period incurred. The Enterprise Funds follow all applicable pronouncements of the Governmental Accounting Standards Board (GASB) as well as certain pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town has elected not to apply FASB pronouncements issued after November 30, 1989.

Pension plan member contributions are recognized in the period in which the contributions are due. Employer contributions, including those from the State of Florida, to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Measurement Focus: The accounting and reporting treatment applied to a fund is determined by its measurement focus. The 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 the balance sheet. Governmental fund type operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on the balance sheet. The reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Budgetary Accounting: The Town follows these procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. Prior to September 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Town Hall to obtain taxpayer comments.
3. The Town advises the Palm Beach County Tax Appraiser's office of the proposed millage rate, the rolled back millage rate and the day, time and place of the public hearing for budget acceptance.
4. A public hearing is held to obtain taxpayer input and to adopt the final budget and millage rate.
5. The budget and related millage rates are legally enacted through passage of an ordinance.
6. Changes or amendments to the total budgeted expenditures of the Town or a department must be approved by the Town Commission; however, changes within a department which do not affect the total departmental expenditures may be approved by the Town Manager. Accordingly, the legal level of control is at the department level.
7. All unencumbered balances lapse at the end of each fiscal year.

The reported budgetary data represents the final appropriated budget after amendments adopted by the Town Commission. There were no amendments to the originally adopted General Fund budget during the year. An appropriated budget is legally required and has been legally adopted for the General Fund on the same modified-accrual basis used to reflect actual revenues and expenditures, except that for budgetary purposes, current year encumbrances are treated as expenditures, state on-behalf payments for police and fire pension contributions are not budgeted and operating transfers in and operating transfers out are treated as revenues and expenditures, respectively. The operations of the Town's funds, other than the General Fund and Debt Service Fund, are non-budgeted financial activities, which are not legally required to adopt budgets.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For statement of cash flow purposes, cash and cash equivalents include cash on deposit in checking and money market accounts, investments in the State Local Government Surplus Funds Trust Fund (convertible to cash on generally a next-day basis), restricted assets and other investments with a maturity of three months or less at the date acquired.

Investments: Investments are stated at fair value, except for investments in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida and operating as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the Town's investment in the pool shares. Securities and mutual funds traded on a national exchange are valued at the last reported sales price.

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise taxes, utility taxes and other charges in the General Fund; solid waste disposal fees and marina slip rentals in the Enterprise Funds; and, pension contributions in the Fiduciary Funds. Accounts receivable in the Enterprise Funds are net of allowances for uncollectible accounts of \$55,858 at September 30, 2001 and are collateralized by cash deposits received from customers approximating one months billing for services by the Town. All other accounts receivable are uncollateralized.

Prepaid Items: Expenditures extending over more than one accounting period are accounted for as prepaid items and charged against operations in the period benefited.

Restricted Assets: Restricted assets in the enterprise funds include investments in the State Local Government Surplus Funds Trust Fund that are restricted for repayment of customer deposits. These assets are considered cash and cash equivalents for purposes of the statement of cash flows.

Fixed Assets:

**General Fixed Assets** - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. The Town capitalizes all fixed assets with a cost in excess of \$500 and an estimated useful life in excess of one year. In the event that the historical cost cannot be determined, estimated historical cost at the time of acquisition is used. Donated property is recorded at the fair value at the time received. Net interest cost on funds borrowed to finance the construction of fixed assets is capitalized as a cost of acquiring the asset. The Town does not include infrastructure assets in the General Fixed Assets Account Group. No depreciation is taken on the general fixed assets.

**Proprietary Funds** - These fixed assets are stated at cost or, if donated, fair value at the date of donation. Expenditures that materially extend the useful life of existing assets are capitalized. Net interest cost on funds borrowed to finance the construction of any fixed assets is capitalized as a cost of acquiring the asset. The cost of property sold or retired is removed from the appropriate accounts, and any resulting gain or loss is included in net income. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets as follows: docks and channels -

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

20 years, building improvements - 7 years and vehicles and equipment - 5 years. Amortization of assets held under capital leases is included in depreciation.

Deferred Revenue: Deferred revenue in the General Fund and Enterprise Funds is composed of occupational license fees and marina rental fees, respectively, received prior to September 30, 2001 for the fiscal year beginning October 1, 2001. Deferred revenue in the Capital Projects Funds is composed of unexpended grant funds.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end.

Compensated Absences: Employees earn 16 annual leave days per year through the completion of 5 years of service, 21 days per year through 10 years of service and 26 days per year after the completion of 10 years of service. Annual leave may be used for purposes of vacation, attending to personal matters, illness/injury and/or other medical needs. The Town's policy is to allow employees to accumulate annual leave to a maximum of 240 hours except that fire fighters who work a 48 hour week are allowed to accumulate a maximum of 312 hours of annual leave. At the time of retirement or termination all annual leave is payable at 100% to the employee. Except for liabilities incurred by employment terminations, such benefits are paid only when taken.

In the governmental funds, the amount of compensated absences recorded as expenditures is the actual amount paid from available financial resources. The remaining liability based on current salaries and including related taxes and benefits is recorded in the General Long-Term Debt Account Group. Compensated absences for the proprietary funds are accrued in the period earned.

Revenue Recognition:

**Ad Valorem Taxes** - Ad valorem taxes are based on assessed valuations as of January 1 and levied the following October. 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 and subject to lien 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. The taxes are collected by Palm Beach County and are remitted to the Town from November through April. Revenue is recognized at the time monies are received from Palm Beach County. At September 30, 2001 unpaid delinquent taxes of \$110,002 were recorded as a receivable on the balance sheet, and an allowance has been established for the total delinquent taxes receivable.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to ad valorem taxes, other material revenues that are susceptible to accrual include franchise fees, utility taxes, interest income and intergovernmental revenues. Revenues which are not both measurable and available and, therefore, not susceptible to accrual include licenses and permits and fines.

Interfund Transactions: The following is a description of the basic type of interfund transactions made during the year and the related accounting policy:

**Quasi-External Transactions** - Transactions that are revenues to the recipient fund and expenditures to the disbursing fund. These are transactions that would otherwise be recorded as revenues or expenditures if they were conducted with organizations external to the Town.

**Reimbursements** - Reimbursements that constitute reimbursements of a fund for the disbursement of monies initially made from it that are properly applicable to another fund. Such reimbursements are recorded as an expenditure or expense in the reimbursing fund and as reductions of the interfund receivable in the fund that is reimbursed.

**Operating Transfers** - Transfers, which because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenues. These transfers are recorded as operating transfers in (out) under the other financing sources (uses) category.

Fund Balance Reserves: Fund balance reserves signify that a portion of the fund balance is legally restricted or not to be considered as available for subsequent expenditure other than for the specific purpose for which the reserve was established. The following is a list of the reserves used by the Town and a description of each:

**Reserved for Prepaid Items** - An account used to segregate a portion of fund balance to indicate that prepaid items do not represent available, spendable resources even though it is a component of assets.

**Reserved for Encumbrances** - An account used to segregate a portion of fund balance for expenditure upon vendor performance on uncompleted purchase orders, contracts and other commitments.

**Reserved for Employees' Pension Benefits** - An account used to indicate that the fund balance of the Town's pension trust funds is legally restricted to the payment of pensions for Town employees.

Fund Balance Designations: Designations of unreserved fund balance in governmental funds indicate Town management's tentative plans for the use of financial resources in a future period. The following is a list of the designations established by the Town and a description of each:

**Designated for Special Purposes** - An account used to segregate a portion of fund balance to indicate management's intention to use these funds for special purposes related to police education and training and various municipal improvements.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Designated for Subsequent Year's Budget** - An account used to segregate a portion of fund balance, if any, to indicate management's intention to use these funds to finance expenditures of the subsequent year's budget.

Memorandum Only Columns: The columns titled "Total (Memorandum Only)" 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 U.S. generally accepted accounting principles. Also, such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of the data.

NOTE C - BUDGET AND ACTUAL COMPARISONS

GAAP requires that the statement of revenues and expenditures--budget and actual be prepared under the basis of accounting used in preparing the budget. As indicated in Note B, for budgetary purposes, capital leases and operating transfers in and out are treated as revenues and expenditures, respectively, and State on-behalf payments are not budgeted and current year encumbrances are treated as expenditures. As a result, General Fund revenues and expenditures reported in the budget and actual statement differ from the revenues and expenditures reported on the GAAP basis. The differences can be reconciled as follows:

	Revenues	Expenditures
Budgetary basis	\$ 5,757,872	\$ 6,091,873
State on-behalf payments for police and fire pension contributions	104,248	104,248
Operating transfers	(60,000)	(70,099)
Prior year encumbrances paid or canceled in current year		78,032
Current year encumbrances outstanding at year end	_____	(3,538)
GAAP Basis	\$ 5,802,120	\$ 6,200,516

NOTE D - CASH AND INVESTMENTS

Cash: At September 30, 2001, the Town's total cash balance was \$2,248,761, net of an overdraft of \$10,536, and including \$926 in petty cash, \$25,324 in restricted cash, \$51,852 in pension fund checking accounts and \$168 cash with brokers. The bank balance of cash deposits at September 30, 2001 was \$2,407,664, which was held in banking institutions that were "qualified public depositories" approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, "Florida



TOWN OF LAKE PARK, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE D - CASH AND INVESTMENTS (Continued)

Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another qualified banking institution eligible collateral equal to a percentage of the average daily balance of all public deposits in excess of any amounts insured by the Federal Deposit Insurance Corporation (FDIC). In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a prorata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of GASB Statement No. 3. The cash with brokers in the pension funds is uninsured and uncollateralized.

Investments: Florida Statutes and Town ordinances authorize the Town and its pension trust funds to invest in the Local Government Surplus Funds Trust Fund administered by the State of Florida; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation or its district banks; or obligations guaranteed by the Government National Mortgage Association, obligations of the Federal National Mortgage Association and any additional investments specifically authorized by Town ordinance or resolution.

Pension trust funds are authorized by Town ordinance to also invest in preferred and common stocks of certain U.S. corporations, mutual funds and debt securities of certain U.S. corporations.

The cost and fair value (carrying value) of the Town's investments at September 30, 2001 are summarized as follows:

	Cost	Fair Value
Local Government Surplus Funds Trust Fund	\$ 47,162	\$ 47,162
U.S. Government obligations and Agency securities	958,353	1,029,875
Domestic corporate bonds and mortgage backed securities	899,882	931,130
Domestic common stocks	4,171,713	3,866,139
Mutual funds	476,340	476,340
Money market mutual funds	555,814	555,814
TOTAL INVESTMENTS	\$ 7,109,264	\$ 6,906,460

In accordance with GASB Statement No. 3 the Town's investments are required to be categorized to give an indication of the level of credit risk assumed by the Town at September 30, 2001. The investments in U.S. Government obligations, U.S. Government Agency securities, corporate bonds, mortgage backed securities and corporate common stocks are uninsured and unregistered investments for which the securities are held in safekeeping by the Town's broker or dealer, but not in the Town's name. The

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE D - CASH AND INVESTMENTS (Continued)

mutual fund investments are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized in accordance with the provisions of GASB Statement No. 3.

The Local Government Surplus Funds Trust Fund consists of equity in an external investment pool limited to Florida governmental entities and administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the Town's account balance (amortized cost) in the pool. Investments in the pool are generally available to the Town on an overnight basis. The investment in the pool is not evidenced by securities that exist in physical or book entry form and, accordingly, the investment is not categorized in accordance with the provisions of GASB Statement No. 3. These financial instruments may be subject to credit and market risk. Information quantifying these risks was not available, however, management believes the impact to the Town, if any, would be minimal.

NOTE E - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at September 30, 2001 include the following:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Intergovernmental Revenues				
State of Florida	\$ 20,265	\$	\$	\$ 20,265
Palm Beach County	15,427	234		15,661
Grant Revenues				
State of Florida		11,897	323,701	335,598
U.S. Government	1,851		92,518	94,369
Palm Beach County	<u>12,949</u>			<u>12,949</u>
	<u>\$ 50,492</u>	<u>\$ 12,131</u>	<u>\$ 416,219</u>	<u>\$ 478,842</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2001 are summarized as follows:

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TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 344,695	\$
Special Revenue Fund		
Community Redevelopment Fund		50,000
Library Aid Fund		2,016
Debt Service Fund		187,647
Capital Projects Funds		
Bond Fund	449,812	
Enterprise Funds		
Park Avenue Property Fund		105,032
Town Bus		10,702
Sanitation		<u>439,110</u>
	<u>\$ 794,507</u>	<u>\$ 794,507</u>

NOTE G - FIXED ASSETS

The components of fixed assets at September 30, 2001 are summarized as follows:

	<u>Enterprise Funds</u>	<u>General Fixed Assets Account Group</u>	<u>Total</u>
Land	\$ 301,317	\$ 699,720	\$ 1,001,037
Buildings and improvements	1,206,683	5,034,618	6,241,301
Docks, channels and improvements	1,050,626		1,050,626
Parks, Recreation and Library Facilities		3,586,812	3,586,812
Vehicles and equipment	<u>1,309,131</u>	<u>2,211,716</u>	<u>3,520,847</u>
	3,867,757	11,532,866	15,400,623
Less allowance for depreciation	<u>1,694,895</u>		<u>1,694,895</u>
	<u>\$ 2,172,862</u>	<u>\$ 11,532,866</u>	<u>\$ 13,705,728</u>

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE G - FIXED ASSETS (Continued)

The changes in the components of the General Fixed Assets Account Group are summarized as follows:

	<u>Balance October 1, 2000</u>	<u>Additions</u>	<u>Disposals and Retirements</u>	<u>Net Transfers</u>	<u>Balance September 30, 2001</u>
Land	\$ 699,720	\$	\$	\$	\$ 699,720
Buildings and improvements	1,758,224	3,276,394			5,034,618
Parks, Recreation and Library facilities	513,350	3,073,462			3,586,812
Vehicles and equipment					
Building Department	40,368	25,364			65,732
Finance Department	59,789	3,136			62,925
Fire Department	645,427	73,994			719,421
General purpose	2,381				2,381
Library	122,385	49,606			171,991
Police Department	606,524	17,005			623,529
Public Works	435,896	13,110			449,006
Parks and Recreation	49,059	12,735			61,794
Town Manager	12,411	995			13,406
Town Hall	29,986				29,986
Town Clerk	11,013	532			11,545
	<u>\$ 4,986,533</u>	<u>\$ 6,546,333</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,532,866</u>

NOTE H - LONG-TERM DEBT

Obligations Under Capital Lease: Obligations under capital lease of the Town at September 30, 2001 consisted of the following:

**Sanitation Fund**

Recycling Equipment: Lease purchase agreement dated October 28, 1997 for recycling equipment with an original cost of \$91,948 and a carrying value of \$19,922 at September 30, 2001. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 22,264	\$ 593	\$ 22,857

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE H - LONG-TERM DEBT (Continued)

**General Long-Term Debt Account Group**

Vehicle: Lease purchase agreement dated June 30, 1999 for a vehicle with an original cost of \$23,676. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 5,704	\$ 171	\$ 5,875

Ambulance: Lease purchase agreement dated January 22, 1997 for an ambulance with an original cost of \$78,832. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 4,607	\$ 209	\$ 4,816

Lighting Equipment: Lease purchase agreement dated July 10, 1997 for lighting equipment with an original cost of \$21,108. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 3,475	\$ 155	\$ 3,630

Vehicles: Lease purchase agreement dated July 10, 2000 for two police vehicles with a total original cost of \$48,706. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 16,391	\$ 1,557	\$ 17,948
2003	14,512	445	14,957
	\$ 30,903	\$ 2,002	\$ 32,905

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE H - LONG-TERM DEBT (Continued)

Vehicle: Lease purchase agreement dated July 10, 2000 for a police vehicle with an original cost of \$22,111. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 7,480	\$ 1,282	\$ 8,762
2003	<u>6,918</u>	<u>384</u>	<u>7,302</u>
	<u>\$ 14,398</u>	<u>\$ 1,666</u>	<u>\$ 16,064</u>

Vehicle: Lease purchase agreement dated January 5, 2000 for an ambulance with an original cost of \$88,759. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 18,186	\$ 4,421	\$ 22,607
2003	19,701	2,996	22,697
2004	21,342	1,451	22,793
2005	<u>7,529</u>	<u>118</u>	<u>7,647</u>
	<u>\$ 66,758</u>	<u>\$ 8,986</u>	<u>\$ 75,744</u>

Equipment: Lease purchase agreement dated October 1, 2000 for a copier with an original cost of \$5,505. Minimum future lease payments under this agreement at September 30, 2001 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2002	\$ 1,820	\$ 245	\$ 2,065
2003	1,967	98	2,065
2004	<u>171</u>	<u>1</u>	<u>172</u>
	<u>\$ 3,958</u>	<u>\$ 344</u>	<u>\$ 4,302</u>

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE H - LONG-TERM DEBT (Continued)

Term Loans Payable: Term loans payable at September 30, 2001 consisted of the following:

**Park Avenue Kimmel Property Fund** - On July 21, 2000 the Town borrowed \$481,925 from a local financial institution to finance the purchase of land and a building on Park Avenue as part of the Town's redevelopment project. Interest is payable quarterly at a variable rate based on the 90 day LIBOR rate plus 1.5% (8.23% at September 30, 2001) and principal is payable at maturity on July 21, 2002. The loan is secured by a pledge of the Town's local option half-cent sales tax revenues received from the State and a pledge of the lease revenues received from the purchased property.

**Park Avenue Property Fund** - On December 4, 1998 the Town borrowed \$280,000 from a local financial institution to finance the purchase of land and a building on Park Avenue as part of the Town's redevelopment project. Principal and interest at 6.59% are payable in semi-annual installments of \$18,657.50 on December 4 and June 4, commencing June 4, 1999, through maturity on June 4, 2009. The loan is secured by a pledge of the Town's local option half-cent sales tax revenues received from the State and a pledge of the lease revenues received from the purchased property. The outstanding balance payable on the loan was \$231,641 at September 30, 2001.

On January 24, 2001 the Town borrowed \$700,000 from a local financial institution to finance the renovation of a building on Park Avenue as part of the Town's redevelopment project. Principal and interest at 8.08% are payable in semi-annual installments of \$40,956 on January 24 and July 24, commencing July 24, 2002, through maturity on January 24, 2007. The loan is secured by a pledge of the Town's local option half-cent sales tax revenues received from the State and a pledge of the lease revenues received from the purchased property. The outstanding balance payable on the loan was \$700,000 at September 30, 2001.

The required debt service payments on these loans at September 30, 2001 are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2002	\$ 35,073	\$ 43,198	\$ 78,271
2003	50,175	69,052	119,227
2004	53,825	65,402	119,227
2005	58,043	61,184	119,227
2006	62,439	56,788	119,227
2007	603,317	29,640	632,957
2008	33,270	4,045	37,315
2009	35,499	1,816	37,315
	\$ 931,641	\$ 331,125	\$ 1,262,766

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE 11 - LONG-TERM DEBT (Continued)

General Obligation Bonds, Series 1997: On March 11, 1997 the voters of the Town approved the issuance of up to \$9,806,000 general obligation bonds for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. On August 7, 1997 the Town issued a \$4,800,000 Town of Lake Park, Florida, General Obligation Bond, Series 1997. Principal and interest at 4.96% are payable in semi-annual installments of \$189,725 on January 1 and July 1, commencing January 1, 1998, through maturity on July 1, 2017.

The required debt service payments on the Series 1997 bond at September 30, 2001 are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2002	\$ 175,410	\$ 204,040	\$ 379,450
2003	184,218	195,232	379,450
2004	193,469	185,981	379,450
2005	203,184	176,266	379,450
2006	213,387	166,063	379,450
2007	224,102	155,348	379,450
2008	235,356	144,094	379,450
2009	247,174	132,276	379,450
2010	259,586	119,864	379,450
2011	272,621	106,829	379,450
2012	286,310	93,140	379,450
2013	300,687	78,763	379,450
2014	315,787	63,663	379,450
2015	331,641	47,806	379,450
2016	348,297	31,153	379,450
2017	365,787	13,661	379,448
	\$ 4,157,019	\$ 1,914,179	\$ 6,071,198

General Obligation Bonds, Series 1998: On November 17, 1998 the Town issued a \$5,000,000 Town of Lake Park, Florida, General Obligation Bond, Series 1998. This bond represents the second and final series of the bonds approved by the voters of the Town in a special referendum on March 11, 1997 for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. Principal and interest at 4.46% are payable in semi-annual installments of \$194,329 on January 1 and July 1, commencing July 1, 1999, through maturity on July 1, 2018.

The required debt service payments on the Series 1998 bond are as follows:



TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE H - LONG-TERM DEBT (Continued)

Year Ending September 30	Principal	Interest	Total Amount
2002	\$ 185,660	\$ 202,997	\$ 388,657
2003	194,033	194,624	388,657
2004	202,783	185,874	388,657
2005	211,928	176,729	388,657
2006	221,485	167,172	388,657
2007	231,474	157,183	388,657
2008	241,913	146,744	388,657
2009	252,822	135,835	388,657
2010	264,224	124,433	388,657
2011	276,140	112,517	388,657
2012	288,593	100,064	388,657
2013	301,608	87,049	388,657
2014	315,209	73,448	388,657
2015	329,424	59,233	388,657
2016	344,280	44,377	388,657
2017	359,806	28,851	388,657
2018	<u>376,033</u>	<u>12,624</u>	<u>388,657</u>
	<u>\$ 4,597,415</u>	<u>\$ 2,009,754</u>	<u>\$ 6,607,169</u>

Annual Maturities: The aggregate maturities for all long-term debt of the Town with scheduled maturities (excluding compensated absences), including interest of \$4,269,184, are as follows:

Year Ending September 30,	Enterprise Funds		General Long-Term Debt Account Group		Total
	Term Loans	Capital Leases	Bonds Payable	Capital Leases	
2002	\$ 560,196	\$ 22,857	\$ 768,107	\$ 65,703	\$ 1,416,863
2003	119,227		768,107	47,021	934,355
2004	119,227		768,107	22,965	910,299
2005	119,227		768,107	7,647	849,981
2006	119,227		768,107		887,334
Thereafter	<u>707,587</u>		<u>8,837,832</u>		<u>9,545,419</u>
	<u>\$ 1,744,691</u>	<u>\$ 22,857</u>	<u>\$ 12,678,367</u>	<u>\$ 143,336</u>	<u>\$ 14,589,251</u>

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE I - CHANGES IN GENERAL LONG-TERM DEBT

The changes in the components of the General Long-Term Debt Account Group are summarized as follows:

	Balance October 1, 2000	Accruals and New Borrowings	Payments	Balance September 30, 2001
Compensated absences payable	\$ 239,872	\$	\$ 17,139	\$ 222,733
Obligations under capital lease	197,682	5,505	73,384	129,803
Bonds payable	<u>9,099,105</u>	<u>                    </u>	<u>344,671</u>	<u>8,754,434</u>
	<u>\$ 9,536,659</u>	<u>\$ 5,505</u>	<u>\$ 435,194</u>	<u>\$ 9,106,970</u>

NOTE J - PENSION PLANS

**Description of Plans**

Defined Contribution Plan: The Town administers a voluntary defined contribution pension plan for General Employees not eligible for participation in the Police Officers' and Firemen's defined benefit pension plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan administered by the Town is summarized as follows:

**General Employees Retirement Plan**

The General Employees Retirement Plan was a new pension plan adopted by the Town and open to general employees effective October 1, 1998. Eligible employees may contribute a maximum of 10% of annual compensation to the plan. Employees are not required to contribute to the plan. The Town contributes 5% of the employees' annual compensation and matches 50% of the employees' voluntary contributions, up to a maximum of 2.5% of participants annual compensation. The Town's contributions are fully vested after 5 years of service. The Town's contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Town's future contribution requirements. Employer and employee contributions to the Plan for the year ended September 30, 2001 were \$114,473 and \$64,590, respectively. Plan provisions and contribution requirements are established by the Town Commission and may be amended by future Commission action.

Defined Benefit Plans: The Town administers two single employer, defined benefit pension plans. The Municipal Police Officers' Retirement Trust Fund covers substantially all full-time police department employees and the Municipal Firemen's Pension Trust Fund covers substantially all full-time fire department employees.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE J - PENSION PLANS (Continued)

**Police and Fire Pension Plans**

The benefit provisions, contribution requirements and all other provisions of the Police and Fire Defined Benefit Pension Plans are established and amended by Town ordinance and are summarized as follows:

**Vesting** - Benefits fully vest after ten years of service for Police and five years for Fire with no vesting prior to ten and five years, respectively.

**Eligibility for Retirement** - Attainment of age 60 for Police and age 50 for Fire, with ten or more years of service or completion of twenty years of service, respectively.

**Retirement Benefit** - Payable monthly for life in an amount equal to final average salary (computed as the average of the final five years of service) times 2.5 percent for each year of service for Police and three percent for each year of service for Fire.

**Other Benefits** - The Plans also provide for deferred retirement, disability retirement and death benefits.

**Employee Contributions** - Employees are required to contribute five percent of their base monthly compensation. If an employee leaves covered employment or dies before ten years of credited service for Police and five years of credited service for Fire, the accumulated employee contributions are refunded to the employee or designated beneficiary.

**State of Florida Contributions** - Pursuant to Chapter 175 and 185 of the Florida Statutes, a premium tax on certain insurance contracts written on properties in the Town is collected by the state and remitted to the Town for Fire and Police pensions.

**Town Contributions** - The Town is required to contribute actuarially determined amounts, which together with employee and state contributions, are sufficient to fund the plans.

The Police and Fire pension plans issue a publicly available, stand-alone financial report for the respective plans. Membership of each plan consisted of the following at September 30, 2000, the date of the latest actuarial valuation:

	<u>Police</u>	<u>Fire</u>
Retirees and beneficiaries receiving benefits	5	0
Terminated plan members entitled to but not yet receiving benefits	4	0
Active plan members	<u>25</u>	13
Total plan members	<u>34</u>	<u>13</u>

TOWN OF LAKE PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE J - PENSION PLANS (Continued)

Contributions: Plan members of both the Police and Fire defined benefit pension plans contribute five percent of their annual covered salary. Pursuant to Florida Statutes, Chapters 175 and 185, the State collects a tax on insurance premiums for property and casualty coverage and annually remits a contribution to the Police and Fire pension plans. The Town is required to contribute an actuarially determined amount necessary to pay the annual normal cost of each plan plus the additional amount needed to amortize any unfunded accrued liability. Contributions by plan members are established and may be amended by Town ordinance. Contribution requirements by the State and the Town are established and may only be amended by State statute and Town ordinance, respectively. Administrative costs of the Police and Fire pension plans are financed through investment earnings.

Employer contributions to the Police and Fire pension plans by the Town and the State of Florida for the past three consecutive fiscal years from the date of the last actuarial valuation on October 1, 2000 were as follows:

Year Ended September 30,	Police		Fire	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	\$ 132,596	100 %	\$ 54,943	100%
1999	128,706	100	52,501	119
2000	67,959	118	65,651	65

The annual pension cost of the Police pension plan was equal to the annual required contribution for each year presented above. Annual pension cost information for the Fire pension plan is as follows:

Year Ended September 30,	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 55,888	\$ 54,943	98.3%	\$ (30,371)
1999	53,572	62,731	117.1	(39,530)
2000	67,231	42,387	63.0	(14,686)

The components of annual pension cost for the Fire pension plan for the year ended September 30, 2000 were as follows: annual required contribution (ARC) \$65,651; interest on net pension obligation \$(3,162); and adjustment to the ARC \$4,742. The decrease in the net pension obligation for the year ended September 30, 2001 was \$24,844.

Actuarial Information: Significant actuarial assumptions used in the latest actuarial valuation of the Police and Fire pension plans are summarized as follows:

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE J - PENSION PLANS (Continued)

	<u>Police</u>	<u>Fire</u>
Valuation date	October 1, 2000	October 1, 2000
Actuarial cost method	Aggregate Actuarial Cost Method	Aggregate Actuarial Cost Method
Amortization method	Not applicable	Not applicable
Remaining amortization period	None	None
Asset valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return (includes inflation at 4.0%)	8.0%	8.0%
Projected salary increase for:		
Merit	3.0%	3.0%
Inflation	4.0%	4.0%
Cost-of-living adjustments	None	None

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of pension plan assets exceeds the actuarial accrued liability at September 30, 2001 for both the Police and Fire pension plans and there is no unfunded actuarial liability. The Police and Fire pension plans both use the aggregate actuarial cost method and are not required to present a schedule of funding progress, however, management believes this information may be useful to users of their financial statements and have included a schedule of funding progress for the Police and Fire pension plans as required supplementary pension information in the Town's comprehensive annual financial report.

Basis of Accounting: All pension fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, including contributions from the State of Florida, are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments: All pension plan investments are reported at fair value. Short-term investments consist of money market mutual funds and are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Cost is based on actual cost or par value less unamortized premium or discount. The cost and fair value of the investments of the Police and Fire pension plans at September 30, 2001 was as follows:

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE J - PENSION PLANS (Continued)

	Municipal Police Officers' Retirement Trust Fund		Municipal Firemen's Pension Trust Fund	
	Cost	Fair Value	Cost	Fair Value
	U.S. Government obligations and Agency securities	\$ 693,882	\$ 749,045	\$ 264,471
Domestic corporate bonds and mortgage backed securities	723,999	749,304	175,883	181,826
Domestic common stocks	3,352,030	3,109,180	819,683	756,959
	4,769,911	4,607,529	1,260,037	1,219,615
Short-term investments				
Money market mutual funds	357,114	357,114	198,700	198,700
	\$ 5,127,025	\$ 4,964,643	\$ 1,458,737	\$ 1,418,315

Post-retirement Benefits: The Town offers continuation of health and life insurance benefits to employees upon retirement. The cost of such benefits are paid by the retirees and the Town has no liability for post-retirement benefits.

NOTE K - RISK MANAGEMENT

The Town of Lake Park is exposed to various risks of loss related to torts; theft of or damage to and the destruction of assets; errors and omissions and natural disasters for which the Town carries commercial insurance through the Florida League of Cities, Inc , a statewide commercial insurance program. The policy for comprehensive property, casualty and liability insurance provides coverage with a deductible of \$1,000 for property and casualty and \$25,000 for liability claims per occurrence, with a combined annual cap of \$1 million. The Town does not retain any risk of loss under this policy.

The Town has established a risk management program for workers' compensation where premiums are paid from each department to the Florida League of Cities who fully insures all claims to a statutory level. The Town does not retain any risk of loss under this policy.

There were no significant reductions in insurance coverages from the prior year. The amount of insurance settlements have not exceeded the Town's insurance coverages in any of the prior three fiscal years.

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE L - INTEREST COST

The total amount of interest cost expensed during the year was \$500,211. In accordance with FASB Statement No. 62, the Town has adopted the policy of capitalizing net interest cost on funds borrowed to finance the construction of fixed assets. No interest was capitalized in the current year.

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Town maintains five enterprise funds that provide various services. Segment information for the year ended September 30, 2001, is as follows:

	Marina Fund	Sanitation Fund	Bus Fund	Park Avenue Property Funds	Total
Operating revenues	\$ 387,849	\$ 1,100,440	\$ 7,110	\$ 82,955	\$ 1,578,354
Depreciation	17,752	173,558	6,668	35,494	233,472
Operating income (loss)	133,431	(129,979)	(23,006)	36,584	17,030
Operating transfers in (out)	(60,000)				(60,000)
Net income (loss)	84,000	(130,071)	(23,265)	(12,890)	(82,226)
Property, plant and equipment:					
Additions		173,791		641,933	815,724
Deletions					0
Net working capital (deficit)	212,301	(464,502)	(10,724)	(579,022)	(841,947)
Total assets	358,812	700,161	0	1,557,255	2,616,228
Long-term liabilities					
Term loans payable				896,568	896,568
Total equity (deficit)	316,468	152,408	(10,724)	(23,805)	434,347

NOTE N - EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2001 expenditures exceeded appropriations (current plus capital outlay) for General Fund departments as follows:

Department:	Excess Expenditures Over Appropriations
Legal	\$ 160,848
Engineering	413
Community Response Team	7,899
Communications	7,730
Park Maintenance	5,210
Debt Service	20,344

TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE O - DEFICIT FUND EQUITY

At September 30, 2001 the following funds had a deficit in fund equity:

Fund	Deficit in Fund Equity
Debt Service Fund	\$ (187,647)
Bus Fund	(10,724)
Park Avenue Property Fund	(39,243)

NOTE P - COMMITMENTS AND CONTINGENCIES

Litigation: The Town is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome of these lawsuits cannot be determined at the present time, it is the opinion of management based upon consultation with legal counsel, that the outcome of these actions will not materially affect the financial position of the Town.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the U.S. Department of Justice and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds.

Insurance Claims: Prior to October 1, 1996 the Town participated in a public entity risk pool for property and casualty claims and employee health and benefit claims. In accordance with the terms of the agreement establishing the pool, the Town remains responsible and obligated for any claim liabilities in excess of the assets held for payment of the Town's portion of covered claims and expenses incurred during the term of the Town's membership in the pool. Management does not believe the Town will incur any further liability to the pool.

Contract Commitments: The Town has several uncompleted construction contracts for improvements to the Town property and infrastructure. The construction is being funded primarily from the proceeds of the Series 1997 and Series 1998 general obligation bonds. At September 30, 2001 the remaining commitment on these uncompleted contracts was \$336,546. The uncompleted contracts at September 30, 2001 are summarized as follows:

Project	Contract Amount	Approved Payments	Remaining Contract Commitment
Town Hall improvements	\$ 1,322,079	\$ 1,088,296	\$ 233,783
Marina improvements	257,600	235,152	22,448
Building improvements	638,009	592,691	45,318
Drainage improvements	98,421	63,424	34,997
	\$ 2,316,109	\$ 1,979,563	\$ 336,546



TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

NOTE Q - SUBSEQUENT EVENTS

Police Services: On September 17, 2001 the Town adopted Resolution 55-2001 approving an agreement with the Palm Beach County Sheriff's Office (PBSO) to provide police services for the Town, effective October 1, 2001. Accordingly, the public safety law enforcement employees of the Town, related law enforcement equipment and the assets and liabilities of the Municipal Police Officers' Retirement Trust Fund were transferred to the PBSO. Town management estimates that the agreement with the PBSO will result in lower annual expenditures for law enforcement within the Town, although the exact amount of the savings, if any, cannot be determined at the present time. In connection with the transfer of Town police services to the PBSO, the Town plans to terminate the Municipal Police Officers' Retirement Trust Fund and provide a lump sum payout to the participants. The Board of Trustees of the Municipal Police Officers' Retirement Trust Fund actuarially determined the lump sum payout of accrued pension benefits, to be approximately \$3.3 million as of October 1, 2001. Interest on the lump sum payout will be added through the final date of distribution to the participants. The fair value of the assets of the Municipal Police Officers' Retirement Trust Fund was approximately \$5.2 million at September 30, 2001. The remaining assets, if any, of the Municipal Police Officers' Retirement Trust Fund after the final lump sum payout to participants, will be paid to the Town's General Fund.

Fire Rescue Services: On June 5, 2002 the Town approved an agreement with Palm Beach County Fire Rescue to provide fire protection and emergency medical services for the Town, effective June 29, 2002. Accordingly, the fire department employees of the Town and related fire department assets and emergency medical equipment were transferred to Palm Beach County Fire Rescue. The Town and Palm Beach County simultaneously entered into an agreement whereby the County will purchase the Town's fire rescue land and building for \$1 million to be paid in four equal annual installments of \$250,000 beginning April 1, 2003. Town management estimates that the agreement with Palm Beach County Fire Rescue will result in lower annual expenditures for fire protection and emergency medical services within the Town, although the exact amount of the savings, if any, cannot be determined at the present time. In connection with the transfer of Town fire protection and emergency medical services to Palm Beach County Fire Rescue, the Town plans to terminate the Municipal Firemen's Pension Trust Fund and provide a lump sum payout to the participants. The Board of Trustees of the Municipal Firemen's Pension Trust Fund actuarially determined the lump sum payout of accrued pension benefits, including interest, to be approximately \$2.1 million as of January 6, 2003. The fair value of the assets of the Municipal Firemen's Pension Trust Fund was approximately \$1.5 million at September 30, 2001. The Board of Trustees of the Municipal Firemen's Pension Trust Fund, through its attorney, has made a demand that the Town pay the Municipal Firemen's Pension Trust Fund the additional funds of approximately \$600,000, necessary for the lump sum payout of accrued pension benefits of \$2.1 million. The Town, based on the advice of its legal counsel, does not believe that it is obligated to pay any additional amounts resulting from the decision of the Board of Trustees of the Municipal Firemen's Pension Trust Fund to make a lump sum payout of accrued pension benefits. The ultimate outcome of this matter and the amount, if any, that the Town may owe to the Municipal Firemen's Pension Trust Fund cannot be determined at the present time.

Property Sales: In August and September 2002 the Town contracted to sell three parcels of property located on Park Avenue for a total sales price of \$611,000. These properties comprised the rental properties of the Park Avenue Property Fund and had a net book value of \$985,659 at September 30, 2001.

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## STATISTICAL INFORMATION

TOWN OF LAKE PARK, FLORIDA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS--BY FUNCTION AND ACTIVITY

Year Ended September 30, 2001

	Balance October 1, 2000	Additions	Disposals and Retirements	Net Transfers	Balance September 30, 2001
<b>General Purpose</b>	\$ 1,903,198	\$	\$	\$	\$ 1,903,198
<b>General Government</b>					
Legislative	29,986				29,986
General management	12,411	995			13,406
Town clerk	11,013	532			11,545
Finance	59,789	3,136			62,925
	<u>113,199</u>	<u>4,663</u>	<u>0</u>	<u>0</u>	<u>117,862</u>
<b>Public Safety</b>					
Police department	1,083,481	17,005			1,100,486
Fire department	645,427	1,692,049			2,337,476
Building department	76,370	37,341			113,711
	<u>1,805,278</u>	<u>1,746,395</u>	<u>0</u>	<u>0</u>	<u>3,551,673</u>
<b>Physical Environment</b>					
Public works	561,023	1,578,513			2,139,536
<b>Culture and Recreation</b>					
Library	122,385	49,606			171,991
Parks and recreation	481,450	3,167,156			3,648,606
	<u>603,835</u>	<u>3,216,762</u>	<u>0</u>	<u>0</u>	<u>3,820,597</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<u>\$ 4,986,533</u>	<u>\$ 6,546,333</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,532,866</u>

TOWN OF LAKE PARK, FLORIDA

SCHEDULE OF GENERAL FIXED ASSETS--BY SOURCE

September 30, 2001

	<u>Land</u>	<u>Buildings, Improvements and Other Facilities</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
Investment in general fixed assets				
Prior to 10/01/85				
Source unidentified	\$ 553,095	\$ 1,500,040	\$ 64,306	\$ 2,117,441
Subsequent to 10/01/85				
General Fund	146,625	783,510	1,964,011	2,894,146
Federal Revenue Sharing Fund			20,086	20,086
Grant Fund			34,404	34,404
Library Aid Fund			25,020	25,020
Capital Projects Fund		6,337,880	93,028	6,430,908
Marina Fund			10,861	10,861
	<u>146,625</u>	<u>7,121,390</u>	<u>2,147,410</u>	<u>9,415,425</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 699,720</u>	<u>\$ 8,621,430</u>	<u>\$ 2,211,716</u>	<u>\$ 11,532,866</u>

TOWN OF LAKE PARK, FLORIDA

GENERAL FUND REVENUE BY SOURCE AND OTHER FINANCING SOURCES  
(Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>
1992	\$ 2,641,638	\$ 199,642	\$ 855,519	\$ 73,166
1993	2,589,230	204,832	849,940	78,355
1994	3,011,261	201,481	902,817	242,456
1995	3,013,083	212,551	917,366	40,615
1996	3,077,369	246,277	1,271,982	77,720
1997	3,220,279	234,343	1,112,494	70,010
1998	3,305,136	285,141	1,158,635	81,823
1999	3,340,126	434,425	1,135,751	77,015
2000	3,379,024	339,578	1,211,537	388,342
2001	3,594,025	365,051	1,172,447	394,239

	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Other Financing Sources</u>	<u>Total</u>	<u>Annual Percentage Increase (Decrease)</u>
\$	65,206	\$ 19,375	\$ 966,670	\$ 4,821,216	19.4 %
	70,679	6,389	630,000	4,429,425	(8.1)
	107,712	144,829	385,000	4,995,556	12.8
	156,129	190,850	100,000	4,630,594	(7.3)
	156,604	112,049	270,816	5,212,817	12.6
	130,161	91,449	249,940	5,108,676	(2.0)
	139,585	127,887	200,000	5,298,207	3.7
	161,613	157,102	250,000	5,556,032	4.9
	233,237	129,026	463,528	6,144,272	10.6
	150,464	125,894	60,000	5,862,120	(4.6)

TOWN OF LAKE PARK, FLORIDA

GENERAL FUND EXPENDITURES BY FUNCTION  
(Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>	<u>Culture and Recreation</u>
1992	\$ 865,344	\$ 1,999,942	\$ 512,246	\$ 235,300	\$ 531,100
1993	903,263	2,048,185	341,606	190,834	534,126
1994	964,705	2,129,289	311,840	213,458	543,381
1995	876,643	2,226,385	83,448	215,792	542,621
1996	926,016	2,381,270	80,305	231,557	571,434
1997	777,748	2,658,730	86,232	258,525	619,121
1998	875,020	2,910,897	92,209	244,507	639,080
1999	901,006	3,033,180	97,853	262,567	685,579
2000	965,743	3,884,879	115,086	339,520	716,895
2001	1,132,586	3,477,761	129,519	363,213	770,330



Intra- governmental Service	Capital Outlay	Debt Service		Total
		Principal Retirement	Interest Charges	
\$ 99,002	\$ 431,781	\$ 45,920	\$ 19,230	\$ 4,739,865
113,522	547,098	100,490	36,992	4,816,116
115,160	52,389	118,901	32,596	4,481,719
123,729	557,716	30,541	6,969	4,663,844
114,813	418,929	32,744	4,766	4,761,836
148,256	437,396	61,194	14,727	5,061,929
119,662	308,752	57,936	8,407	5,256,470
146,182	283,699	44,613	5,510	5,460,189
142,736	471,045	43,191	10,278	6,689,373
146,250	96,647	71,524	12,686	6,200,516

TOWN OF LAKE PARK, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS  
(Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30.</u>	<u>Tax Roll Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>
1992	1991	\$ 1,866,238	\$ 1,767,352	94.70 %
1993	1992	1,827,851	1,735,297	94.94
1994	1993	2,157,644	2,031,929	94.17
1995	1994	2,121,930	2,003,870	94.44
1996	1995	2,144,031	2,033,859	94.86
1997	1996	2,222,480	2,115,938	95.21
1998	1997	2,242,166	2,158,785	96.28
1999	1998	2,287,535	2,177,972	95.21
2000	1999	3,102,751	2,968,734	95.68
2001	2000	3,235,477	3,073,411	94.99

<u>Delinquent Tax Collections</u>	<u>Total Property Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
\$ 19,949	\$ 1,787,301	95.77 %	\$ 70,895	3.80 %
3,488	1,738,785	95.13	85,297	4.67
11,772	2,043,701	94.72	96,911	4.49
27,904	2,031,774	95.75	93,875	4.42
28,794	2,062,653	96.20	79,522	3.71
3,591	2,119,529	95.37	91,831	4.13
15,706	2,174,491	96.98	102,191	4.56
25,215	2,203,187	96.31	127,875	5.59
13,782	2,982,516	96.12	120,235	3.88
32,712	3,106,123	96.00	110,002	3.55

Note: All property taxes are assessed and collected by Palm Beach County without charge to the Town, and collections are distributed in full as collected.

TOWN OF LAKE PARK, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
(Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Tax Roll Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1992	1991	\$ 256,444,974	\$ 256,444,974	\$ 26,341,191	\$ 26,341,191
1993	1992	247,946,548	247,946,548	28,749,146	28,749,146
1994	1993	240,471,915	240,471,915	28,646,584	28,646,584
1995	1994	237,690,492	237,690,492	26,301,735	26,301,735
1996	1995	239,098,358	239,098,358	25,607,139	25,607,139
1997	1996	235,509,023	235,509,023	28,033,113	28,033,113
1998	1997	241,715,711	241,715,711	29,731,683	29,731,683
1999	1998	246,786,998	246,786,998	30,352,466	30,352,466
2000	1999	247,812,405	247,812,405	28,694,715	28,694,715
2001	2000	301,365,474	301,365,474	30,157,262	30,157,262

Centrally Assessed Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
\$ 562,601	\$ 562,601	\$ 283,348,766	\$ 283,348,766	1.00
448,834	448,834	277,144,528	277,144,528	1.00
381,857	381,857	269,500,356	269,500,356	1.00
497,374	497,374	264,489,601	264,489,601	1.00
539,480	539,480	265,244,977	265,244,977	1.00
529,512	529,512	264,071,648	264,071,648	1.00
656,174	656,174	272,103,568	272,103,568	1.00
669,941	669,941	277,809,405	277,809,405	1.00
692,324	692,324	277,199,444	277,199,444	1.00
730,032	730,032	332,252,768	332,252,768	1.00

Source: Palm Beach County Property Appraiser's Office.

TOWN OF LAKE PARK, FLORIDA

PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS  
(Unaudited)

Last Ten Fiscal Years

Tax Year	Town of Lake Park	School District	Palm Beach County	South Florida Water Management District	Health Care District	Childrens Services Council	Florida Inland Navigation District
1992	6.5316	9.7850	4.6400	0.5470	1.4750	0.2215	0.0530
1993	7.9754	9.6030	4.6221	0.5470	1.4750	0.3039	0.0520
1994	7.9754	10.0630	4.5499	0.5970	1.4750	0.3297	0.0510
1995	7.9754	10.1850	4.5193	0.4970	1.4500	0.3522	0.0490
1996	8.3914	9.7970	4.5191	0.5470	1.4250	0.3730	0.0400
1997	8.3914	9.7880	4.5191	0.5720	1.2000	0.3756	0.0380
1998	8.3914	9.5570	4.6000	0.5970	1.1600	0.4530	0.0500
1999	8.3914	9.6820	4.6000	0.5970	0.9750	0.4400	0.0500
2000	11.1614	8.9100	4.9632	0.6970	1.0250	0.5000	0.0410
2001	10.9914	8.9480	4.9351	0.6970	1.1500	0.5703	0.0385

Tax rate limits: Ten mills per Florida Statute 200.081 (one mill equals \$1 per \$1,000 of assessed valuation), excluding voter approved debt service.

Scope of tax rate limits: No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.

Taxes assessed: January 1st

Taxes due: March 31st, the following year

Taxes delinquent: April 1st

Discount allowed: 4% November; 3% December; 2% January; 1% February

Penalties for delinquency: 2.5% after April 1, increasing .5% each ten days, maximum 5%

Tax collector: Palm Beach County

Tax collector commission: None

TOWN OF LAKE PARK, FLORIDA

RATIO OF NET GENERAL OBLIGATION DEBT TO ASSESSED VALUE AND  
NET GENERAL OBLIGATION DEBT PER CAPITA  
(Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Population*	Total Assessed Value	General Obligation Debt**	Ratio of Net General Obligation Debt to Assessed Value	Net General Obligation Debt per Capita
1992	6,704	\$ 283,348,766	\$ 504,827	0.00178	\$ 75.30
1993	6,709	277,144,528	499,337	0.00180	74.43
1994	6,695	269,500,356	380,436	0.00140	56.82
1995	6,695	264,489,601	82,874	0.00031	12.38
1996	6,919	265,244,977	141,158	0.00053	20.40
1997	6,864	264,071,648	5,079,505	0.01924	740.02
1998	6,887	272,103,568	4,732,244	0.01739	687.13
1999	6,853	277,809,405	9,505,159	0.03421	1,387.01
2000	8,721	277,199,444	9,296,787	0.03354	1,066.02
2001	8,718	332,252,768	8,884,237	0.03205	1,019.07

\* Source: University of Florida, Bureau of Economic Business Research, Division of Population Studies.

\*\* Includes general long-term debt with scheduled maturities (compensated absences are excluded) payable from General Fund revenue.

TOWN OF LAKE PARK, FLORIDA

COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT  
(Unaudited)

September 30, 2001

	Net General Obligation Debt at September 30, 2001	Estimated Percent Applicable	Direct and Overlapping Net Debt
<b>Town of Lake Park</b>			
Obligations under capital lease	\$ 129,803		
General obligation bonds payable	<u>8,754,434</u>		
Total Town of Lake Park General Obligation Debt	<u>\$ 8,884,237</u>	100.0 %	\$ 8,884,237
<b>Palm Beach County</b>			
General obligation bonds	\$ 205,855,000		
School Board bonds	<u>243,125,000</u>		
Total overlapping net bonded debt	<u>\$ 448,980,000</u>	0.684 %	<u>3,071,023</u>
TOTAL DIRECT AND OVERLAPPING NET DEBT PAYABLE FROM AD VALOREM TAXES			<u>\$ 11,955,260</u>
Estimated population			<u>8,718</u>
Net debt per capita			<u>\$ 1,371</u>

Source: Palm Beach County and Palm Beach County School Board.



TOWN OF LAKE PARK, FLORIDA

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION  
DEBT TO TOTAL GENERAL FUND EXPENDITURES  
(Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Principal*</u>	<u>Interest*</u>	<u>Total Debt Service*</u>	<u>Total General Governmental Expenditures**</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1992	\$ 45,920	\$ 19,230	\$ 65,150	\$ 4,742,485	1.37 %
1993	100,490	36,992	137,482	4,816,116	2.85
1994	118,901	32,596	151,497	4,486,328	3.38
1995	30,541	6,969	37,510	4,663,844	0.80
1996	32,744	4,766	37,510	4,761,836	0.79
1997	61,194	14,727	75,921	5,061,929	1.50
1998	223,424	222,369	445,793	5,635,920	7.91
1999	251,000	372,902	623,902	6,033,968	10.34
2000	372,211	449,365	821,576	7,457,480	11.02
2001	417,465	436,648	854,113	6,968,624	12.26

\* Includes General Fund and Debt Service Fund payments on the budgetary basis for general long-term debt with scheduled maturities.

\*\* Includes General Fund and Debt Service Fund expenditures.

TOWN OF LAKE PARK, FLORIDA

DEMOGRAPHIC STATISTICS  
(Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Population*</u>	<u>School Enrollment**</u>	<u>Unemployment Rate***</u>
1992	6,704	501	8.4 %
1993	6,709	508	9.1
1994	6,695	543	8.7
1995	6,695	551	8.7
1996	6,919	565	7.8
1997	6,864	624	7.7
1998	6,887	657	6.2
1999	6,853	633	5.8
2000	8,721	633	4.1
2001	8,718	515	5.5

\* Source: University of Florida, Bureau of Economic Business Research, Division of Population Studies.

\*\* Source: Palm Beach County School Board.

\*\*\* Data is for all of Palm Beach County. Source: Florida Department of Labor & Employment Security as of September 2001.

TOWN OF LAKE PARK, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
(Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Property Value*	Construction**		Value	Bank Deposits*** (in thousands)
		Commercial Number of Permits	Residential Number of Units		
1992	\$ 283,348,766	9	6	\$ 739,560	\$ 7,955,346
1993	277,144,528	3	5	121,332	7,898,302
1994	269,500,356	2	1	460,500	8,601,035
1995	264,489,601	1	1	274,500	9,744,700
1996	265,244,977	0	0	0	9,545,424
1997	264,071,648	43	528	1,942,149	9,721,153
1998	272,103,568	78	558	2,007,980	10,941,912
1999	277,809,405	315	273	13,402,370	12,711,003
2000	277,199,444	145	453	2,169,320	22,384,588
2001	332,252,768	150	466	1,336,553	23,993,200

\* Source: Total Assessed Property Value.

\*\* Source: Town Building Department

\*\*\* Source: Florida Bankers Association; data as of September 30th of the preceding year; includes time and demand deposits for all of Palm Beach County.

TOWN OF LAKE PARK, FLORIDA

PRINCIPAL TAXPAYERS  
(Unaudited)

September 30, 2001

<u>Taxpayer</u>	<u>2001 Taxes Levied</u>	<u>Percentage of Total Taxes Levied</u>
WHCB Real Estate	\$ 318,931	9.86 %
Philip D. Lewis	257,998	7.97
New Plan Realty Trust	211,046	6.52
Nicholas S. Smith	207,507	6.41
Twin Cities Investors, Inc.	115,269	3.56
Stuart Enterprises, Inc.	100,938	3.12
Crescent Properties	96,453	2.98
Kasali O. Opabola	70,122	2.17
All State Association of West Palm LLC	67,329	2.08
Fred Keller, Trustee	60,621	1.87
 TOTALS	 <u>\$ 1,506,214</u>	 <u>46.54 %</u>

Source: Palm Beach County Property Appraiser's Office.

TOWN OF LAKE PARK, FLORIDA

MISCELLANEOUS STATISTICS  
(Unaudited)

September 30, 2001

Date of Incorporation:	1923
Form of Government:	Town Commission-Manager with a Mayor and four Commission members elected for three-year overlapping terms. The Town Manager is appointed by the Commission.
Location and Area:	The Town of Lake Park encompasses an area of 2.39 square miles and is located approximately 3 miles north of the City of West Palm Beach, which is the county seat of Palm Beach County. The Town is generally bounded on the east by the Intracoastal Waterway, on the north by the Village of North Palm Beach, on the West by the City of Palm Beach Gardens and on the south by the City of Riviera Beach. Palm Beach county is located on the southeast coast of Florida and extends westward to Lake Okeechobee with a total area of 2,230 square miles including 46 miles of frontage on Lake Okeechobee.
Police Protection:	28 sworn officers, 8 civilian full-time employees, 1 full time victims counselor, 1 civilian part-time employee, 2 part-time civilian police service technicians and 9 part-time school crossing guards.
Fire Protection:	1 fire station, 13 State Certified Firefighters of which 10 are State Certified Paramedics, 11 volunteer firefighters, two 1,250 G.P.M. Class A Pumps, one 450 G.P.M. brush truck, one 250 G.P.M. brush truck, two staff vehicles and one support unit.
Recreation Facilities:	Ballfields - 3 lighted Tennis courts - 4 lighted Band shelter/Gazebo Boat launching ramps - 4 at municipal Marina Parks - 8 locations with various recreational facilities and playgrounds. Marina - 224 slips accommodating boats up to 57 feet
Water and Sewer System:	The Town's water and sewer service is provided by Seacoast Utility Authority, which provides water and sewer service to northern Palm Beach County's population.

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APPENDIX J

FINANCIAL INFORMATION REGARDING THE VILLAGE OF PALM SPRINGS

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VILLAGE OF PALM SPRINGS, FLORIDA  
Statement of Revenues, Expenses and Changes in Retained Earnings  
Enterprise Fund  
Fiscal Years Ended September 30,

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating Revenues			
Charges for services	\$ 8,476,290	\$7,911,037	\$7,736,687
Miscellaneous	<u>1,569</u>		
Total operating revenues	8,477,859	<u>7,911,037</u>	<u>7,736,687</u>
Operating expenses			
Personal services	1,877,133	1,687,456	1,602,718
Operating expenses	2,473,581	2,437,165	2,305,532
Depreciation	1,594,155	1,508,428	1,284,170
Amortization	<u>345,324</u>	<u>240,111</u>	<u>240,111</u>
Total operating expenses	6,290,193	5,873,160	5,432,531
Operating income	2,187,666	2,037,877	2,304,156
Nonoperating revenues (expenses)			
Interest and dividends on investments	239,961	595,651	350,188
Customer contributions	576,929	704,226	
Interest expense	<u>(980,363)</u>	<u>(1,029,791)</u>	<u>(1,093,643)</u>
Total nonoperating revenues (expenses)	(163,473)	270,086	(743,455)
Income before operating transfers	2,024,193	2,307,963	1,560,701
Operating transfer out	<u>(970,424)</u>	(953,652)	(969,231)
Net Income	1,053,769	1,354,311	591,470
Retained earnings, beginning of year	<u>13,539,934</u>	<u>12,185,623*</u>	<u>11,744,627</u>
Retained earnings, end of year <sup>(1)</sup>	\$14,593,703	\$13,539,934	\$12,336,097
<sup>(1)</sup> Retained earnings, end of year:			
Reserved	1,985,851	2,472,688	2,472,308
Unreserved	<u>12,607,852</u>	<u>11,067,246</u>	<u>9,863,789</u>
Total	\$14,593,703	\$13,539,934	\$12,336,097

\*Restated.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Village Council  
Village of Palm Springs, Florida

We have audited the accompanying general purpose financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Palm Springs' 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 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 Palm Springs, Florida, as of September 30, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2002, on our consideration of the Village of Palm Springs' 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 performed 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 Palm Springs. Such information

has been subjected to the auditing procedures applied in our 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.

*Rachel Cohen + Holtz LLP*

West Palm Beach, Florida  
January 24, 2003

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**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*September 30, 2002*

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
Assets:				
Cash and cash equivalents	\$ 3,292,067	\$ 19,092	\$ 12,627	\$ -
Investments	-	-	-	-
Receivables:				
Accounts, net of allowance for uncollectibles	32,282	-	-	-
Interest	-	-	-	-
Grants	20,792	-	-	-
Utility taxes	65,084	-	-	-
Franchise fees	82,050	-	-	-
Intergovernmental	132,278	-	-	-
Due from other funds	115,500	-	-	-
Inventory	6,259	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	3,397,502
Investments	-	-	-	3,075,505
Fixed assets	-	-	-	-
Intangible assets	-	-	-	-
Unamortized bond issue costs	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 3,746,312</b>	<b>\$ 19,092</b>	<b>\$ 12,627</b>	<b>\$ 6,473,007</b>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust Funds			
\$ 6,057,418	\$ 578,271	\$ -	\$ -	\$ 9,959,475
-	7,655,443	-	-	7,655,443
1,593,092	6,997	-	-	1,632,371
-	42,054	-	-	42,054
-	-	-	-	20,792
-	-	-	-	65,084
-	-	-	-	82,050
-	-	-	-	132,278
-	-	-	-	115,500
160,293	-	-	-	166,552
1,108,409	-	-	-	4,505,911
1,218,254	-	-	-	4,293,759
27,982,048	59,924	8,297,602	-	36,339,574
3,312,401	-	-	-	3,312,401
133,740	-	-	-	133,740
-	-	-	12,627	12,627
-	-	-	8,267,005	8,267,005
<b>\$ 41,565,655</b>	<b>\$ 8,342,689</b>	<b>\$ 8,297,602</b>	<b>\$ 8,279,632</b>	<b>\$ 76,736,616</b>

*Continued on the following page...*

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (Continued)*  
*September 30, 2002*

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Liabilities, Equity and Other Credits</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 187,660	\$ -	\$ -	\$ -
Contracts and retainage payable	-	-	-	202,533
Payable from restricted assets:				
Accrued interest	-	-	-	-
Current portion of note payable	-	-	-	-
Current portion of revenue bonds payable	-	-	-	-
Deposits	-	-	-	-
Due to other funds	-	-	-	115,500
Revenue collected in advance	68,296	-	-	-
Notes payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Compensated absences payable	26,437	-	-	-
Revenue bonds payable	-	-	-	-
Obligations under utility agreement	-	-	-	-
<b>Total liabilities</b>	<b>282,393</b>	<b>-</b>	<b>-</b>	<b>318,033</b>
Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Fund balances:				
Reserved	6,259	-	12,627	6,154,974
Unreserved:				
Designated	1,581,011	-	-	-
Undesignated	1,876,649	19,092	-	-
<b>Total equity and other credits</b>	<b>3,463,919</b>	<b>19,092</b>	<b>12,627</b>	<b>6,154,974</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 3,746,312</b>	<b>\$ 19,092</b>	<b>\$ 12,627</b>	<b>\$ 6,473,007</b>

*See accompanying notes to general purpose financial statements.*



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust Funds			
\$ 194,010	\$ 15,948	\$ -	\$ -	\$ 397,618
317,943	-	-	-	520,476
63,892	-	-	-	63,892
570,615	-	-	-	570,615
305,000	-	-	-	305,000
842,930	-	-	-	842,930
-	-	-	-	115,500
-	-	-	-	68,296
6,390,232	-	-	246,461	6,636,693
-	-	-	7,890,000	7,890,000
67,081	-	-	143,171	236,689
5,111,258	-	-	-	5,111,258
2,210,494	-	-	-	2,210,494
16,073,455	15,948	-	8,279,632	24,969,461
-	-	8,297,602	-	8,297,602
10,898,497	-	-	-	10,898,497
1,985,851	-	-	-	1,985,851
12,607,852	-	-	-	12,607,852
-	8,296,928	-	-	14,470,788
-	-	-	-	1,581,011
-	29,813	-	-	1,925,554
25,492,200	8,326,741	8,297,602	-	51,767,155
<b>\$ 41,565,655</b>	<b>\$ 8,342,689</b>	<b>\$ 8,297,602</b>	<b>\$ 8,279,632</b>	<b>\$ 76,736,616</b>

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Funds  
Year Ended September 30, 2002*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes	\$ 3,203,299	\$ -	\$ 68,835	\$ -
Licenses and permits	258,364	-	-	-
Intergovernmental	1,566,010	-	-	-
Charges for services	653,923	-	-	-
Fines and forfeitures	179,059	-	-	-
Contributions	22,728	1,907	-	-
Interest	62,830	312	-	101,841
Miscellaneous	50,647	841	-	-
<b>Total revenues</b>	<b>5,996,860</b>	<b>3,060</b>	<b>68,835</b>	<b>101,841</b>
<b>Expenditures</b>				
Current:				
General government	953,087	-	-	1,776,792
Public safety	3,262,819	-	-	-
Physical environment	385,569	-	-	-
Transportation	715,382	-	-	-
Culture/recreation	982,815	1,754	-	-
Debt service:				
Principal	-	-	53,800	-
Interest and other fiscal charges	-	-	15,022	-
<b>Total expenditures</b>	<b>6,299,672</b>	<b>1,754</b>	<b>68,822</b>	<b>1,776,792</b>
Excess (deficiency) of revenues over (under) expenditures	(302,812)	1,306	13	(1,674,951)
<b>Other financing sources</b>				
Debt proceeds	-	-	-	7,829,925
Operating transfer in	970,424	-	-	-
<b>Total other financing sources</b>	<b>970,424</b>	<b>-</b>	<b>-</b>	<b>7,829,925</b>
Excess of revenues and other financing sources over expenditures	667,612	1,306	13	6,154,974
Fund balances, beginning of year	2,796,307	17,786	12,614	-
<b>Fund balances, end of year</b>	<b>\$ 3,463,919</b>	<b>\$ 19,092</b>	<b>\$ 12,627</b>	<b>\$ 6,154,974</b>

*See accompanying notes to general purpose financial statements.*

Expendable Trust Funds	Totals (Memorandum Only)
\$ -	\$ 3,272,134
-	258,364
-	1,566,010
-	653,923
12,891	191,950
-	24,635
676	165,659
-	51,488
<b>13,567</b>	<b>6,184,163</b>

-	2,729,879
16,491	3,279,310
-	385,569
-	715,382
-	984,569
-	53,800
-	15,022
<b>16,491</b>	<b>8,163,531</b>

(2,924) (1,979,368)

-	7,829,925
-	970,424
<b>-</b>	<b>8,800,349</b>

(2,924)	6,820,981
100,133	2,926,840
<b>\$ 97,209</b>	<b>\$ 9,747,821</b>

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Combined Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General and Debt Service Funds  
Year Ended September 30, 2002*

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 2,947,724	\$ 3,203,299	\$ 255,575
Licenses and permits	222,000	258,364	36,364
Intergovernmental	1,709,405	1,566,010	(143,395)
Charges for services	745,250	653,923	(91,327)
Fines and forfeitures	198,000	179,059	(18,941)
Contributions	39,257	22,728	(16,529)
Interest	141,000	62,830	(78,170)
Miscellaneous	48,000	50,647	2,647
<b>Total revenues</b>	<b>6,050,636</b>	<b>5,996,860</b>	<b>(53,776)</b>
<b>Expenditures</b>			
Current:			
General government	1,113,035	953,087	159,948
Public safety	3,459,111	3,262,819	196,292
Physical environment	492,021	385,569	106,452
Transportation	1,001,699	715,382	286,317
Culture/recreation	1,234,066	982,815	251,251
Debt service:			
Principal	-	-	-
Interest and other fiscal charges	-	-	-
<b>Total expenditures</b>	<b>7,299,932</b>	<b>6,299,672</b>	<b>1,000,260</b>
Excess (deficiency) of revenues over (under) expenditures	(1,249,296)	(302,812)	946,484
<b>Other financing sources</b>			
Operating transfer in	970,424	970,424	-
<b>Total other financing sources (uses)</b>	<b>970,424</b>	<b>970,424</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(278,872)	667,612	946,484
Fund balances, beginning of year	278,872	2,796,307	2,517,435
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 3,463,919</b>	<b>\$ 3,463,919</b>

*See accompanying notes to general purpose financial statements.*

Debt Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 68,835	\$ 68,835	\$ -	\$ 3,016,559	\$ 3,272,134	\$ 255,575
-	-	-	222,000	258,364	36,364
-	-	-	1,709,405	1,566,010	(143,395)
-	-	-	745,250	653,923	(91,327)
-	-	-	198,000	179,059	(18,941)
-	-	-	39,257	22,728	(16,529)
-	-	-	141,000	62,830	(78,170)
-	-	-	48,000	50,647	2,647
<b>68,835</b>	<b>68,835</b>	<b>-</b>	<b>6,119,471</b>	<b>6,065,695</b>	<b>(53,776)</b>
-	-	-	1,113,035	953,087	159,948
-	-	-	3,459,111	3,262,819	196,292
-	-	-	492,021	385,569	106,452
-	-	-	1,001,699	715,382	286,317
-	-	-	1,234,066	982,815	251,251
53,800	53,800	-	53,800	53,800	-
15,035	15,022	13	15,035	15,022	13
<b>68,835</b>	<b>68,822</b>	<b>13</b>	<b>7,368,767</b>	<b>6,368,494</b>	<b>1,000,273</b>
-	13	13	(1,249,296)	(302,799)	946,497
-	-	-	970,424	970,424	-
-	-	-	<b>970,424</b>	<b>970,424</b>	-
-	13	13	(278,872)	667,625	946,497
-	12,614	12,614	278,872	2,808,921	2,530,049
<b>\$ -</b>	<b>\$ 12,627</b>	<b>\$ 12,627</b>	<b>\$ -</b>	<b>\$ 3,476,546</b>	<b>\$ 3,476,546</b>

**VILLAGE OF PALM SPRINGS, FLORIDA***Statement of Revenues, Expenses and Changes in Retained Earnings**All Proprietary Fund Types**Year Ended September 30, 2002*

	<b>Enterprise Fund</b>
<b>Operating revenues</b>	
Charges for services	\$ 8,476,290
Miscellaneous	1,569
<b>Total operating revenues</b>	<b>8,477,859</b>
<b>Operating expenses</b>	
Personal services	1,877,133
Operating expenses	2,473,581
Depreciation	1,594,155
Amortization	345,324
<b>Total operating expenses</b>	<b>6,290,193</b>
Operating income	2,187,666
<b>Nonoperating revenues (expenses)</b>	
Interest and dividends on investments	239,961
Customer contributions	576,929
Interest expense	(980,363)
<b>Total nonoperating revenues (expenses)</b>	<b>(163,473)</b>
Income before operating transfers	2,024,193
Operating transfer out	(970,424)
Net income	1,053,769
Retained earnings, beginning of year	13,539,934
<b>Retained earnings, end of year <sup>(1)</sup></b>	<b>\$ 14,593,703</b>
<sup>(1)</sup> Retained earnings, end of year:	
Reserved	\$ 1,985,851
Unreserved	12,607,852
	<b>\$ 14,593,703</b>

*See accompanying notes to general purpose financial statements.*

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Combined Statement of Changes in Net Plan Assets*  
*All Pension Trust Funds*  
*Year Ended September 30, 2002*

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 394,388
State of Florida	46,479
Plan member	47,166
<b>Total contributions</b>	<b>488,033</b>
Investment Income:	
Interest	215,246
Dividends	56,933
Investment expense	(65,856)
Net depreciation in fair value of investments	(860,127)
Miscellaneous	50
<b>Net investment loss</b>	<b>(653,754)</b>
<b>Total additions</b>	<b>(165,721)</b>
<b>Deductions</b>	
Administration	55,327
Benefits	258,788
Refunds	1,486
<b>Total deductions</b>	<b>315,601</b>
Net decrease	(481,322)
Net assets held in trust for pension benefits, beginning of year	8,710,854
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$ 8,229,532</b>

*See accompanying notes to general purpose financial statements.*

**VILLAGE OF PALM SPRINGS, FLORIDA**

Statement of Cash Flows - Proprietary Fund Type - Enterprise (Water and Sewer)

Year Ended September 30, 2002

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<b>Cash flows from operating activities</b>	
Operating income	\$ 2,187,666
<hr/>	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,594,155
Amortization	345,324
Loss on disposal of equipment	245,125
Loss on sale of investments	21,350
Changes in assets and liabilities:	
Increase in accounts receivable	(40,766)
Increase in assessment receivable	(16,416)
Increase in inventory	(4,581)
Decrease in accounts payable and accrued liabilities	(38,591)
Increase in contracts/retainage payable	225,822
Increase in compensated absences	5,210
Increase in deposits	51,310
Total adjustments	2,387,942
<b>Net cash provided by operating activities</b>	<b>4,575,608</b>
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Operating transfer out	(970,424)
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Principal paid on revenue bond maturities and notes payable	(8,632,586)
Interest paid on revenue bonds, notes payable and obligations	(708,437)
Payment on utility agreement obligations	(457,678)
Acquisition and construction of capital assets	(2,104,431)
Proceeds from note payable	7,244,700
Capital contributions from customers	560,513
Proceeds from sale of fixed assets	27,133
<b>Net cash used in capital and related financing activities</b>	<b>(4,070,786)</b>
<hr/>	
<b>Cash flows from investing activities</b>	
Sale of investment securities	1,720,000
Purchase of certificate of deposit	(1,218,254)
Interest and dividends on investments	260,629
<b>Net cash provided by investing activities</b>	<b>762,375</b>
<hr/>	
Net increase in cash and cash equivalents	296,773
Cash and cash equivalents, beginning of year	6,869,054
<b>Cash and cash equivalents, end of year<sup>(1)</sup></b>	<b>\$ 7,165,827</b>
<hr/>	
<b>Supplemental disclosure of noncash capital and related financing activities</b>	
Accrued interest on capital appreciation bonds	\$ 357,923
Book value of assets disposed	272,259

*See accompanying notes to general purpose financial statements.*



**(1) THE REPORTING ENTITY**

The Village of Palm Springs, Florida (the “Village”) was incorporated in 1957 pursuant to Chapter 57-1698, Laws of Florida and is located in central Palm Beach County, Florida. The Village operates under the Council-Manager form of government and provides a wide range of community services including public safety, planning and zoning, water and sewer systems, sanitation, streets and roads, parks, recreation, and library. The Village Council (“The Council”) is responsible for legislative and fiscal control of the Village.

As required by generally accepted accounting principles (“GAAP”), 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 financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization’s governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (“GASB”), management has determined that no component units exist which would require inclusion in this report. Further, the Village is not aware of any entity that would consider the Village to be a component unit.

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village maintains its accounting records in accordance with the principles and policies applicable to governmental units set forth by GASB as well as GAAP promulgated by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (“FASB”). The following is a summary of the significant accounting policies.

**Basis of Presentation**

A governmental accounting system must make it possible (1) to show that all applicable legal provisions have been complied with and (2) to determine fairly and with full disclosure the financial position and results of operations of the funds and account groups of the Village. In order to accomplish these objectives, the Village’s accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on

specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The types of funds and account groups used in accounting for the financial operations of the Village are as follows:

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Village. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Funds – The special revenue funds are used to 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:

Library Fund – This fund accounts for revenue received through donations and book sales. Expenditures from this fund are primarily for the purchase of books and equipment for the library.

Debt Service Fund – The debt service fund is used to account for assets held for the repayment of principal and interest on general obligation bonds reported in the general long-term debt account group.

Capital Projects Fund – The capital projects fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

### Proprietary Fund Type

Enterprise Fund – This fund is used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise fund consists of the water and sewer fund which is used to account for water and sewer services provided by the Village to residents and other users.

### Fiduciary Fund Types

#### Pension Trust Funds

General Employees' Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all permanent, full-time Village employees except those employees covered by the Hazardous Employees' Pension Fund.

Hazardous Employees' Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all qualified public safety employees.

#### Expendable Trust Funds

Library Trust Fund – This fund is used to account for expenditures of trust funds as authorized by the library board.

Law Enforcement Trust Fund – Receipts of this fund represent proceeds from law enforcement for-

feitures and expenditures are made only for law enforcement purposes.

### 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 – This account group is used to account for fixed assets utilized principally for general Village purposes and excludes fixed assets of the enterprise fund.

General Long-Term Debt Account Group – This account group is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not accounted for in the enterprise fund.

### **Basis of Accounting and Measurement Focus**

#### Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using 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 and charges for services are susceptible to accrual when collected in the current year or within 60 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 60 days after year-end. Interest is recorded when earned. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded

as revenues when received in cash because they are generally not measurable until actually received. Occupational license revenues collected in advance of periods to which they relate are recorded as deferred revenues.

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 fund and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when they are incurred.

#### Measurement Focus

All governmental funds are accounted for on the flow of current financial resources 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.

The enterprise fund and the trust funds 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 their activity are included on their balance sheets. The enterprise fund and the pension trust funds’ operating statements present 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 fund and debt service fund. The procedures for establishing budgetary data are as follows:

- ❖ Prior to September 1, the Village Manager submits to the Council a proposed operating budget prepared for the fiscal year commencing the following 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 and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate are legally enacted by resolution.
- ❖ Changes or amendments to the budget of the Village or a department must be approved by the Council; however, changes within a department which do not affect the total departmental expenditures may be approved at the administrative level. Accordingly, the legal level of control is at the department level.

The adopted budgets are prepared in accordance 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.

The reported budgetary data represents the final appropriated budgets after amendments adopted by the Council. Supplemental appropriations of \$11,557 were needed for the year ended September 30, 2002, increasing the original general fund budget from \$7,288,375 to \$7,299,932. Unexpended appropriations lapse at year end.

## **Encumbrances**

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the Village during the year. However, all encumbrances outstanding at year end lapse and, accordingly, there is no reservation of fund balance for encumbrances at September 30, 2002.

## **Cash and Cash Equivalents**

Cash and cash equivalents consist of restricted and unrestricted interest bearing cash accounts and funds invested in the Local Government Surplus Funds Trust Fund managed by the State Board of Administration, Department of the State Treasurer of Florida. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Investments with original maturities of three months or less when purchased are considered cash and cash equivalents.

## **Investments**

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased, are reported at amortized cost. Nonparticipating investment contracts are reported at cost. The Local Government Surplus Funds Trust, administered by the Florida State Board of Administration, is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price. All other investments are reported at fair value.

## **Allowance for Doubtful Accounts**

An allowance for doubtful accounts has been provided for those accounts where collectibility appears to be doubtful.

## **Inventory**

Inventory consists of materials and supplies which are carried at cost in the governmental funds and at the lower of cost (first-in, first-out) or market in the enterprise 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.

## **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."

## **Unamortized Bond Discount**

Bond discount of the enterprise funds is amortized on the straight-line method, which approximates the interest method, and is charged against operations over the term of the bond issues.

## **Fixed Assets**

### General Fixed Assets

Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditure and capitalized at cost in the general fixed assets account group. In the event that actual cost cannot be determined, estimated cost at the time of acquisition is used. Any contributed property is recorded at the fair market value at the time received. The Village began capitalizing infrastructure assets in the financial statements of the general fixed assets account group beginning in 1989. In accordance with GAAP, no depreciation is taken on general fixed assets.

### Property, Plant and Equipment (Proprietary and Trust Funds)

These assets are stated at cost or, if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. Net interest cost on funds borrowed to finance the construction of property, plant and equipment is capitalized as a cost of acquiring the asset. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts and any resulting gain or loss is included in net income.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. Es-



timated useful lives assigned to various categories of assets are as follows:

Buildings	30-50 years
Improvements	10-50 years
Equipment	3-20 years

### Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board 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 rolls meet all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Village at January 1, 2001, upon which the 2001/02 levy was based, was approximately \$294 million. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Village is established by the Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County, County School Board, and Special District tax requirements. The millage rate assessed by the Village for the year ended September 30, 2002, was 4.9999 (\$5.00 for each \$1,000 of assessed valuation).

Taxes may be paid less 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. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. 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. Delinquent taxes on personal 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, 2002, unpaid delinquent taxes are not material and have not been recorded by the Village.

### Compensated Absences

Employees earn vacation leave based on their years of continual services as follows: 80 hours after 1 year; 120 hours after 5 years; 160 hours after 10 years; 200 hours after 20 years. Employees may accumulate a maximum equivalent to the annual vacation time allowed. Upon termination, employees are compensated for accumulated vacation at their rate of pay at termination.

Employees earn sick leave at the rate of .0463 hours per hour of regular, vacation, sick, or comp time hours paid, with no maximum on the number of days that can be accumulated. Accumulated sick leave is not paid upon termination.

In the governmental funds, the amount of compensated absences recorded as expenditures is the amount accrued during the year that is expected to be liquidated with expendable, available financial resources. The remaining liability is recorded in the general long-term debt account group. Compensated absences for the proprietary funds are accrued in the period earned.

### 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 resources utilization in a future period. The following is a description of the reserves and designations used by the Village.

General Fund – The fund balance of the general fund is reserved for inventory.

Debt Service Fund – The fund balance of the debt service fund represents spendable resources restricted for the payment of the future debt service of general long-term debt.

Fiduciary Funds – The fund balance of the fiduciary funds is reserved for employees' pension benefits in the pension trust funds and for law enforcement activities in the Law Enforcement Trust Fund.

### Unbilled Service Receivables

The Water and Sewer Fund recognizes revenue on the basis of monthly cycle billings to customers for

services provided. As a result of this cycle billing method, there are unbilled receivables at the end of each fiscal year with respect to services provided but not billed at such date. It is the policy of the Village to accrue these amounts at year end.

### **Concentration of Credit Risk**

The Village performs ongoing credit evaluations of its customers and does not require collateral. The Village maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

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## **(3) DEPOSITS AND INVESTMENTS**

### **Deposits**

All of the Village's deposits 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 equal to or in excess of the required 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.

Deposits include checking accounts and petty cash. At year end, the reported amount of the Village's deposits was \$335,322, and the bank balance was \$769,522. Included in the reported amount of deposits is \$850 cash on hand. Of the bank balance, \$100,000 was covered by federal depository insurance, \$323,801 was covered by collateral held by a financial institution approved by the State Treasurer, and \$345,721 was uninsured and uncollateralized. The uninsured and uncollateralized deposits represent funds wired to the paying agent for the Series 1988 Revenue Refunding Bonds for the payment of principal and interest due October 1, 2002.

### **Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### **Investments**

The Village adopted an investment policy to establish guidelines for the efficient management of its cash reserves. Section VI of the investment policy identifies permitted instruments as follows:

- a. U.S. Government obligations, and U.S. Government agency obligations;
- b. State Board of Administration Local Government Surplus Trust Fund;
- c. 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, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations, and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
- d. Certificates of deposit in state-certified qualified public depositories;
- e. Repurchase agreements;
- f. Savings accounts in state-certified qualified public depositories.

Investments of the pension trust funds can consist of every kind of property, real, personal, or mixed, and every kind of investment, specifically including bonds, debentures and other corporate obligations, and stocks, preferred or common.

All investments held by the Village at September 30, 2002, are allowable under the above policies.

The Village's investments are categorized 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 for which the securities are held by the Village or its agent 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 entity's name.

Investments in the State Treasurer's Investment Pool and mutual funds are not required to be categorized, since the investments are not evidenced by securities that exist in physical or book entry form. The Village's investment is not directly subject to custodial credit risk.

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2002. 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
<b>Cash and cash equivalents:</b>					
Deposits	\$ -	\$ 345,721	\$ 345,721	\$ 345,721	-
Repurchase agreement	4,611,064	-	4,611,064	4,611,064	-
Investment in State Treasurer's investment pool	5,089,250	762,688	5,851,938	5,851,938	-
Money market mutual funds	259,161	3,397,502	3,656,663	3,656,663	-
<b>Total cash and cash equivalents</b>	<b>9,959,475</b>	<b>4,505,911</b>	<b>14,465,386</b>	<b>14,465,386</b>	
<b>Investments:</b>					
U.S. government securities	\$ -	\$ 1,218,254	\$ 1,218,254	\$ 1,218,254	3
Florida Municipal Investment Trust	-	3,075,505	3,075,505	3,075,505	-
Common and foreign stocks	7,655,443	-	7,655,443	7,655,443	2
<b>Total investments</b>	<b>7,655,443</b>	<b>4,293,759</b>	<b>11,949,202</b>	<b>11,949,202</b>	
<b>Total cash and cash equivalents and investments</b>	<b>\$ 17,614,918</b>	<b>\$ 8,799,670</b>	<b>\$ 26,414,588</b>	<b>\$ 26,414,588</b>	

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#### (4) RECEIVABLES

Accounts receivable and the allowance for doubtful accounts at September 30, 2002, consist of the following:

	General Fund	Enterprise Fund	Fiduciary Fund	Total
<b>Receivables:</b>				
Accounts	\$ 32,282	\$ 1,649,644	\$ 6,997	\$ 1,688,923
Less: allowable for uncollectibles	-	(56,552)	-	(56,552)
<b>Net receivables</b>	<b>\$ 32,282</b>	<b>\$ 1,593,092</b>	<b>\$ 6,997</b>	<b>\$ 1,632,371</b>

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#### (5) FIXED ASSETS

The major components of fixed assets at September 30, 2002, are summarized as follows:

	Enterprise Fund	Expendable Trust Funds	General Fixed Assets Account Group	Total
Land	\$ 341,215	\$ -	\$ 170,036	\$ 511,251
Building	3,087,393	-	1,645,180	4,732,573
Improvements other than buildings	38,237,276	-	1,626,322	39,863,598
Equipment	2,263,614	81,341	2,281,259	4,626,214
Library materials and software	30,560	6,125	541,693	578,378
Construction in progress	761,885	-	2,033,112	2,794,997
	44,721,943	87,466	8,297,602	53,107,011
Less accumulated depreciation	(16,739,895)	(27,542)	-	(16,767,437)
<b>Total</b>	<b>\$ 27,982,048</b>	<b>\$ 59,924</b>	<b>\$ 8,297,602</b>	<b>\$ 36,339,574</b>

Depreciation expense recorded in the enterprise fund and the expendable trust funds for the year ended September 30, 2002, was \$1,594,155 and \$10,251, respectively.

The changes in general fixed assets are summarized as follows:

	Balance October 1, 2001 (as restated)	Additions	Deletions	Balance September 30, 2002
Land	\$ 170,036	\$ -	\$ -	\$ 170,036
Building	1,560,364	84,816	-	1,645,180
Improvements other than building	1,610,579	15,743	-	1,626,322
Equipment	2,174,083	217,347	110,171	2,281,259
Library materials and software	484,116	66,673	9,096	541,693
Construction in progress	305,458	1,727,654	-	2,033,112
<b>Total</b>	<b>\$ 6,304,636</b>	<b>\$ 2,112,233</b>	<b>\$ 119,267</b>	<b>\$ 8,297,602</b>

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## (6) LONG-TERM DEBT

### General Long-Term Debt

#### **Note Payable**

The note payable in the general long-term debt account group is a Promissory Note dated November 1, 1996, in the amount of \$530,000. Interest, at a rate of 5.5%, is payable on March 1 and September 1. Principal will be repaid in nine installments maturing on March 1, 2006. The full faith, credit and taxing power of the Village is pledged to the repayment of the principal and interest on the note.

**\$ 246,461**

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Amount
2003	\$ 68,753
2004	68,667
2005	68,577
2006	68,481
Total debt service requirements	274,478
Less:	
Amount representing interest	(28,017)
<b>Total note payable</b>	<b>\$ 246,461</b>



**Bond Payable**

The bonds payable in the general long-term debt account group is the Village's portion of the Florida Municipal Loan Council Revenue Bonds, Series 2002A. The Village's portion of the bonds is \$7,890,000. Interest of 3.25% to 5.50% is payable on May 1 and November 1. Principal will be repaid in thirty installments maturing on May 1, 2032. The full faith, credit, and taxing power of the Village is pledged to the repayment of the principal and interest on the note.

**\$ 7,890,000**

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Amount
2003	\$ 518,544
2004	519,481
2005	519,606
2006	517,856
2007	515,856
2008-2012	2,586,869
2013-2017	2,586,319
2018-2022	2,589,294
2023-2027	2,588,219
2028-2032	2,589,650
Total debt service requirements	15,531,694
Less:	
Amount representing interest	(7,641,694)
<b>Total bond payable</b>	<b>\$ 7,890,000</b>

**Changes in General Long-Term Liabilities**

During the year ended September 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance October 1, 2001	Additions	Deletions	Balance September 30, 2002
General obligation note	\$ 300,261	\$ -	\$ 53,800	\$ 246,461
General obligation bonds	-	7,890,000	-	7,890,000
Compensated absences	141,839	1,332	-	143,171
<b>Total</b>	<b>\$ 442,100</b>	<b>\$ 7,891,332</b>	<b>\$ 53,800</b>	<b>\$ 8,279,632</b>

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**Enterprise Fund****Note Payable**

The note payable in the enterprise fund is a \$7,244,700 Promissory Note dated December 14, 2001. From December 14, 2001, to October 1, 2012, the outstanding principal amount will bear interest at 4.05% and will be repaid in monthly installments of \$70,164. The note is secured by a pledge of the net revenues derived from the operation of the water and sewer system.

**\$ 6,960,847**

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Amount
2003	\$ 841,972
2004	841,972
2005	841,972
2006	841,972
2007	841,972
2008-2012	4,209,860
2013	70,165
Total debt service requirements	8,489,885
Less:	
Amount representing interest	(1,529,038)
Current portion of maturities	(570,615)
<b>Total note payable</b>	<b>\$ 6,390,232</b>

## Revenue Bonds

The Village issued revenue bonds which are collateralized by a pledge of and lien on the net revenues derived from the operation of the water and sewer system. Revenue bonds currently outstanding are as follows:

\$6,280,000 Water and Sewer Revenue Refunding Bonds, Series 1988, due in semi-annual installments of \$180,000 to \$330,000 from April 1, 1995, through October 1, 2003, with interest of 6.50% to 7.50% payable semi-annually on April 1 and October 1 of each year.

**\$ 955,000**

\$1,209,857 Capital Appreciation Bonds, Series 1988, due in annual installments of \$340,000 to \$685,000 from April 1, 2004, through October 1, 2012, with interest accrued semi-annually on April 1 and October 1 of each year. The outstanding balance at September 30, 2002, includes accrued interest of \$2,511,910.

**\$ 3,721,766**

\$122,983 Capital Appreciation Bonds, Series 1984, due April 1, 2007, in the amount of \$1,265,000, with interest at 10.40% accrued semi-annually on April 1 and October 1 of each year. The outstanding balance at September 30, 2002, includes accrued interest of \$678,584.

**\$ 801,567**

Total revenue bonds payable	5,478,333
Less:	
Unamortized bond discounts	(62,075)
Current portion of maturities	(305,000)
<b>Total revenue bonds payable</b>	<b>\$ 5,111,258</b>

Annual debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2003	\$ 685,187
2004	682,375
2005	685,000
2006	685,000
2007	1,925,000
2008-2012	2,865,000
2013	485,000
Total debt service requirements	8,012,562
Less:	
Amount representing interest	(2,534,229)
Unamortized bond discounts	(62,075)
Current portion of maturities	(305,000)
<b>Total revenue bonds payable</b>	<b>\$ 5,111,258</b>

The provisions of the water and sewer bond resolutions differ in some respects but generally provide for:

1. Annual debt service funding by monthly transfers of cash to a reserve account.
2. Establishment of certain cash reserves. The maximum deposit required is usually set at the highest future principal and interest payment.
3. Maintenance of a renewal and replacement cash reserve set at 5% of the previous year's gross revenue up to a maximum of \$100,000.
4. Early redemption of outstanding bonds at call rates varying between \$10 and \$40 per certificate or 101% to 104% of the instrument's face value, depending on the bonds and call date.
5. Investing of cash reserves in time deposits or direct obligations of the U.S. Government with varying maturity restrictions.
6. The use of cash is generally restricted to the following priority: operation and maintenance, debt service, reserves, renewal and replacement, and any other lawful purpose.

At September 30, 2002, the Village was in compliance with such bond covenants.

### Current Refunding

On December 13, 2001, the Village entered into a promissory note in the amount of \$7,244,700 with an average interest rate of 4.05% to repay \$4,432,639 (the outstanding balance on the \$6,700,000 promissory note dated 1997) with an average interest rate of 5.30%, and \$3,020,000 of outstanding 1993 Series refunding bonds with an average interest rate of 4.25%. The net proceeds of \$7,229,700 (after payment of \$15,000 in other issu-

ance costs) plus an additional \$222,939 were used to repay the outstanding debt.

The Village completed the current refunding to reduce its total debt service payments over the next 11 years by \$780,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$441,000.

### (7) OBLIGATION UNDER UTILITY AGREEMENTS

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The obligation under utility agreements includes two contracts dated January 1, 1978, with the City of Lake Worth (the "City"), providing that the City supply the Village wastewater facilities for a period of 40 years. The City obtained Florida State Bond Loans, Series E and Series R, for the purpose of constructing, as well as improving, existing water and sewer facilities. The Village is obligated to pay the City a percentage of its pro rata share (based on water and sewer reserved capacity) of the debt service of these loans until the loans are paid in full.

refunding issue, the Village amended its original contract with the City whereby the outstanding obligation and intangible rights increased \$494,876. The amendment also required the Village to pay 125% (previously 133%) of its pro rata share of the debt service payments. The intangible rights are being amortized over 33 years (remaining term of contract).

The Series E Loan was originally issued October 1, 1976, at a face value of \$7,585,000. The loan matures in varying amounts through June 30, 2006. The Village's pro rata share of the loan is 20.712%. The present value (discounted at the same rate as the Series E Loan) of the Village's obligation to the City, at issuance, was \$2,089,437. Intangible water and sewer usage rights were recorded at the same amount. The rights allow the Village to use the City's water and sewer facilities for the term of the contract. The intangible rights are being amortized over the 40-year contract period.

In February 1994, the City issued \$15,680,000 Sewer System Refunding Revenue Bonds, Series 1994, part of which was used to refund both the Series E and Series R Bonds. As a result of this refunding issue, the Village amended its contracts with the City, whereby the combined outstanding obligation and intangible rights increased \$353,610. The amendment also requires the Village to pay 120% (previously 133% and 125% for the Series E and Series R Bonds, respectively) of its pro rata share of the debt service. The additional intangible rights are being amortized over 22 years (remaining term of the contract). At September 30, 2002, the combined intangible rights had a book value of \$3,312,401 (net of amortization of \$3,871,132).

Future payments to the City for the above obligation are as follows:

The Series R Loan was originally issued July 1, 1985, at a face value of \$8,520,000. The loan matures in varying amounts through July 1, 2006. The Village's pro rata share of the loan is 37.04%. The present value (discounted at the same rate as the Series R Loan) of the Village's obligation to the City, at issuance, was \$4,245,610. Intangible water and sewer rights were recorded at the same amount. On November 1, 1989, the City issued \$10,300,000 Refunding Revenue Bonds, Series 1989, part of which was used to refund the Series R Bonds and to improve the existing facility. As a result of this

<b>Year Ending September 30,</b>	<b>Amount</b>
2003	\$ 613,163
2004	608,331
2005	615,307
2006	623,923
Total	2,460,724
Less interest portion	(250,230)
<b>Present value of loan payments</b>	<b>\$ 2,210,494</b>

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## (8) DUE TO/FROM OTHER FUNDS

The composition of interfund balances as of September 30, 2002, is as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ -	\$ 115,500
Capital Projects Fund	115,500	-
<b>Total</b>	<b>\$ 115,500</b>	<b>\$ 115,500</b>

## (9) 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

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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 transfers by fund type for the year ended September 30, 2002.

	Transfers In	Transfers Out
<b>Operating Transfers:</b>		
General Fund	\$ 970,424	\$ -
Enterprise Fund	-	970,424
<b>Total operating transfers</b>	<b>\$ 970,424</b>	<b>\$ 970,424</b>

\*\*\*\*\*

## (10) ENTERPRISE FUND RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets of the enterprise fund at September 30, 2002, include amounts 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 \$2,326,663. Liabilities payable from restricted assets represent the current portion of long-term debt of \$340,812 which includes

\$305,000 for current maturities of principal and \$35,812 for accrued interest on the Series 1988 Revenue Refunding Bonds. 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 the restricted assets, related liabilities, and reserves at September 30, 2002.

	Restricted Assets	Liabilities Payable from Restricted Assets	Reserved Retained Earnings
Utility Debt Service	\$ 2,226,663	\$ 340,812	\$ 1,885,851
Renewal and Replacement	100,000	-	100,000
	<b>\$ 2,326,663</b>	<b>\$ 340,812</b>	<b>\$ 1,985,851</b>

The provisions of the water and sewer bond issues require the Village to establish, in addition to the current portions of principal and interest due, a reserve equal to the maximum principal and interest requirements in any ensuing fiscal year. The required cash balances as of September 30, 2002, and the reserve requirements have been met for the wa-

ter and sewer bonds. In addition, prior to September 30, 2002, the Village was required to purchase certain U.S. Treasury obligations at predetermined intervals from funds it was required to deposit into a bond amortization account on a monthly basis. The investments are restricted to meet the principal payment of \$1,265,000 of capital appreciation

bonds maturing on April 1, 2007. As of September 30, 2002, the Village had purchased all Treasury Bonds required by the Bond Covenant. These investments will yield \$1,220,000 in principal upon maturity which, in addition to the final interest payment, will be sufficient to fully fund this obligation. Accordingly, no future purchases of U.S. Treasury Bonds are required.

The Village is also required to establish a reserve for renewal and replacement of water and sewer facilities. The required reserve is 5% of the preceding year's revenue up to a maximum of \$100,000. The Village has reserved \$100,000 which meets this legal requirement at September 30, 2002.

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**(11) FUND BALANCE RESERVES AND DESIGNATIONS**

At September 30, 2002, the reserves and designations of fund balance were as follows:

	General	Debt Service	Capital Projects	Fiduciary	Total
<b>Reserved:</b>					
Inventory	\$ 6,259	\$ -	\$ -	\$ -	\$ 6,259
Law enforcement	-	-	-	67,396	67,396
Employees' pension benefits	-	-	-	8,229,532	8,229,532
Debt service	-	12,627	-	-	12,627
Capital projects	-	-	6,154,974	-	6,154,974
	<b>\$ 6,259</b>	<b>\$ 12,627</b>	<b>\$ 6,154,974</b>	<b>\$ 8,296,928</b>	<b>\$ 14,470,788</b>
<b>Designated for:</b>					
Subsequent year's budget	\$ 481,011	\$ -	\$ -	\$ -	\$ 481,011
Capital projects	1,100,000	-	-	-	1,100,000
	<b>\$ 1,581,011</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,581,011</b>

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**(12) PENSION PLANS**

The Village maintains the following two separate single employer defined benefit plans: Village of Palm Springs Hazardous Employees Pension Fund, covering all police officers and firefighters, and Village of Palm Springs General Employees Pension Fund, covering substantially all other full-time Village employees. Both plans are reported as pension trust funds and are included as part of the Village's reporting entity. Neither plan issues a stand-alone financial report. Additional information on these plans can be found on pages 34-36.

Each plan has its own board which acts as plan administrator and trustee. Each plan's assets may only be used for the payment of benefits to the members of and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects a locally authorized insurance premium surcharge for the Hazardous Employees Pension Fund on casualty and fire insurance policies within the corporate limits, which can only be distributed after the State has ascertained that the local government has met the reporting requirements for its most recently completed fiscal year.

Investments are reported at fair value and are managed by third party money managers. The Village's independent custodians and individual money managers price each instrument using various third party pricing sources.

There were no nongovernmental investments that exceeded 5% of net plan assets in the Hazardous

and General Employees Pension Funds.

ative actuarial reports and Village information for the two pension plans as of September 30, 2002:

The following schedule is derived from the respec-

	<b>Hazardous Employees</b>		<b>General Employees</b>
<b>Accounting Policies and Plan Assets:</b>			
Authority	Village Ordinance/State Statute		Village Ordinance
Basis of Accounting	Accrual		Accrual
Asset Valuation:			
Reporting	Fair Value		Fair Value
Actuarial Valuation	Market		4-year smoothed market
Legal Reserves	None		None
Long-Term Receivable	None		None
Internal/Participant Loans	None		None
<b>Membership and Plan Provisions:</b>			
<b>Members:</b>			
Active Participants	32		86
Retirees and Beneficiaries	5		15
Terminated Vested	11		13
<b>Normal Retirement Benefits:</b>			
	<b>Option 1</b>	<b>Option 2</b>	
Retirement Age	50	55	65
Years of Service (minimum)	15	10	10
Accrual	2.5%	2.5%	2.0%
Maximum	None	None	50%
Years to Vest	10	10	10
<b>Contributions:</b>			
Actuarial Rate:			
Village	17.24%		4.04%
State	1.40%		-
Participants	1.00%		1.00%
Annual Pension Cost	\$ 263,079		\$ 117,569
Contributions Made	\$ 263,079		\$ 131,309
<b>Actuarial Valuation:</b>			
Frequency	Annual		Annual
Latest Valuation	9/30/01		9/30/01
Basis for Contribution	9/30/00		9/30/00
Cost Method	Entry age		Entry age
<b>Amortization:</b>			
Method	Level percent		Level percent
Period	8-25 years		6-20 years
Open/Closed	Closed		Closed
<b>Assumptions:</b>			
Investment Earnings (including inflation)	8.0% / year		8.0% / year
Salary Increases (including inflation)	5.0%-8.0% / year		4.7%-8.3% / year
Inflation	5.0% / year		4.5% / year
Cost of living adjustments	3.0%		3.0%
Mortality Rates	1983 Group Annuity Mortality Table		1983 Group Annuity Mortality Table



**Three-Year Trend Information**

	<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>Hazardous Employees:</b>	9/30/00	\$ 264,073	100%	-
	9/30/01	304,012	100%	-
	9/30/02	263,079	100%	-
<b>General Employees:</b>	9/30/00	149,170	100%	-
	9/30/01	108,535	100%	-
	9/30/02	117,569	100%	-

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**(13) COMMITMENTS AND CONTINGENCIES**

**Commitments**

Construction contracts of the proprietary fund type consist of the following:

<b>Project</b>	<b>Total Project Authorization</b>	<b>Expended September 30, 2002</b>	<b>Contracts Payable September 30, 2002</b>	<b>Balance to Complete</b>
Task #79 – RLP WTP Improvements	\$ 242,000	\$ 60,500	\$ 4,840	\$ 176,660
Task #78 – Main WTP Improvements	220,000	44,000	11,000	165,000
Task #76 – Cresthaven Force Main	184,800	105,170	5,800	73,830
Task #74 – Vacuum Sewer 10th Ave. - Kirk	161,308	129,308	8,000	24,000
Task #73 – Albert Lakes Sewer	963,101	79,993	246,810	636,298
Task #70 – Rehab Wells #12 through #15	50,111	44,706	-	5,405
Task #66 – Rehab 3 Lift Stations	387,032	4,941	402	381,689
Task #65 – Sewer Annex Area	977,160	930,869	41,091	-
All others	16,545	16,413	-	132
	<b>\$ 3,202,057</b>	<b>\$ 1,415,900</b>	<b>\$ 317,943</b>	<b>\$ 1,463,014</b>

Construction contracts of the governmental fund types consist of the following:

<b>Project</b>	<b>Total Project Authorization</b>	<b>Expended September 30, 2002</b>	<b>Contracts Payable September 30, 2002</b>	<b>Balance to Complete</b>
Master plan project – Municipal Complex:				
Engineering fees – Architects Design Group	\$ 575,364	\$ 510,642	\$ 7,701	\$ 57,021
Construction fees – Catalfumo Construction, Inc.	6,898,224	1,319,937	194,832	5,383,455
	<b>\$ 7,473,588</b>	<b>\$ 1,830,579</b>	<b>\$ 202,533</b>	<b>\$ 5,440,476</b>

**Contingencies**

The Village is a defendant in multiple lawsuits, the outcome of which is not presently determinable. In the opinion of counsel, the resolution of the matters

will not have a significant impact on the financial condition of the Village, except as stated below:

During 2002, a lawsuit was filed against the Village

by the Government Risk Insurance Trust (“GRIT”). GRIT is asking for back premiums allegedly owed to them by the Village from 1997, 1998, and 2000 Workers Compensation insurance. In the opinion

of counsel, the probability of an unfavorable outcome is possible. The range of potential loss on this lawsuit is between \$50,000 and \$100,000.

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**(14) RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; thefts 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 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 have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims exceeded insurance coverage for the year ended September 30, 2002, in the amount of \$75,000.

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# STATISTICAL SECTION

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*General Fund Revenue by Source*  
*Last Ten Fiscal Years*

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<b>Fiscal Year Ended September 30,</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Intergovern- mental</b>	<b>Charges for Services</b>
1993	\$ 1,901,621	\$ 73,544	\$ 982,162	\$ 271,107
1994	2,006,958	105,251	1,014,624	255,712
1995	1,982,048	109,921	1,081,841	254,332
1996	2,037,981	111,761	1,090,222	256,285
1997	2,086,751	135,986	1,140,160	315,043
1998	2,126,973	176,861	1,286,684	321,108
1999	2,197,899	231,549	1,349,647	336,810
2000	2,469,967	218,904	1,458,312	352,125
2001	2,748,435	175,713	1,489,623	388,708
2002	3,203,299	258,364	1,566,010	653,923

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**Table I**

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<b>Fines and Forfeitures</b>	<b>Contributions</b>	<b>Interest on Investments</b>	<b>Miscellaneous</b>	<b>Total</b>	<b>Annual Percentage Increase (Decrease)</b>
\$ 71,958	\$ -	\$ 59,709	\$ 25,708	\$ 3,385,809	(4.33) %
103,618	-	62,083	60,193	3,608,439	6.58 %
94,627	-	103,201	62,637	3,688,607	2.22 %
94,083	-	108,282	73,483	3,772,097	2.26 %
128,775	13,610	99,532	125,521	4,045,378	7.24 %
145,240	3,420	99,424	151,446	4,311,156	6.57 %
165,491	1,977	98,646	137,446	4,519,465	4.83 %
149,962	7,755	140,932	91,230	4,889,187	8.18 %
162,697	1,412	138,715	151,484	5,256,787	7.52 %
179,059	22,728	62,830	50,647	5,996,860	14.08 %

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**VILLAGE OF PALM SPRINGS, FLORIDA***General Fund Expenditures by Function**Last Ten Fiscal Years*

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<b>Fiscal Year Ended September 30,</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environment</b>	<b>Transportation</b>
1993	\$ 632,348	\$ 1,688,739	\$ 341,208	\$ 471,211
1994	627,144	1,739,437	294,520	417,193
1995	620,166	1,904,265	280,692	416,316
1996	699,027	2,005,478	292,636	478,402
1997	768,554	2,272,811	292,310	471,235
1998	804,182	2,418,895	302,388	527,672
1999	804,546	2,470,866	323,777	514,062
2000	790,012	2,555,442	321,411	487,655
2001	819,386	2,871,557	327,565	552,555
2002	906,582	3,117,272	385,569	584,258

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**Table II**

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<b>Culture/ Recreation</b>	<b>Capital Outlay</b>	<b>Total</b>	<b>Annual Percentage Increase (Decrease)</b>
\$ 586,178	\$ 212,613	\$ 3,932,297	(0.22) %
598,509	333,806	4,010,609	1.99 %
645,670	350,161	4,217,270	5.15 %
677,564	278,473	4,431,580	5.08 %
692,863	322,968	4,820,741	8.78 %
747,766	372,894	5,173,797	7.32 %
746,052	153,823	5,013,126	(3.11) %
736,746	373,193	5,264,459	5.01 %
656,960	277,259	5,505,282	4.57 %
921,412	384,579	6,299,672	14.43 %

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**VILLAGE OF PALM SPRINGS, FLORIDA**

*Computation of Direct and Overlapping General Obligation Debt  
September 30, 2002*

**Table III**

	<b>Total Outstanding</b>	<b>Percentage Applicable to Village of Palm Springs<sup>(1)</sup></b>	<b>Amount Applicable to Village of Palm Springs</b>
Direct:			
Village of Palm Springs	\$ 8,136,461	100.00%	\$ 8,136,461
Overlapping:			
Palm Beach County	253,845,000	0.37%	939,227
Palm Beach County School District	194,475,000	0.37%	719,558
Total overlapping debt	448,320,000		1,658,785
<b>Total direct and overlapping debt payable from ad valorem taxes</b>	<b>\$ 456,456,461</b>		<b>\$ 9,795,246</b>
Estimated population			12,351
Total direct and overlapping debt per capita			\$ 793.07

<sup>(1)</sup> Estimates based on 2000 ratio of assessed taxable values.

Source: Finance Department, Village of Palm Springs, Florida  
Palm Beach County Property Appraiser  
School Board of Palm Beach County

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Property Tax Levies and Collections*  
*Last Ten Fiscal Years*

**Table IV**

<b>Fiscal Year Ended September 30,</b>	<b>Net Tax Levy*</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Property Tax Collections</b>	<b>Collections as a Percent of Current Levy</b>
1993	\$ 924,503	\$ 866,046	93.68 %	\$3,143	\$ 869,189	94.02 %
1994	948,274	917,045	96.71 %	2,391	919,436	96.96 %
1995	922,805	897,204	97.23 %	6,489	903,693	97.93 %
1996	952,501	919,594	96.55 %	7,881	927,475	97.37 %
1997	951,358	902,582	94.87 %	761	903,343	94.95 %
1998	942,114	902,975	95.85 %	615	903,590	95.91 %
1999	986,517	941,800	95.47 %	1,234	943,034	95.59 %
2000	1,113,261	1,060,942	95.30%	2,776	1,063,718	95.55 %
2001	1,236,451	1,189,979	96.24%	13,483	1,203,462	97.33 %
2002	1,458,570	1,416,420	97.11%	3,817	1,420,237	97.37 %

Note: All property taxes are assessed and collected by Palm Beach County without charge to the Village, and collections are distributed in full as collected.

\* Tax levy, net of allowable discounts.

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Assessed Value of Taxable Property*  
*Last Ten Fiscal Years*

**Table V**

<b>Fiscal Year Ended September 30,</b>	<b>Assessed Values</b>		<b>Total</b>
	<b>Real Property</b>	<b>Personal Property</b>	
1993	\$ 168,145,202	\$ 9,609,594	\$ 177,754,796
1994	164,425,427	9,537,861	173,963,288
1995	159,616,742	9,674,200	169,290,942
1996	163,872,781	10,865,921	174,738,702
1997	164,977,593	11,222,725	176,200,318
1998	166,359,756	11,316,560	177,676,316
1999	176,287,521	10,663,403	186,950,924
2000	198,824,997	11,344,980	210,169,977
2001	225,302,844	13,552,211	238,855,055
2002	275,502,947	18,007,541	293,510,488

Note: The basis of assessed value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

Source: Palm Beach County Property Appraiser's Office



**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Property Tax Rates - Direct and Overlapping Governments*  
*Last Ten Fiscal Years*

**Table VI**

<b>Fiscal Year Ended September 30,</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Total Village of Palm Springs</b>	<b>School District</b>	<b>Palm Beach County</b>	<b>Special Taxing Districts</b>	<b>Total All</b>
1993	5.2010	0.4550	5.6560	9.6030	4.3178	2.7836	22.3604
1994	5.4510	0.4510	5.9020	10.0630	4.5499	2.5541	23.0690
1995	5.4510	0.4570	5.9080	10.1850	4.5193	2.5496	23.1619
1996	5.4510	0.4450	5.8960	9.7970	4.5193	2.9690	23.1813
1997	5.3114	0.4261	5.7375	9.7880	4.5191	2.2856	22.3302
1998	5.2632	0.4064	5.6696	9.5570	4.8666	2.2694	22.3626
1999	5.2632	0.3684	5.6316	9.6820	4.8582	2.2343	22.4061
2000	5.2632	0.3262	5.5894	8.9180	4.9360	2.2620	21.7054
2001	5.1593	0.3026	5.4619	8.9179	4.9363	2.2631	21.5792
2002	4.9999	0.2458	5.2457	8.9480	4.9351	2.4659	21.5947

- Tax rate limits - Ten mills per Florida Statute 200.081 (one mill equals \$1 per \$1,000 of assessed valuation).
- Scope of tax rate limits - No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.
- Taxes assessed - January 1
- Taxes due - March 31
- Taxes delinquent - April 1
- Discount allowed - 4% November; 3% December; 2% January; 1% February
- Penalties for delinquency - 2.5% after April 1, increase .5% each ten days; maximum 5%
- Tax collector - Palm Beach County
- Tax collector's commission - None

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Principal Taxpayers*  
*January 1, 2001*

**Table VII**

<b>Taxpayers</b>	<b>Assessed Valuation</b>	<b>Taxes</b>	<b>Percentage of Total Taxes Levied</b>
IRT Property Co.	\$ 12,300,000	\$ 64,522	4.42 %
CSC - Village Club Apartments, Ltd.	8,838,103	46,362	3.18 %
Woodhaven Ltd Partnership	5,803,145	30,442	2.09 %
EQR - Village Green Vistas, Inc.	5,829,512	30,580	2.10 %
Phillips Lake Worth	5,144,504	26,987	1.85 %
Aurora Homes, Inc.	5,707,984	29,942	2.05 %
Waterton Esprimir	4,937,838	25,902	1.78 %
Jerjo Inc.	4,000,000	20,983	1.44 %
Acquiport Amsdell IV	3,260,383	17,103	1.17 %
Rex Prop Palm Springs Ltd Co.	2,866,000	15,034	1.03 %

Source: Palm Beach County Tax Collector's Office.

**VILLAGE OF PALM SPRINGS, FLORIDA****Table VIII**

*Ratio of Net General Obligation Debt to Assessed Value and  
Net Bonded Debt Per Capita  
Last Ten Fiscal Years*

<b>Fiscal Year Ended September 30,</b>	<b>Population</b>	<b>Total Assessed Value</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
1993	9,763 <sup>(1)</sup>	\$ 177,754,796	\$ 620,000	0.35%	\$63.51
1994	9,763 <sup>(1)</sup>	173,963,288	590,000	0.34%	60.43
1995	9,763 <sup>(1)</sup>	169,290,942	555,000	0.33%	56.85
1996	9,763 <sup>(1)</sup>	174,738,702	520,000	0.30%	53.26
1997	10,146 <sup>(2)</sup>	176,200,318	488,836	0.28%	48.18
1998	10,146 <sup>(2)</sup>	177,676,316	445,408	0.25%	43.90
1999	10,146 <sup>(2)</sup>	186,950,924	399,592	0.21%	39.38
2000	10,220 <sup>(2)</sup>	210,169,977	351,256	0.17%	34.37
2001	12,351 <sup>(4)</sup>	238,855,055	300,261	0.13%	24.31
2002	12,351 <sup>(4)</sup>	293,510,488	8,136,461 <sup>(3)</sup>	2.77%	658.77

<sup>(1)</sup> U.S. Department of Commerce, Bureau of Census, 1990 Census.

<sup>(2)</sup> University of Florida, Bureau of Economic Business Research.

<sup>(3)</sup> The Village borrowed \$7,890,000 in 2002 to finance the construction of a municipal complex. The bond is secured by the full faith, credit and taxing power of the Village.

<sup>(4)</sup> U.S. Department of Commerce, Bureau of Census, 2000 Census.

**VILLAGE OF PALM SPRINGS, FLORIDA****Table IX**

*Ratio of Net Annual Debt Service Requirements for General Bonded Debt to Total General Fund Expenditures  
Last Ten Fiscal Years*

<b>Fiscal Year Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of Debt Service to General Fund Expenditures</b>
1993	\$ 30,000	\$ 46,410	\$ 76,410	\$ 3,932,297	1.94 %
1994	30,000	43,585	73,585	4,010,609	1.83 %
1995	35,000	42,132	77,132	4,217,270	1.83 %
1996	35,000	38,925	73,925	4,431,580	1.67 %
1997	41,164	29,414	70,578	4,820,741	1.46 %
1998	43,428	25,669	69,097	5,173,797	1.34 %
1999	45,816	23,200	69,016	5,013,126	1.38 %
2000	48,336	20,887	69,223	5,264,459	1.31 %
2001	50,995	17,898	68,893	5,505,282	1.25 %
2002	53,800	15,022	68,822	6,299,672	1.09 %

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Schedule of Water and Sewer Revenue Bond Coverage*  
*Last Ten Fiscal Years*

**Table X**

<b>Fiscal Year Ended September 30,</b>	<b>Gross Revenue*</b>	<b>Operating Expenses**</b>	<b>Revenue Available for Debt Coverage</b>	<b>Current Debt Service</b>	<b>Current Coverage</b>
1993	\$ 6,114,513	\$ 3,262,706	\$ 2,851,807	\$ 1,070,395	2.66
1994	6,360,692	3,478,161	2,882,531	1,101,750	2.62
1995	6,338,409	3,057,479	3,280,930	1,054,620	3.11
1996	6,590,574	3,189,506	3,401,068	1,368,682	2.48
1997	7,449,493	3,444,292	4,005,201	1,692,198	2.37
1998	8,731,807	3,721,686	5,010,121	1,828,105	2.74
1999	7,947,103	3,801,185	4,145,918	1,826,773	2.27
2000	8,086,875	3,908,250	4,178,625	1,831,678	2.28
2001	9,210,914	4,124,621	5,086,293	1,827,741	2.78
2002	9,294,750	4,350,714	4,944,036	1,728,272	2.86

\* Includes interest income and customer contributions.

\*\* Excludes depreciation and amortization expense.

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Demographic Statistics*  
*Last Ten Fiscal Years*

**Table XI**

<b>Fiscal Year Ended September 30,</b>	<b>Population<sup>(1)</sup></b>	<b>Per Capita Income<sup>(2)</sup></b>	<b>Median Age<sup>(2)</sup></b>	<b>Unemployment Rate<sup>(2)</sup></b>
1993	9,763	\$ 26,798	N/A	8.5%
1994	9,763	28,097	N/A	8.3%
1995	9,763	30,901	N/A	N/A
1996	9,763	33,518	N/A	7.0%
1997	10,146	33,852	N/A	6.4%
1998	10,146	36,057	N/A	5.8%
1999	10,146	36,057	N/A	5.7%
2000	10,220	40,044	N/A	4.7%
2001	12,351	41,907	N/A	6.0%
2002	12,351	42,430	N/A	6.4%

(1)

The population for the years 1992 through 1996 is the same data as the 1990 U.S. Census Bureau count. The population for 1997 through 2000 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2002 was obtained from the 2000 U.S. Census Bureau count.

(2) Source: Business Development Board of Palm Beach County. Data is for West Palm Beach to Boca Raton.

N/A Not Available

**VILLAGE OF PALM SPRINGS, FLORIDA**  
*Property Value, Construction and Bank Deposits*  
*Last Ten Fiscal Years*

**Table XII**

Fiscal Year Ended September 30,	Property Value <sup>(1)</sup>	Building Permits <sup>(2)</sup>		Bank <sup>(3)</sup>
		Number Issued	Value of Permits	Deposits (in thousands)
1993	\$ 177,754,796	509	22,523	\$ 7,727,879
1994	173,963,288	587	47,514	8,196,595
1995	169,290,942	558	47,589	9,055,476
1996	174,738,702	588	50,822	9,545,424
1997	176,200,318	940	71,555	9,911,930
1998	177,676,316	1,090	107,453	10,715,610
1999	186,950,924	1,074	153,275	13,283,898
2000	210,169,977	1,209	131,206	12,711,003
2001	238,855,055	1,112	82,550	12,927,182
2002	293,510,488	1,283	148,909	14,045,676

<sup>(1)</sup> Based on assessed value.

<sup>(2)</sup> Source: Building Department.

<sup>(3)</sup> Florida Bankers Association (deposits for Palm Beach County) as of September 30 of the preceding year.

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Schedule of Insurance in Force*

*September 30, 2002*

**Table XIII**

<b>Company</b>	<b>Policy Number</b>	<b>Type of Coverage</b>	<b>Property Covered</b>	<b>Amount of Coverage</b>
The Travelers	Haz #103019447	Fiduciary liability	Pension trustees	\$ 500,000
	Gen #103019435	Fiduciary liability	Pension trustees	\$ 1,000,000
Coregis Insurance Company	POD100064	Public officials errors and omissions	Public officials	\$ 1,000,000
Coregis Insurance Company	651-006832	Automobile liability/physical damage	Any auto Owned vehicles	\$ 100,000/200,000 \$ 900,000 excess physical actual cash value
Preferred Government Insurance Trust	001000000130100	Workers compensation	Village employees	Florida Statutory
Coregis Insurance Company	651-006832	Property/boiler and machinery	Village property	\$ 5,500,000
AIG Life Insurance Company	SRG0008047915	AD & D	Village employees	\$ 50,000/150,000
Travelers Casualty & Surety Company	206024582	Public official bond	Village Finance Director	\$ 25,000
Travelers Casualty & Surety Company	206705220	Public official bond	Village Manager	\$ 25,000
Coregis Insurance Company	651-006832	Property, inland marine and crime coverage	Village property	\$ 14,254,506
Gulf Underwriters Insurance Company	GUU2824893	Pollution liability	Village property	\$ 1,000,000 ea. cond.
Coregis Insurance Company	651-006832	General liability Law Enforcement liability		\$ 100,000/200,000 \$ 900,000 excess



**VILLAGE OF PALM SPRINGS, FLORIDA***Miscellaneous Statistical Data**September 30, 2002***Table XIV**

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<b>Date of Incorporation:</b>	1957
<b>Form of Government:</b>	Village Council – Manager, with a mayor and four council members elected for two-year overlapping terms. The Village Manager is appointed by the council.
<b>Location and Area:</b>	The Village of Palm Springs encompasses 2.0 square miles and is located six miles west of the Atlantic Ocean and five miles south of West Palm Beach, which is the county seat of Palm Beach County.
<b>Public Safety:</b>	Public Safety employs 32 full time dual certified Public Safety Officers, 4 Fire-Medics, 15 part-time and reserve personnel, 9 full time civilian employees, and 5 crossing guards. Public Safety personnel maintain certification as Police/Fire and EMT/Paramedics. The Department has a fleet consisting of 30 patrol vehicles, a 1500 GPM pumper, a mini-attack pumper, an 80 ft. aerial truck, and 3 advanced life support ambulances. All Public Safety activities are conducted from a central Village location.
<b>Recreation Facilities:</b>	Ballfields – four (all lighted) Basketball courts – two Soccer fields – three (all lighted) Tennis courts – four lighted Community centers with meeting rooms and kitchen Park with various recreational facilities, playgrounds, and heart trail
<b>Library:</b>	<p>The collection includes 34,614 books (12,574 for children), 2002 video cassettes, 680 audio cassettes, 337 CDs, 199 DVDs, and subscriptions to 130 periodicals and newspapers.</p> <p>Circulation for fiscal year 2001-02 was 62,219. The library offered 291 programs, attended by 2,992 people. The library has 2,768 cardholders (617 children), including 476 nonresidents.</p>
<b>Water System:</b>	As of September 30, 2002, the number of metered water customers was 11,486. For the fiscal year ended September 30, 2002, the number of gallons (in thousands) that passed through the master meter was 1,523,951.

*Continued on the following page...*

**VILLAGE OF PALM SPRINGS, FLORIDA***Miscellaneous Statistical Data (Continued)**September 30, 2002*

**Water Rates:** The schedules of rates and charges imposed for water service during the fiscal year were as follows:

	<b>Inside Village</b>	<b>Outside Village</b>
Customer service charge/month (based on meter size):		
5/8 inch meter	\$ 4.70	\$ 5.88
1 inch meter	11.75	14.69
1½ inch meter	23.50	29.38
2 inch meter	47.00	58.75
3 inch meter	94.00	117.50
4 inch meter	141.00	176.25
6 inch meter	282.00	352.50
8 inch meter	423.00	568.75
Consumption charge (per 1,000 gallons):		
Residential	1.57	1.96
Commercial	1.63	2.04
Multifamily	1.31	1.64
Large user	-	1.89

**Sewer System:** As of September 30, 2002, the number of properties connected to the sewer system and/or being billed for sewer services was 9,018. As it is the responsibility of the property owner to connect to the sewer lines, charges by the Village begin during the month following the availability of this system.

**Sewer Rates:** The monthly rates and charges imposed for sewer service during the fiscal year were as follows:

	<b>Inside Village</b>	<b>Outside Village</b>
Customer service charge/month (based on meter size):		
5/8 inch meter	\$ 3.09	\$ 3.86
1 inch meter	7.72	9.65
1½ inch meter	15.45	19.31
2 inch meter	30.89	38.62
3 inch meter	61.79	77.23
4 inch meter	92.68	115.85
6 inch meter	185.36	231.70
8 inch meter	278.04	347.55
Volume charge (per 1,000 gallons)	3.33	4.16





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